INTEGRATED ANNUAL REPORT

2021

Your Partner Bank / *Partnering for Digital Growth and a Sustainable Society*

AL BARAKA BANK

VISION

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

MISSION

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

VALUES

We instil the following values and strive to ensure adherence thereto by all our members of staff.

Partnership

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

Driven

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

Neighbourly

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

Peace-of-mind

Our customers can rest assured that their financial interests are being managed by us to the highest ethical standards.

Social contribution

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

CODE OF BUSINESS CONDUCT

We have in place 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;
- Displaying the highest levels of customer confidentiality at all times;
- Creating opportunities for the commitment, loyalty and growth of staff;
- Conforming with International Financial Reporting Standards and to Accounting and Auditing Organisation for Islamic Financial Institutions standards, as well as complying with all laws and regulations;
- Addressing all instances of commercial crime by adopting a policy of zero tolerance against offenders;
- Avoiding being compromised by conflicts of interest; and
- Instilling in staff a discipline of avoiding private business relationships with customers and suppliers.

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

We, of Al Baraka Bank, welcome you, our valued stakeholder, to our 2021 integrated annual report; a document which affords you insights to our 01 January to 31 December 2021 financial year and which provides a concise oversight of our past performance, achievements and future prospects.

Our integrated annual report contains key performance indicators, our business profile and a brief 10-year financial review, as well as details of our leadership, business footprint and a joint statement by the chairman and chief executive.

In addition, we provide details of material matters with which the bank deals, inclusive of human resources, information technology and digitalisation, corporate governance, sustainability, 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 our primary concern as making an effective contribution towards the provision of a fair and equitable financial system in South Africa; one which rewards effort and contributes to the development of the community.

Our foremost objective in this regard is to adequately meet the financial needs of this country's communities by conducting our every business activity in a wholly-ethical manner and in accordance with our beliefs.

In so doing, we practice the highest professional standards and share the mutual benefits with our customers, members of staff and shareholders, all of whom participate in our business success.

"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, it must be stressed that materiality is ascertained by our board of directors, in line with the wishes of our shareholders and various other strategic stakeholder groups.

We remain cognisant of our bank's overriding guiding principles, as described in the IFRS, the Banks Act, Act No. 94 of 1990, the Companies Act, Act No. 71 of 2008, and the King Code of Corporate Governance for South Africa. As such, we apply an integrated thinking philosophy to our overall business and this philosophy is reflected in our adopted strategic direction, in the pursuit of business delivery against our Vision.

BANK DECLARATION

Al Baraka Bank's audit committee is responsible for appraising and submitting our integrated annual report and annual financial statements to the board of directors for its review and approval. The board, having given due consideration to the report, is of the opinion that it satisfactorily addresses all relevant material issues and fairly represents the business and financial performance of Al Baraka Bank.

Yunus Suleman

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Yunus Suleman
Interim chairman

25 March 2022

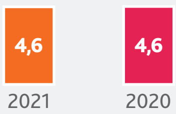
Shabir Chohan

....

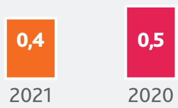
Shabir Chohan
Chief executive

KEY PERFORMANCE INDICATORS

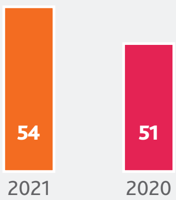
ROE
IN PERCENTAGE



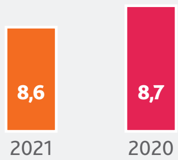
ROA
IN PERCENTAGE



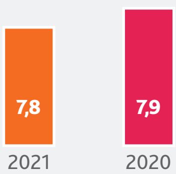
NET PROFIT BEFORE TAXATION
IN MILLIONS



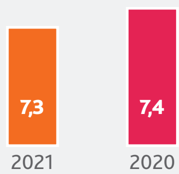
ASSETS
IN BILLIONS



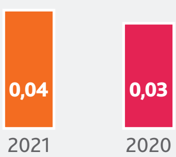
ADVANCES
IN BILLIONS



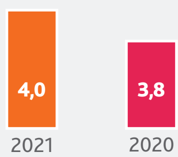
DEPOSITS
IN BILLIONS



BAD DEBT
IN PERCENTAGE



NON-PERFORMING
IN PERCENTAGE



BUSINESS PROFILE

AL BARAKA BANKING GROUP - BAHRAIN
Al Baraka Bank in South Africa is a fully integrated subsidiary of Al Baraka Banking Group B.S.C. (ABG), a Bahrain-based financial institution and global leader in Islamic banking.

ABG is licensed as an Islamic Wholesale Bank by the Central Bank of Bahrain and is listed on the Bahrain Bourse and Nasdaq Dubai. As a leading international Islamic banking group, it provides its unique services in countries with a collective population totalling some 1 billion.

The group has a wide geographical presence in the form of subsidiary banking units and representative offices in 17 countries which, in turn, provide their services through more than 700 branches. ABG has operations in Jordan, Egypt, Tunis, Bahrain, Sudan, Turkey, South Africa, Algeria, Lebanon, Saudi Arabia, Syria, Pakistan, Morocco and Germany. In addition, there are two branches in Iraq and two representative offices in Indonesia and Libya. ABG and its units offer retail, corporate, treasury and investment banking services, strictly in accordance with the principles of Shariah. The authorised capital of ABG is US$2,5 billion.

S&P Global Ratings affirmed its 'BB-/B' long- and short-term ratings on Al Baraka Banking Group B.S.C. on 08 July 2021, whilst revising its outlook on the group to negative from stable. Al Baraka Banking Group has been rated BBB+ (long-term)/A3 (short-term) by the Islamic International Rating Agency (IIRA). IIRA also rated Al Baraka Banking Group on the national scale at A+ (bh)/A2 (bh) with a fiduciary score of 81-85, the highest level amongst Islamic Financial Institutions in the region.

AL BARAKA BANK - SOUTH AFRICA
Al Baraka Bank was established in South Africa in 1989 and is today equipped to offer communities across the country with both a practical and sustainable alternative to conventional banking.

Our Shariah-compliant products and services increasingly appeal to both Muslim and non-Muslim clients. Employing a faith-based system of financial management, Al Baraka Bank's guiding principles are drawn from Shariah, thus upholding the ideal of profit-sharing, while prohibiting the payment or receiving of interest in any transaction.

The bank strives to ensure close personal contact with its clients and sets out to actively live the moral value of 'partnership,' while continuously endeavouring to create, develop and sustain long-term relationships with the people we serve. This enables the bank to cultivate close and meaningful dealings and exchanges to the benefit of both clients and the business.

With our head office located in Durban, our financial institution enjoys a national business footprint, including six retail branches, three corporate banking offices and a regional office. As a commercial and fully-fledged Islamic bank and using our diverse presence country-wide, we are ideally positioned to offer clients a comprehensive bouquet of financial products and services.

As at 31 December 2021, Al Baraka Bank's primary shareholders included the Bahrain-based Al Baraka Banking Group B.S.C. (64,51%), Dominion (SA) (Pty) Ltd. (6,01%), DCD London and Mutual plc (6,60%), Johannesburg-based Timewest Investments (Pty) Ltd. (7,67%), Sedfin (Pty) Ltd. (3,33%) and Esanjo Capital Ltd (2,0%). Foreign and local shareholders represent the balance.

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

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

"AS A LEADING INTERNATIONAL ISLAMIC BANKING GROUP, ABG PROVIDES ITS UNIQUE SERVICES IN COUNTRIES WITH A COLLECTIVE POPULATION TOTALLING SOME 1 BILLION."

Al Baraka Banking 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.

The bank continues to enjoy growth, within the context of the ongoing COVID-19 pandemic, and plays a crucial role in contributing towards addressing and overcoming some of this country's most pressing socio-economic challenges; the result of its ongoing dedication to a series of identified corporate social investment initiatives; initiatives which are afforded still greater emphasis through the alignment of our corporate strategy and social investment responsibilities with the United Nations 2030 Agenda for Sustainable Development.

The most responsible approach to making a telling and sustainable social impact was seen to lie in linking our efforts with Al Baraka Banking Group's existing alignment with the laudable United Nations Development Programme initiative. In so doing, the bank has identified seven of the 17 Sustainable Development Goals through which to make a real impact in South Africa.

TEN-YEAR REVIEW

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statement of Financial Position (Rm)										
Share capital	**322**	322	322	322	322	322	322	322	225	225
Shareholders' interest	**845**	807	771	713	662	627	601	560	381	362
Deposits from customers	**7 333**	7 434	6 180	5 844	5 078	4 634	4 426	4 230	3 941	3 322
Advances and other receivables	**7 840**	7 902	6 522	5 976	5 111	4 646	4 473	4 242	3 753	3 269
Total Assets	**8 583**	8 674	7 363	6 834	5 880	5 329	5 058	4 814	4 411	3 716
Statement of Comprehensive Income (Rm)										
Profit before taxation	**54**	51	102	87	74	58	76	55	40	34
Total comprehensive income for the year	**38**	36	75	65	51	41	56	40	29	25
Share Statistics (Cents)										
Basic and diluted earnings per share	**118**	112	231	203	158	128	171	154	129	112
Headline earnings per share	**118**	112	229	202	162	127	171	154	129	114
Dividend per share	**-**	-	55	55	50	50	45	45	45	45
Net asset value per share	**2 621**	2 502	2 390	2 201	2 052	1 943	1 866	1 736	1 692	1 608
Ratios (%)										
Return on average shareholders' interest	**4,6**	4,6	10,0	9,5	7,9	6,7	9,5	8,5	7,8	7,1
Return on average total assets	**0,4**	0,5	1,0	1,0	0,9	0,8	1,1	0,9	0,7	0,7
Shareholders' interest to total assets	**9,8**	9,3	10,5	10,4	11,3	11,8	11,9	11,6	8,6	9,7

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

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

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

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

OUR LEADERSHIP

As at 31 December 2021, Al Baraka Bank's unitary board structure comprised:

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

NON-INDEPENDENT, NON-EXECUTIVE DIRECTORS

* **SA Randeree (59)** - British
Vice chairman

BA (Hons), MBA

Joined the board in 2003

Board committee memberships

■ DAC ☐ BCC ☐ REMCO

* **MS Paruk (66)** - South African

CA (SA), F.inst.D

Joined the board in 2004

Board committee memberships

☐ BCC ☐ R, CM & CC ☐ AC ☐ REMCO

FA Randeree (47) - British

BA (Hons), MBA

Joined the board in 2021

Board committee memberships

☐ BCC

MK Manna (54) - Jordanian

BSc Economics

Joined the board in 2021

INDEPENDENT NON-EXECUTIVE DIRECTORS

MJD Courtiade (67) - French

CA (SA)

Joined the board in 2004

Board committee memberships

☐ R, CM & CC ■ BCC ☐ REMCO

** **YGH Suleman (64)** - South African

CA (SA)

Joined by board in 2016

Board committee memberships

■ AC ☐ REMCO ☐ DAC

*** **Adv. JMA Cane SC (55)** - South African

LLB, LLM

Joined the board in 2018

Board committee memberships

☐ R, CM & CC ☐ AC ☐ DAC ■ REMCO

ZH Fakey (47) - South African

CA (SA)

Joined the board in 2019

Board committee memberships

☐ AC ☐ SEC ☐ BCC ■ R, CM & CC

SM Nyasulu (39) - South African

LLB

Joined the board in 2020

Board committee memberships

☐ R, CM & CC ■ SEC

EXECUTIVE DIRECTORS

SAE Chohan (56) - South African
Chief executive

CA (SA)

Joined the board in 2004

Board committee memberships

☐ BCC ☐ SEC

M Kaka (42) - South African
Chief operating officer

CA (SA)

Joined the board in 2015

Board committee memberships

☐ BCC

A Ameed (40) - 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

* Resigned with effect from 01 January 2022
** Appointed interim chairman on 14 January 2022
*** Appointed lead independent director on 31 January 2022

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

CORPORATE OFFICES
GENERAL MANAGER:
I Yuseph

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

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

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

RETAIL BRANCHES
GENERAL MANAGER: N Seedat

KINGSMEAD (DURBAN)
Sales manager: R Karodia
2 Kingsmead Boulevard, Kingsmead Office Park
Stalwart Simelane Street, Durban, 4001
PO Box 4395, Durban, 4000

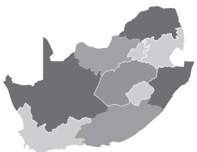
OVERPORT (DURBAN)
Sales manager: Z Daniels
Shop 11, Gem Towers, 98 Overport Drive
Durban, 4001
PO Box 4395, Durban, 4000

FORDSBURG (JOHANNESBURG)
Sales manager: A Mia
32 Dolly Rathebe Road, Fordsburg, 2092
PO Box 42897, Fordsburg, 2033

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

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

ATHLONE (CAPE TOWN)
Branch manager: A Abrahams
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

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

ECONOMIC REVIEW
South Africa's economy recorded a significant improvement in 2021 compared with 2020, with growth coming in at close to 5%, having contracted the previous year by 6,4%. Part of the reason was comparison against a very depressed base of activity in 2020 resulting from strict lockdowns introduced to fight COVID-19.

Other positive dynamics included savings incurred by working from home, a reluctance to spend on restaurants, leisure activities and holidays for fear of contracting the virus and, most of all, the persistence of debt-servicing costs at levels 30% below what they had been prior to the onset of the Coronavirus crisis. However, the most beneficial impulse was a surge in commodities prices that South Africa produces on the back of much faster global economic activity. The earlier-than-expected roll-out of vaccinations, together with massive fiscal and monetary stimulus to fight the effects of the lockdowns globally introduced to combat the spread of the virus, as well as supply shortages, assisted in transforming South Africa's trade and current account balances to the biggest surpluses recorded in recent history.

As a result, the Rand firmed, inflation remained more subdued than in other countries, and interest rates remained low. Higher growth also helped stabilise the perilous fiscal situation through far better tax revenues than anticipated. Unfortunately, the global economy is losing momentum, commodity prices seem to be topping-out, inflation globally is surging, global monetary policies are being tightened and the South African Reserve Bank has been obliged to increase interest rates and looks set to continue doing so in the coming year.

Consequently, structural impediments to economic growth are likely to see economic activity sliding back to a pedestrian pace insufficient to prevent unemployment from increasing further. Unless the Government introduces reforms to restructure the economy appropriately, many of the problems confronting the economy are likely to remain.

ALBARAKA BANKING GROUP
Al Baraka Bank in South Africa is a subsidiary of the Bahrain-based Al Baraka Banking Group.

ABG is licensed as an Islamic Wholesale Bank by the Central Bank of Bahrain and is listed on the Bahrain Bourse and Nasdaq Dubai Stock Exchanges. However, in December 2020 Al Baraka Banking Group shareholders approved a decision to seek a change to its licence, from wholesale banking to an Investment Firm, Category (1). The change will not affect the continuance of its units around the world as subsidiaries of the Group. The Group and its subsidiary units offer retail, corporate, treasury and investment banking services, strictly in accordance with the principles of Shariah.

In spite of the economic impact of the global COVID-19 pandemic, the Group maintained its growth trajectory, posting financial results for the 2021 financial year, which saw total assets of US$28,18 billion.

The South African subsidiary's chairman, Mr Adnan Yousif, retired from his position as chief executive officer of Al Baraka Banking Group - a post he has held with great distinction - effective 31 December 2020. The decision to retire follows many years of unstinting service to Islamic banking generally and to the Group specifically. It is confirmed that his role as chairman of Al Baraka Bank in South Africa came to an end on 30 April 2021 after holding this position since 2005. His knowledge and experience to date has contributed immeasurably to our organisation's growth during past years.

Mr Mazin Manna, a well-known banker in the Middle East region with extensive knowledge in Islamic banking, was appointed Al Baraka Banking Group's new chief executive officer, effective 01 January 2021. Prior to this Mr Manna was chief executive officer of Abu Dhabi Islamic Bank. He has held many positions within the banking sector in the Middle East region and was also the chief executive officer of Citi Islamic Investment Bank in Bahrain.

"THE BANK'S NET PROFIT IN 2021 REFLECTED A 3% INCREASE, WHILE ADVANCES GREW BY AN APPRECIABLE 18%, PICKING UP SIGNIFICANTLY TOWARDS THE END OF THE REVIEW PERIOD, DEMONSTRATING A POSITIVE UPTICK IN PERFORMANCE WHILST BUSINESS NAVIGATES THROUGH THE CHALLENGES OF THE PAST TWO FINANCIAL PERIODS."

2021 FINANCIAL PERFORMANCE: SOUTH AFRICAN SUBSIDIARY
The economic effects of the COVID-19 pandemic and resultant precautionary health measures implemented continued to be felt across the business spectrum in South Africa during 2021.

Unsurprisingly, Al Baraka Bank's financial performance was negatively impacted as the pandemic tightened its grip through the year, a situation sadly further exacerbated by the social unrest which affected both KwaZulu-Natal and Gauteng provinces in July 2021.

Such unrest further degraded business confidence in, especially, the two affected regions and the country generally. The annihilation of so many business enterprises led to fears of disinvestment and flight to other, more stable parts of the country, whilst the wanton destruction saw an unnecessary increase in unemployment, leading to further economic hardship for an already hard-hit society.

Consequently, the 2021 financial year witnessed the bank posting disappointing net income, before tax, of R54 million, reflecting marginal growth over the previous year, but indicative of the prevailing negative business sentiment.

Pandemic-related restrictions and the attendant air-travel ban severely affected our foreign exchange income levels, whilst our cost income ratio reached a totally unacceptable 80%, worsening in 2021 from 2020's 78%, which itself was 8% up on the 2019 financial year.

The difficult situation experienced throughout the review period prompted the necessity for tighter measures by the country's financial regulators. However, whilst not under-estimating the catastrophic effect on business sentiment during the past two financial years, as a direct outcome of the pandemic and, latterly, the issue of social unrest, there is cause for cautious optimism.

The bank's net profit in 2021 reflected a 3% increase, while advances grew by an appreciable 18%, picking up significantly towards the end of the review period, demonstrating a positive uptick in performance whilst business navigates through the challenges of the past two financial periods.

In light of this and other economic indicators, it is envisaged that 2022 will mark the beginning of renewed business growth and a resurgence of the South African economy.

Given the difficulties of the past two financial years, business transformation was regarded as key to improving the bank's efficiency ratios and to ensuring long-term business sustainability.

A degree of restructuring was introduced in 2021, leading to an unfortunate - though very necessary - reduction in the bank's head-count.

Adopting a pragmatic approach, we looked to consolidate our national footprint, in terms of which we made the decision to close our Rosebank branch. In addition and as a component of business transformation, we opted to create three focused units within the bank, being corporate, SMME and retail.

This approach enables distinct and improved market segmentation and affords us the capacity and capability to better conduct business and to enhance our ability to improve the customer journey and to exceed their expectations.

Crucially during the 2021 financial year, we received approval from the regulatory authorities for the issuance of a R500 million Tier 1 Sukuk (investment certificates), which will give effect to assisting our capital management strategy into the future, funding further business growth and enabling us to significantly extend our market reach. Application for the R500 million Tier 1 Sukuk was made during the 2020 financial year and followed the exceptional interest in and success of our previous Tier 2 Sukuk.

This investment option has attracted exceptional investor support throughout the country in the past. The implementation of another Sukuk opportunity affords our stakeholders the superb prospect of again taking up a highly attractive Shariah-compliant investment option.

In addition, we are aware that the South African Government has announced that it is set to issue a Sovereign Local Islamic Sukuk and that the National Treasury is close to finalising this much-needed product. Such issuance will have the undoubted effect of further assisting our bank in managing liquidity and profitability going forward.

DIVIDEND

In view of the prevailing circumstances regarding the ongoing nature of the COVID-19 pandemic and its effects on the business environment and economic outlook, Al Baraka Bank made the decision not to declare a dividend in the 2021 financial year.

SIGNIFICANT ACHIEVEMENTS

The bank's pandemic-affected and violence-torn 2021 financial year was not without its developmental achievements.

Technology in business is key to the future and we have fully embraced the fourth industrial revolution, recognising that technology-driven business solutions and offerings are critical in South Africa's fast-evolving financial services sector.

Our digitalisation programme, approved in 2019 and since hastened by the global health crisis, is a key priority for our bank - in line with the digitalisation endeavours of Al Baraka Banking Group.

Our new core banking system, introduced in 2020, is - after a full year's operation - fully bedded-in and has brought with it a range of benefits, noteworthy amongst which is the fact that we are able to draw the vast majority of necessary data from a single source. This has given effect to the considerably enhanced management and utilisation of data and, with it, radical new business efficiencies.

Much effort and resources were ploughed into the development of the bank's first mobile App during the review period. Although not a new phenenom in the broader market, its creation - with significant investment - was a first for the bank and, given the ongoing nature of the pandemic, a most timely intervention.

The new App's live introduction in February 2022 was poised to deliver strategic benefits for both its users and the bank and comprised the first stage of a series of innovative digital initiatives as regards our App development programme, which is driven by a single-minded purpose; that of appreciably enhancing our customer service, so as to retain and acquire customers for whom service excellence is a minimum requirement.

In an effort to further grow our business, the 2021 financial year saw our development of an online portal, designed specifically for customer applications for residential properties and motor vehicles. The portal, which brings to customers an altogether new level of convenience in the uptake of the bank's financial product offering is scheduled to go live in May 2022.

Extensive work was also undertaken on the bank's website, transforming its design and identity to be aligned with that of Al Baraka Banking Group, whilst creating a strategic and user-friendly communications platform for the benefit of customers and other stakeholder groups.

Pleasingly and in the face of the most trying of operating circumstances, Al Baraka South Africa was named as a country winner in Global Finance magazine's 'World's Best Islamic Financial Institution' awards for 2021.

This international award recognised the bank's achievement during this challenging period, together with a widened product portfolio, enhanced service, technology investment and increased market reach, as well as having recorded good growth in deposit-taking activities in 2021, with surplus cash invested in Shariah-compliant equity finance and Mudaraba deposits together with advances.

We were extremely grateful and most humbled by this international business accolade, given that 2020, so badly affected by the COVID-19 pandemic, was a hugely difficult period for business and private citizens alike.

HUMAN RESOURCES

With the COVID-19 pandemic entering its second year in 2021, it was clear that we required an intense human resources focus on the safety and well-being of our members of staff, if we were to continue maintaining optimum business service delivery.

Uncertainty about the future and how long the pandemic would last had the potential to cause stress and anxiety, with a resultant negative effect on morale and productivity. This was not helped by the outbreak of social unrest in the middle of the year.

Accordingly and working in conjunction with a number of service providers, we ensured the availability of free counselling for our members of staff and their family members, so assisting them to cope with the unprecedented challenges emanating from the health crisis and violence experienced during the period.

In addition and with the national roll-out of vaccines, we introduced a communications campaign to encourage staff to become vaccinated. A number of awareness sessions were conducted by professionals in the fields of medicine and psychology to discuss vaccination and mental health concerns.

We also facilitated the hosting of a number of vaccination sites in order to assist our members of staff and their families to be vaccinated during the course of the review period.

CORPORATE SOCIAL INVESTMENT

Government restrictions imposed to assist in containing and minimising the spread of the virus had a detrimental effect on our bank's ability to execute its corporate social responsibility programme in the 2021 financial year.

Whilst we recognise that business has a major role to play in addressing some of this country's socio-economic challenges, and we have a comprehensive programme in place, efforts to assist in this space have been severely compromised.

However and in spite of the prevailing conditions, we were pleased to have been able to undertake limited interventions for the benefit

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

of the needy. Initiatives undertaken during 2021 included a national shoe drive, providing needy learners with school shoes, a Winter Warmth blanket distribution programme across South Africa, a national initiative to deliver hampers containing treats and toys to young orphans and assistance to a severely disadvantaged rurally-based school.

In addition, we provided food hampers to health workers on the frontline and collaborated in a Non-Government Organisation's feeding scheme for the homeless.

Thus, the 2021 financial year witnessed our donation of R2,42 million to these causes, whilst an additional R3 million was donated to a charitable trust.

THE FUTURE

Heading into a third consecutive year of restrictions associated with the pandemic, the immediate future heralds a level of uncertainty and 2022 is likely to pose continued and new challenges for South Africa's business community and society generally.

The depressed economy, with the looming shadow of the country's ever-present energy crisis, will take considerable time to recover. However, there is room for optimism.

There are encouraging signs of an economic resurgence and we, at Al Baraka Bank, are cautiously confident that the initiatives we have developed and interventions we have implemented during the economic hiatus of 2021 will bear fruit, leading to double-digit growth for the bank in 2022 and the anticipation of a noteworthy improvement in our financial results over those achieved in the 2021 period.

APPRECIATION

Mr Adnan Yousif, who retired from his position as Chief Executive Officer of Al Baraka Banking Group in Bahrain in December 2020, went on to retire from his position as chairman of our board in April 2021.

He has played a sizeable role in the growth and development of our bank during his years as chairman and we thank him most sincerely for his invaluable input, the vast experience he brought to the position and for the expertise and wise counsel he shared with his colleagues.

Current board member, Mr Yunus Suleman, was appointed interim chairman of the bank on the back of Mr Yousif's retirement, and we thank him for his acceptance of this challenging role.

We also bade farewell to two long-serving directors, Mr SA Randeree and Mr MS Paruk, both of whom retired effective December 2021. Mr Randeree joined the board in 2003 and went on to serve as vice chairman. Mr Paruk became a director in 2004 and served on several board committees. Both contributed appreciably to the growth and development of the bank during their tenure, bringing keen insights to the board's decision-making process.

In addition, we were extremely pleased in November 2021 to welcome onto the board, as a non-independent, non-executive director, Mr Mazin Manna, who succeeded Mr Yousif as Al Baraka Banking Group's new Group chief executive officer. Mr Manna is a graduate of the London School of Economics and Political Science and brings to our board almost three decades of banking and financial services experience.

We were also very pleased to welcome Mr Faisel Randeree to the board as a non-independent, non-executive director.

His appointment was effective 01 July 2021 and we greatly look forward to his input to our discussions and decision-making with regard to, especially, his finance, commercial real estate and property industry expertise.

In closing, we extend our grateful thanks to Al Baraka Banking Group for its continued support during the difficulties associated with the review period.

Our association with the Group and its international standing has most certainly enabled our subsidiary to weather the effects of both the pandemic and the social unrest.

We are further indebted to the members of the board for the leadership they have displayed in navigating these troubled business times and for their business acumen and bold decision-making prowess. Their wise counsel has stood us in good stead and positioned the company for a resurgence of growth, ensuring our long-term sustainability.

To all our members of staff, we offer our heartfelt thanks for their efforts in negotiating a challenging business environment, fraught with new digitalisation challenges, remote versus office working arrangements, the re-engineering of the business and the undoubted health risks, together with the challenges associated with attempting to maintain a sense of well-being.

Lastly, our sincere thanks go to our loyal shareholders, clients and staff for your unreserved support for and belief in Al Baraka Bank.

Thank you too, for your understanding and patience as we strive to deliver in an operating environment dubbed 'the new normal.'

To all our stakeholder groups, it is our unswerving belief that the pandemic will be laid to rest and that we should not become hamstrung by inertia, but rather partner now for digital growth and a sustainable future in a post-pandemic South Africa.

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

Yunus Suleman

Yunus Suleman
Interim chairman

Shabir Chohan

Shabir Chohan
Chief executive

25 March 2022

HUMAN RESOURCES REPORT

The human resources strategies for the 2021 financial year were focused significantly on organisational development, operational restructuring aligned to efficiencies, adaptation to technology and change management.

HYBRID WORKING ENVIRONMENT
As a consequence of the COVID-19 national lockdown and related restrictions faced by employers, the bank successfully implemented a hybrid working environment which involved a combination of working remotely from home and working at the office.

Our professionally-qualified and well-trained staff adapted effectively to the rapidly changing workspaces, whilst continuing to maintain a high level of productivity.

In the interests of customer service and accessibility to our valued clients, our banking and sales divisions continued operating at the office and our various branches around the country remained open to customers.

RESTRUCTURING FOR EFFICIENCY AND ENHANCED PROFITABILITY
The restructuring of the bank's retail and corporate operations was successfully executed, with the strategic intention of bringing about enhanced profitability, as well as improved efficiencies and customer service levels.

We view transformation as a continuous journey; one geared to ensuring optimal efficiency and we are, therefore, confident that this evolutionary process will enable the organisation to emerge as a bank of the future.

It is our objective to gain an improved competitive edge within South Africa's ever-changing financial services industry landscape by delivering niche products and services to our customers.

ADAPTATION TO BUSINESS PROCESS RE-ENGINEERING AND NEW TECHNOLOGY
The restructuring process, as well as the introduction of new technological advancements, such as robotic process automation, have without doubt resulted in effective business process re-engineering.

Consequently, significant changes to policies, procedures and workflows were implemented in order to bring about enhanced efficiencies. Our multi-skilled employees, who were part and parcel of the creation of change, were able to successfully re-invent themselves through the process of redeployment and job description modification.

SUCCESSION PLANNING
Al Baraka Bank prides itself on its ability to impart knowledge and skills from one level of work to another through effective leadership and meaningful engagement with employees.

Succession planning, through multi-skilling and experiential learning, have given effect to employees seamlessly slotting into new roles during the restructuring process.

The bank continues creating and maintaining a pipeline of talent at both leadership and other critical skill levels, thus ensuring that the organisation continues to operate efficiently in the event of natural attrition.

The succession planning matrix is monitored closely by executive management and the remuneration committee of the board.

TRAINING AND DEVELOPMENT
The advent of the COVID-19 pandemic, which necessitated the introduction of social distancing, resulted in learning and development taking place on a remote basis.

The use of technology through the bank's learning management systems has enabled the organisation to continue training and developing members of staff in a manner that creates both efficiency and autonomy.

The bank continues to place keen emphasis on improving our learning environment in order to ensure that employees are adequately skilled to deliver exceptional performance and service delivery on behalf of our customers.

CHANGE MANAGEMENT
Consultation, transparent feedback and engagement with employees at all stages of the change process allowed the bank to successfully navigate challenges and remove barriers to effective transformation.

Our guiding principles in our approach to change were anchored in our values and the need to maintain fairness and ethical conduct in our relationship with employees.

Organisational development, in keeping with the fourth industrial revolution trend of digitalisation, remains a focus area for the bank into the future.

EMPLOYEE WELL-BEING
The emotional well-being and mental health of our employees continues to be a priority for the bank.

We recognise that uncertainty, due to various internal and external factors, may result in stress and anxiety, which ultimately impacts employee morale and productivity.

The COVID-19 pandemic, and the unfortunate outbreak of civil unrest in the middle of the review period, resulted in great distress among our members of staff, clients and the broader community.

However, in the true spirit of Al Baraka Bank's values and ethos of partnership, we collaborated with various service providers in a concerted effort to bring relief to both our staff and the broader community during and after this regrettable period.

The bank made available free counselling to our employees and their families as a means of assisting them to cope with challenges, inclusive of those brought about by both the COVID-19 pandemic and the civil unrest.

The bank recognises the importance of encouraging staff to be vaccinated in order to reduce the disastrous effects of the pandemic on the health and well-being of members of staff and the economy.

For the ease of facilitation and the comfort of our staff, the bank successfully hosted vaccination sites across the country, thus assisting staff members and their family members to be vaccinated.

The bank continues to promote the importance of vaccinations by way of constant communication and feedback.

Several awareness sessions were conducted by professionals in the fields of medicine and psychology, so as to address the vaccination topic specifically and mental health in the workplace generally.

HUMAN
RESOURCES REPORT (CONTINUED)

Workforce profile as at 31 December 2021

	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	29	10	4	2	33	12	45
Skilled technical and academically-qualified workers, junior management and supervisors	63	84	1	1	64	85	149
Semi-skilled and discretionary decision-making	19	53	1	0	20	53	73
Unskilled and defined decision-making	0	1	0	0	0	1	1
Total	**115**	**148**	**6**	**3**	**121**	**151**	**272**

AIC* = AFRICAN, INDIAN AND COLOURED

INFORMATION TECHNOLOGY & DIGITALISATION REPORT

DIGITAL TRANSFORMATION
Digital transformation and acceleration of initiatives underpinned efforts for the period under review, in line with the five digital business themes, being Redefining Customer Experience, People Engagement, Process Innovation, Product Innovation and Leveraging Core Banking Systems.

Organisational resilience, supported by digitalisation initiatives, saw the mobilisation of business through a period of hybrid operations. This strengthened the bank's agility to adapt to change.

CORE BANKING SYSTEM
The Core Banking System settled in following the migration of historical data with regulated processes and the normalisation of operations amongst banking and back-office staff.

Concurrently, several post-implementation requirements were addressed. Integration of our Electronic Document Management System, with Digital Signatures, improved the efficiency of our on-boarding processes. The bank is also exploring Remote Digital Signatures, with a proof-of-concept in progress, to assess feasibility and - if successful - will follow with implementation planning to complement our digital on-boarding capabilities.

MOBILE BANKING APP
Developments in the Mobile Banking App space were focused on Transactional Banking, with seamless registration, secure identity verification, smart interface and optimised layout for ease of use and transacting.

Functionality for the on-boarding of individuals is envisaged after the main transactional banking release, while application for finance has commenced for analysis, testing and development. This solution will enable both existing and new customers to apply for finance online, and features an integrated back-office with automated customer feedback. In addition, Corporate Banking features will be included in the new digital channels.

BUSINESS INTELLIGENCE
With regard to data analytics, Power BI gained traction with a number of reports developed to assist with key monitoring areas. With this technology becoming easily accessible, a broader range of users are now able to take advantage of this without requiring special development skills. As more users become familiar with the technology, it is expected that greater insights into key business areas can be achieved by understanding the data better.

PROCESS AUTOMATION
Robotic Process Automation (RPA) developments realised the benefits of robots working autonomously and continuously within several operational areas.

New RPA developments focusing on bank statement allocations, improved processing levels appreciably compared against manual capturing. The opportunities and application to business cases for RPA are wide and with the use of this technology becoming increasingly entrenched, we expect further efficiencies to be achieved in the ensuing period.

ELECTRONIC BANKING
During the pandemic, the bank explored avenues to enhance the customer experience and the customers' ease of transacting. Al Baraka Bank's customers have always enjoyed the convenience of withdrawing cash at participating retailers and customers may now also make cash deposits directly into their Transactional Banking accounts using till points in the stores of the two participating major supermarket chains.

The bank implemented a Deposit at Till feature in 2020, allowing customers the ability to deposit cash with their cards at participating Pick 'n Pay and Boxer stores. The feature was further enhanced in 2021, with cash deposits being processed at Checkers, Shoprite and Usave stores representing a significant expansion of our national footprint and enabling greater convenience for our customers around the country.

"DEVELOPMENTS IN THE MOBILE BANKING APP SPACE WERE FOCUSED ON TRANSACTIONAL BANKING, WITH SEAMLESS REGISTRATION, SECURE IDENTITY VERIFICATION, SMART INTERFACE AND OPTIMISED LAYOUT FOR EASE OF USE AND TRANSACTING."

The banking industry embarked on the sun-setting of cheques and the project received focus from both the payment association and regulators. The bank successfully saw the cheque era come to an end in January 2021.

THE HYBRID OFFICE
Remote work operations, regulated by a work-from-home policy, have become part of the hybrid environment, affording flexibility for staff members to continue meeting business needs while remaining productive through collaborative workspaces.

The digital ecosystem includes the Microsoft 365 suite of applications, with awareness sessions to encourage staff to maximise the use of these productivity tools. The adoption of cloud technologies minimised the dependency on legacy infrastructure, with additional systems being considered in the cloud journey.

CYBER SECURITY
Cyber security risks increased at a global level and while these are not new, the move towards a digital society presents new methods for criminals to hide their identities and target victims.

The bank regularly conducts cyber security awareness training through learning programmes and communications. Independent security monitoring services provides 24/7 visibility of critical security end-points, complemented by threat advisory services and ongoing efforts to harden the bank's layers of defence.

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

BUSINESS CONTINUITY
In the event of business disruption, disaster recovery and continuity plans are in place for critical operations. This includes High Availability Systems, replicated to an off-site Data Centre in Gauteng with access to cold recovery Data Centres at major locations around the country. Disaster recovery testing was conducted during the period under review with the successful failover of selected systems, thus reinforcing the bank's operational resilience capabilities.

LOOKING AHEAD
Digitalisation, data analytics and agile infrastructure are amongst the key-enablers to leverage technologies and respond to changes supported by a learning organisation culture. Mobile banking developments are foundational to expanding the bank's digital footprint with opportunities to enhance internal and external customer experiences, generate revenue through the facilitation of transactions, transform business processes and solve legacy-based inefficiencies.

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

CORPORATE GOVERNANCE REPORT

The board recognises that the application of a robust governance framework is essential in order to build value for Al Baraka Bank's stakeholders.

The development and enhancement of the bank's governance framework has enabled the organisation, during the course of 2021, to perform at its optimum, remain sustainable and deliver on both its corporate obligations and regulatory requirements.

As the COVID-19 crisis continued to unfold during the period under review, the board ensured that good governance principles remained at the core of every thought, decision made and action taken.

The board remained committed to the principles of the King IV Report on Corporate Governance with its primary objective being to lead ethically and effectively, guiding the business through the pandemic in a sustainable and collaborative manner.

The board positively embraced the rapidly changing nature of the business environment within which the bank operates and sought to harmonise the approach between conformance and performance, with the objective of conducting the business of the bank in a responsible and efficient manner.

ROLE AND FUNCTION OF THE BOARD

The board of directors serves as the focal point of corporate governance for the bank.

It is responsible for determining the strategic direction of the organisation and, ultimately, ensuring that its long and short-term strategy remains consistent with the underlying core values of the bank.

The board functions within the ambit of a comprehensively written charter.

This is subject to regular reviews and complies with the provisions of the Companies Act, the Bank's Act, the bank's Memorandum of Incorporation and the King IV Report on Corporate Governance.

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the period under review.

The board met on four occasions in 2021 and once separately with the Prudential Authority of the South African Reserve Bank.

This meeting formed part of the bank's annual prudential programme with the Prudential Authority.

BOARD COMPOSITION AND STRUCTURE

5 Independent Non-Executive
4 Non-Executive
3 Executive

"AS THE COVID-19 CRISIS CONTINUED TO UNFOLD DURING THE PERIOD UNDER REVIEW, THE BOARD ENSURED THAT GOOD GOVERNANCE PRINCIPLES REMAINED AT THE CORE OF EVERY THOUGHT, DECISIONS MADE AND ACTION TAKEN."

Al Baraka Bank has a unitary board structure, which consisted of 12 directors for the period under review. With the retirement of two long-serving directors, Mr SA Randeree, the vice chairman of the board, and Mr MS Paruk, with effect from 01 January 2022, the board decreased to 10 directors.

The chairman of the board, Mr AA Yousif, retired on 30 April 2021. With effect from 14 January 2022, Mr YGH Suleman has been appointed interim chairman of the board.

Following the introduction of Directive 4/2018, which addresses matters related to the promotion of sound corporate governance through the Prudential Authority, the independence classification of the directors has changed significantly.

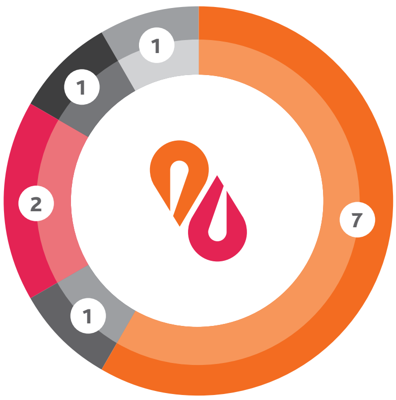
In terms of the directive, five of the directors are classified as independent non-executive directors and four as non-executive directors, with the remainder of the directors being executive directors.

The executive directors consist of the chief executive, the chief operating officer and the financial director.

The board, in consultation with the directors affairs committee, has implemented a remediation plan to give effect to the requirements of Directive 4/2018, which also seeks to address issues of diversity, skills and experience.

In terms of the remediation plan, the board continues to possess a broad range of skills, experience and industry knowledge.

DIRECTOR SKILLS AND QUALIFICATIONS



7 CA (SA)
1 BSc
2 MBA
1 LLB
1 LLM

The different skill sets and attributes which the directors bring to the board enables robust decision-making and strategy-setting, as well as ensuring an appropriate balance of power and authority, such that no one individual 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 the respective board committees.

This process focuses on ensuring that, ultimately, the board has the requisite skills for transitioning into the years ahead, especially within the banking sector.

The review also provides the bank with an appropriate opportunity to conduct the process of succession planning. In addition, the process of complying with Directive 4/2018 is a continuous process and will continue to feature as a board corporate governance requirement in future.

DIRECTOR AGE ANALYSIS

5 Under 50 years
4 Between 50 and 60 years
3 Over 60 years

APPOINTMENTS AND RETIREMENTS

Having conducted its review of the board and board committee composition, the board of directors supported recommendations made by the directors' affairs committee and appointed two directors in 2021, namely, Mr M Manna and Mr F Randeree as non-independent, non-executive directors.

Mr Manna serves as the group chief executive of the Al Baraka Banking Group.

He comes with three decades of experience in the banking and financial sector and will play a key role in ensuring alignment of the board's strategy with that of the Al Baraka Banking Group.

Mr Randeree is a businessman from the United Kingdom and brings a wealth of experience within the commercial real estate and property industry.

FUTURE PLANNING

The Board fully embraces the recommendations of King IV with regard to succession planning, as well as Directive 4/2018 released by the Prudential Authority of the Reserve Bank.

The board remains committed to the implementation of the requirements of the Directive and has, through the directors' affairs committee, developed a comprehensive remediation plan in order to give effect to its requirements.

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. In giving effect to this, ten long-serving directors have stepped down from the board since 2016.

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

ASSESSMENT OF INDEPENDENCE

As indicated earlier in this report, the release of Directive 4/2018 has significantly impacted on the criteria relating to the independence of directors and more especially in that non-executive directors who have served for a period of nine years or more are no longer classified as independent.

The implementation of the bank's remediation plan will serve as a strategic tool to ensure that the board consists of an appropriate balance of independent and non-independent directors.

DELEGATION OF AUTHORITY POLICY

The bank's delegation of authority policy is reviewed every two years. During the course of 2021, the board, in consultation with the risk, capital management & compliance committee reviewed and approved the bank's delegation of authority policy. The next review shall take place in 2023.

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

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

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

DIRECTOR DEVELOPMENT AND INDUCTION

Given the continuous changes within the banking environment, the board has prioritised 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 monitored by the directors' affairs committee.

During the course of 2021, various virtually-based training interventions were undertaken by the directors.

The board was formally briefed on the latest developments in terms of anti-money laundering, as well as undergoing a session on cyber risk by an industry expert in the fields of disruptive innovation, business re-imagination and emerging technologies.

Following their appointment, new directors are supplied a comprehensive director induction pack, which provides an extensive overview of the business operations of the bank and the portfolios of all management areas.

Given the disruptions caused by the COVID-19 pandemic during 2021, the bank will be providing board members the opportunity to attend a board banking leadership programme in 2022 on a virtual basis.

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

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 2021 performance evaluations were facilitated by an external service provider, as

CORPORATE GOVERNANCE REPORT (CONTINUED)

was undertaken in 2020, the results of which were shared with all directors.

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 effectiveness.

BOARD AND COMMITTEE ATTENDANCE

The table below records the attendance of the board and board committee members in respect of board and board committee meetings held in 2021:

Name of Director/Member	Board	Audit	Risk, capital management & compliance	Board credit	Directors' affairs	REMCO	Social and ethics
AA Yousif [1&2]	1/4	-	-	-	-	-	-
SA Randeree [3]	4/4	-	-	2/4[1&9]	4/4[1]	2/3	-
M Manna [6]	1/4	-	-	-	-	-	-
FA Randeree [5]	2/4	-	-	1/4[8]	-	-	-
Z Fakey	4/4	6/6	6/6[1]	1/4[8]	-	-	2/2
YGH Suleman	4/4	6/6[1]	-	-	4/4	3/3	-
Adv. JMA Cane	3/4	-	5/6	-	4/4	3/3[1]	-
MS Paruk [4]	4/4	6/6	6/6	4/4	-	3/3	-
MJD Courtiade	4/4	-	6/6	4/4[1&10]	-	1/3[11]	-
SM Nyasulu	4/4	-	1/6[7]	-	-	-	2/2[1]
SAE Chohan	4/4	-	-	4/4	-	-	2/2
A Ameed	4/4	-	6/6	-	-	-	-
M Kaka	4/4	-	-	4/4	-	-	-
EM Hassan	–	-	6/6	4/4	-	-	-

1 = Chairman
2 = Retired on 30 April 2021
3 = Vice-chairman and retired on 31 December 2021
4 = Retired on 31 December 2021
5 = Appointed on 01 July 2021
6 = Appointed on 24 November 2021
7 = Attendance from 01 October 2021
8 = Attendance from 01 October 2021
9 = Retired as chairman of BCC from 21 September 2021
10 = Appointed chairman from 21 September 2021
11 = Attendance from 01 October 2021

BOARD COMMITTEES

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

There are six standing committees, appointed by the board, to assist it to meet its objectives. These include the:

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

Included in the bank's governance framework are also various management committees, whose objectives are to support the board and board committees in the execution of their mandates. They include the:

- Executive management committee;
- Executive credit committee;
- Management risk committee;
- Assets and liabilities committee;
- IT steering committee; and
- Crisis management 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 Bank's 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, met on six occasions during 2021 and confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review. The three members of the Audit Committee are financially literate.

....

YGH Suleman
Chairman: audit committee (until 13 January 2022)

RISK, CAPITAL MANAGEMENT & COMPLIANCE COMMITTEE

The purpose of the risk, capital management & compliance committee is to provide assistance to 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 & 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 & compliance committee met on six occasions during 2021 and confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review.

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Z Fakey
Chairman: risk, capital management & 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 the delegated powers of authority and credit mandates, which includes the monitoring of large exposures and group-connected party lending exposures;
- Overseeing the administration and effectiveness of and compliance with Al Baraka Bank's credit policies through the review of such policies, reports and other information as it deems appropriate;
- Ensuring that the bank's credit risk management process is aligned with Al Baraka Banking Group's credit risk strategy;
- Monitoring the overall credit review process taking into account the quantitative and qualitative assessment of the credit worthiness of debtors;
- Monitoring the credit recovery processes, together with the progress made on matters handed over for legal action. This includes the approval of write-offs of debtor accounts within its delegated framework; and
- Ensuring that the bank complies with all regulatory returns in respect of credit risk functions.

In overseeing the impact of COVID-19 on the credit portfolio, key agenda items for 2021 included 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 2021 and confirms that it has fulfilled its responsibilities, as set-out in its charter for the year under review.

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MJD Courtiade
Chairman: board credit committee

DIRECTORS' AFFAIRS COMMITTEE

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

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

- Reviewing on a regular basis the composition, skills, experience and other qualities required for the effective functioning of the board;
- Monitoring and maintaining the board-approved directors succession plan and matters relating to the nomination of new directors according to the board-approved policy, in line with Directive 4/2018;
- Monitoring the adequacy and effectiveness of the bank's corporate governance structures, in line with prevailing legislation and regulations within the banking sector;
- Assisting the board in ensuring that the performance evaluation of the board and board sub-committees, the chairman and individual members supports continued improvement in its performance and effectiveness;
- Assisting the board in ensuring that the bank is, at all times, 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 four times during the course of 2021 and is satisfied that it has fulfilled its responsibilities as set-out in its charter for the year under review. Membership of the directors' affairs committee is, in terms of section 64B of the Bank's Act, limited to non-executive directors. The chief executive attends meetings of the committee by invitation only.

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SA Randeree
Chairman: directors' affairs committee (until 31 December 2021)

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

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

- Making recommendations to the board on the bank's remuneration policy that articulates and gives effect to fair, responsible and transparent remuneration across the organisation;
- Making recommendations to the board on succession planning, both at senior management and executive management level, general staff policy, benefits, bonuses and incentive schemes;
- Ensuring that a comprehensive employment equity policy exists that addresses a range of key issues, such as discrimination, disputes, affirmative action and disciplinary action;
- Ensuring that the appropriate quality of staff are 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 on three occasions during the course of 2021 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.

During the period under review, Mr MS Paruk retired as chairman of the committee and was replaced by Adv. JMA Cane SC. Mr Paruk continued to serve on the committee until his retirement from the board on 31 December 2021.

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Adv. JMA Cane SC
Chairman: remuneration committee

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

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

- Monitoring the application of ethical conduct throughout the bank in a manner that supports the establishment of an ethical culture;
- Monitoring the bank's commitment and contributions made in terms of its corporate social responsibility programme;
- Monitoring the impact of the bank's activities in relation to the well-being of the environment, health and public safety, thereby ensuring that the bank is and is seen to be a good corporate citizen by conducting itself in an environmentally-friendly and sustainable manner;
- Overseeing the bank's commitment towards its Black Economic Empowerment objectives;
- 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 the course of 2021 and is satisfied that it has fulfilled its responsibilities as set-out in its charter for the year under review.

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S Nyasulu
Chairman: social and ethics committee

GOVERNANCE INDICATORS
ETHICAL CONDUCT
Ethical conduct remains the basis upon which Al Baraka Bank conducts its business. 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 conduct.

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 conjunction with an external service provider in order to improve the current rating.

PRESCRIBED OFFICERS
The prescribed officers of the bank are the executive directors, comprising the chief executive, the 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.

SUSTAINABILITY REPORT

"Sustainability has to be a way of life to be a way of business" - Anand Mahindra

PREFACE
Al Baraka Bank has sought to continue building resilience and sustainable value for its key stakeholders amidst an uncertain, volatile and complex environment, given the unprecedented impact of the COVID-19 pandemic and its economic effects.

Sustainability Reporting, in the context of the South African banking industry, entails managing financial, social and environmental risks in a responsible manner, thus crafting economic value, contributing to a strong community development ethos and a healthy environmental landscape.

Such improvement in performance enables them to impact positively on the future of society and the economy.

AL BARAKA BANK'S SUSTAINABILITY FRAMEWORK
Our sustainability framework is founded on sound and ethical economic practices and principles, a stakeholder-inclusive philosophy and an unwavering commitment to doing what is best for the environment.

It is our view that a fully engaged staff complement and the development of sound relationships with our various stakeholder groups, amidst this unprecedented time of uncertainty and complexity, are integral to long-term business growth and development.

The purpose of this, our sustainability report, is to articulate and facilitate an appreciation of our triple context management objectives, comprising financial performance, our social impact and environmental management practices.

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

A memorandum of understanding signed by Al Baraka Bank seeks to achieve certain Sustainable Development Goals (SDGs), as defined by the United Nations and Member States, in line with the priorities of the bank's corporate social responsibility strategy.

Under this agreement, the two parties will work together to achieve seven Sustainable Development Goals: **1** (no poverty), **3** (good health and well-being), **4** (quality education), **5** (gender equality), **7** (clean and affordable energy), **8** (decent work and economic growth) and **9** (industry, innovation, and infrastructure).

The seven SDGs selected by Al Baraka Bank are considered multipliers, as they have a trickle-down effect on all other SDGs.

Addressing Al Baraka Bank, the UNDP Resident Representative in South Africa, said the bank's vision aligned with the UNDP's vision of expanding peoples' opportunities and building resilient societies and the mission of accelerating the Sustainable Development Goals.

South Africa was among the 190 countries represented at the COP26 climate change summit in Glasgow, Scotland, where it was part of discussions about the impact of climate change. South Africa has made clear the crucial need for the implementation of climate change mitigation measures here and its commitment to limiting the emission of fossil fuels, such as coal, gas and oil.

STRATEGIC BUSINESS OBJECTIVES
Al Baraka Bank's key business objectives comprise the following:

- Increasing returns to shareholders;
- Promoting customer service excellence;
- Developing innovative products; and
- Utilising enhanced technology.

"THE PURPOSE OF THIS, OUR SUSTAINABILITY REPORT, IS TO ARTICULATE AND FACILITATE AN APPRECIATION OF OUR TRIPLE CONTEXT MANAGEMENT OBJECTIVES, COMPRISING FINANCIAL PERFORMANCE, OUR SOCIAL IMPACT AND ENVIRONMENTAL MANAGEMENT PRACTICES."

RISK AND OPPORTUNITY
The board of directors supports the view expressed in King IV which recognises that there are potential opportunities inherent in several risks facing the 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 of directors, which approves the bank's risk appetite, seeks to govern risk, more especially within the framework of the COVID-19 pandemic, 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 cyber crime.

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.

CORPORATE GOVERNANCE AND SUSTAINABILITY
Being the only fully-fledged Islamic bank operating in South Africa, we comply with the Shariah standards set-out by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the resolutions issued by the Shariah Supervisory Board of the bank.

Through this commitment, it should be noted that Al Baraka Bank is prohibited from undertaking a number of 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 have accordingly created an intrinsic sense of accountability towards our key stakeholders and 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
The effects of the COVID-19 pandemic affected every aspect of life during 2021, from personal well-being and social interactions to work environments and the negative effect on the economy and environment.

The health crisis has completely changed the lives of people and the community at large, with such necessary and radical change bringing about a shift in behaviour, expectations and challenges.

Al Baraka Bank recognised that there was a shift away from the usual routines of business life. The bank embraced this change by creating a special team of staff members to address issues related to the business and to mitigate any issues that could potentially harm business continuity.

Amongst high priorities addressed was the proper servicing of clientele and the well-being of the bank's staff. In order to overcome the challenges of the new work environment, a need was identified to digitise work-streams, with an emphasis on safe, remote work set-ups, automation and support. The IT department played a vital role in ensuring that there existed proper and efficient management and support for all technology platforms.

Given the negative impact of the pandemic and new way of work on the mental well-being of staff, the bank offered a number of wellness presentations and provided access to a psychologist, at no cost to members of staff, in order to better equip them to deal with the new challenges being experienced.

The bank, in keeping with its long-standing corporate social investment programme, directed support to disadvantaged communities who faced devastating financial and social difficulties. The prevailing high levels of unemployment, exacerbated by the negative economic effects of the ongoing COVID-19 pandemic meant that increasing numbers of parents were unable to afford the cost of basic school needs for their children. The bank's shoe drive, providing footwear for more than 800 needy children, made a difference in the lives of youngsters, giving them back dignity and enabling them to better focus on their lessons.

As a responsible corporate citizen, the bank believes it has a moral obligation to assist in addressing community challenges and, more especially, those faced by the homeless. The bank's Winter Warmth blanket drive was accordingly co-ordinated to provide relief against the bitter cold of Winter. In this regard, the bank partnered with reputable NGOs in the respective regions nationally to assist in facilitating the distribution of almost 1 600 blankets to the disadvantaged and needy.

To emphasise the bank's commitment to improving the education sector, support was also provided in terms of infrastructure and resourcing of disadvantaged schools. As part of its legacy corporate social responsibility project – namely the adoption of Sinevuso Secondary School – additional financial support was provided for extra tuition, study materials and other requirements, as well as university application fees, so as to ensure that learners attending this rural KwaZulu-Natal school were better equipped to succeed in later life.

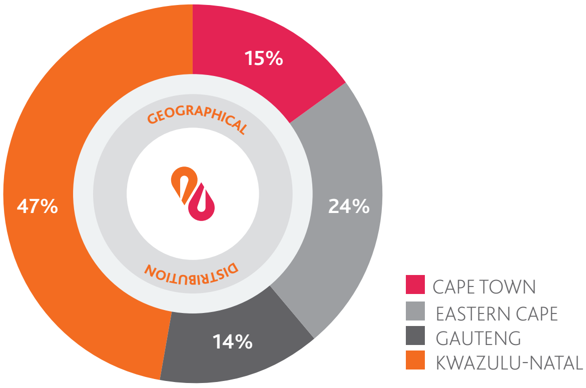
Another important milestone achieved during the review period was the formalisation of the bank's relationship with the United Nations Development Programme, with Memorandum of Understanding signing. This will afford new opportunities of collaboration between the parties to be more impactful in projects to be embarked upon in the future and aiding in achieving the requirements of the Social Development Goals 2030.

In 2021, we donated R2 423 166 to projects in three categories, namely education, health and welfare, the breakdown of which is depicted below, together with the geographical spread of these donations.

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

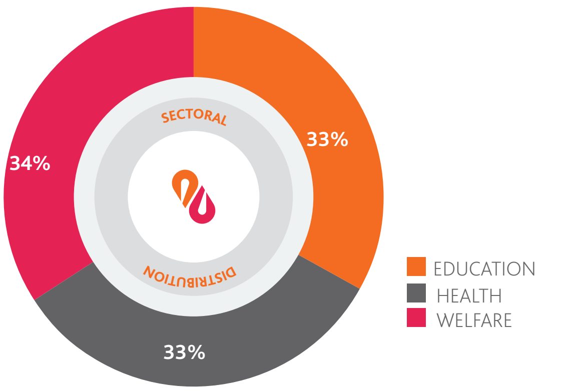
Geographical distribution

Cape Town	364 279	15%
Eastern Cape	583 409	24%
Gauteng	338 292	14%
KwaZulu-Natal	1 137 186	47%
	2 423 166	100%



Sectoral distribution

Education	802 373	33%
Health	799 000	33%
Welfare	821 793	34%
	2 423 166	100%



ECONOMIC ISSUES

Al Baraka Bank, being a fully-fledged commercial financial institution and adhering to strict Islamic principles, continues to maintain its 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 other legislation governing the financial sector.

The 2021 financial year again proved a challenging year for all financial institutions and clients, the result of the continuance of the prevailing COVID-19 pandemic and the social unrest that occurred in July. Many people had for the very first time experienced traumatic turmoil, with clients' properties being either fully or partially damaged, and thus having a direct or indirect impact on their businesses.

The COVID-19 impact on financial institutions and clients was, however, much lower than was the case in 2020, as most businesses had shown encouraging signs of recovery and were once again fully operational. Client business profits and repayments from clients began returning to more normal levels.

The bank, however, continued providing relief to those clients whose businesses remained affected and met the criteria of COVID-19. Clients impacted by the civil unrest were also assisted with payment relief on a case-by-case basis where the cash flows of businesses were impacted.

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 has been further able to leverage its footprint, as well as its continued economic sustainability within the financial sector.

ENVIRONMENTAL ISSUES

From an environmental perspective, the following environmental issues were acutely felt.

Two years after Wuhan, the impact of COVID-19 was still seen to be emerging and with world lockdown continuing, albeit, at different levels, changes to daily life are seemingly unending. There can be no question that the environment is facing a range of problems, many of which are worsening in the face of the reality of emerging strains of the COVID-19 virus.

However, the pandemic and resultant restrictions imposed to fight the spread of the virus did provide a short-term and temporary reprieve, with improvements in air quality, reduced greenhouse gas emissions and lower levels of noise pollution.

Crucially, a need exists for the world to wake from its slumber, realise the magnitude of the looming catastrophic environmental crisis on our doorsteps and for nations to become increasingly active in raising awareness of the existence of impending issues. Key issues to be addressed include pollution, global warming, over-population, waste disposal, loss of biodiversity, deforestation, ozone layer depletion, acid rain and, most importantly, public health issues.

In South Africa, as in the rest of Africa, a shortage of potable water is one of the leading environmental problems we currently face, exacerbated by the energy sector crisis. It is also critical to see how the recovery of the energy sector can contribute to economic recovery and enable everyone and the environment to benefit from progress along the clean, reliable, affordable and socially-just energy transition pathway. South Africa is heavily dependent on fossil fuel to generate and meet electric power requirements.

Of concern are the negative consequences associated with the increased use of single-use plastics, especially in the medical sector. The COVID-19 pandemic has clearly outgrown the perceived threat of plastic pollution, where health is considered as a value in spite of environmental care, which shows a clear decrease in its perceived importance. Due to the persistence and high contagiousness of the virus, many countries are classifying all hospital waste as infectious. Whilst some countries will manage alternatives to treat medical waste properly, others with inadequate economic and waste management resources might be forced to apply inappropriate management strategies, which will likely lead to further adverse effects on the environment, human health and safety.

OCCUPATIONAL HEALTH AND SAFETY - COVID-19

Globally, there have been 246 594 191 confirmed cases of COVID-19, including 4 998 784 deaths, reported to the World Health Organisation and as at 01 November 2021, a total of 6 893 866 617 vaccine doses had been administered.

As a result of the pandemic, a work-from-home programme was seen to be ongoing, with only key staff reporting to head office and the bank's branches.

National Government has currently placed the country on alert level one lockdown. The wearing of masks remains compulsory in public spaces. The vaccine roll-out has begun for minors. Digital vaccination certificates have been made available and may be downloaded online. Staff have been strongly advised to be vaccinated. Vaccine sites have been established at Al Baraka Bank's head office, with an external health provider on board to assist with the vaccination of staff, as well as their spouses and children.

The roll-out was also extended to branches. Staff response has been very encouraging with second dose vaccines completed for a number of staff.

As COVID-19 infection rates began showing a decline, and on the back of the July social unrest, management commenced a return-to-office programme for staff. Al Baraka Bank branches returned to full operating capacity, with back-up teams working from home.

All head office and branch unit staff returning to work are required to comply with COVID-19 protocols and to adhere to social distancing measures.

By early December 2021, the Omicron variant had reached African countries and COVID-19 cases on the continent again surged. However, there are signs of hope as preliminary data indicates that hospitalisations across South Africa remains low. Emerging data from South Africa indicates that Omicron may cause less severe illness. However, extensive safety measures are in place to ensure the safety of staff, service providers and clients.

All meetings are currently held virtually with extensive reliance on online platforms as the primary means of communication.

Weekly occupational health and safety COVID-19 meetings are held to ensure compliance with Government regulations. High on the agenda at such meetings is the issuance to and use by staff of personal protection equipment.

Staff who have contracted the COVID-19 virus are closely monitored and preventative measures to ensure containment, due to staff contact in branches, are managed at an executive level, with all deep cleaning protocols adhered to.

Scheduled quarterly OHS meetings are conducted, as prescribed and in compliance with regulations.

ENERGY MANAGEMENT

Voltage Optimisation

The bank has embarked on a project to monitor and reduce power consumption at its head office in Durban.

In this regard, Kingsmead Office Park was requested to undertake an investigation into its power supply grid and has reported a requirement for voltage optimisation with regard to the incoming municipal supply, recommending the installation of Power Factor Correction (PFC) on the incoming medium voltage side at the main sub-station feeding the complex or at the low voltage client-user end. Al Baraka Bank has engaged with a service provider to meet the requirements for energy management for the 2022 financial year.

SOLAR ENERGY

As a result of the COVID-19 pandemic, there has been no further movement on our engagement with our service provider for a solar installation. This will be pursued in the new financial year.

CONSUMABLE USAGE

Our environmental responsibility will be a commitment to plant trees as a means of offsetting our carbon emission footprint.

CONSUMABLE	TOTAL ANNUAL CO_2 EMISSIONS
Fuel	33 363,35kg
Diesel	3 762,06kg
Travel	3 544,57kg
Paper	729kg

DIESEL FUEL USAGE – BACK-UP GENERATORS (BRANCHES INCLUDED)

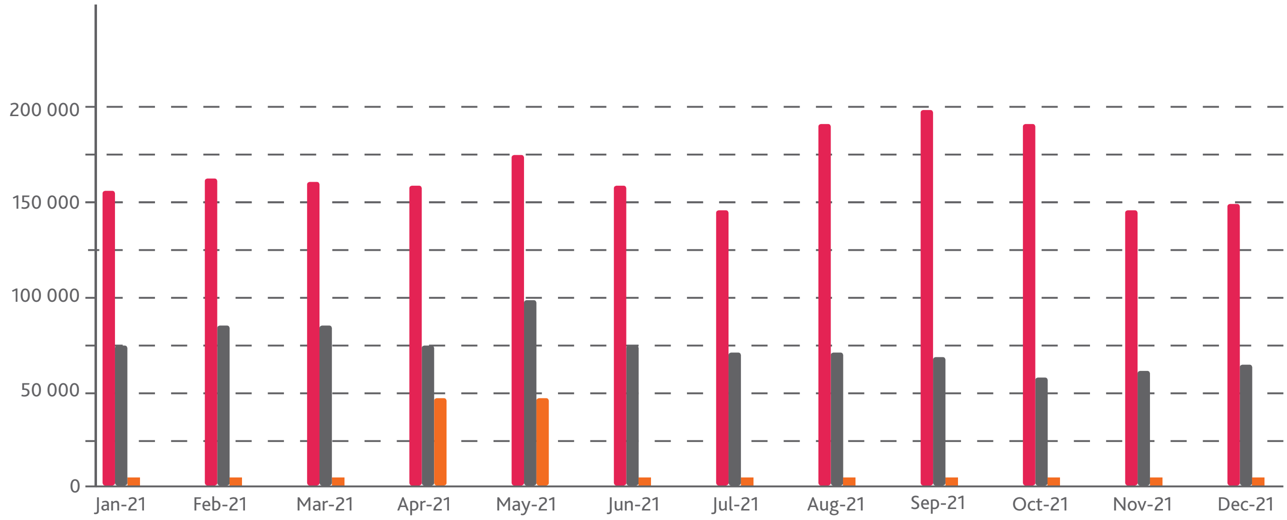
With adverse conditions affecting the country and, in particular, Eskom's electricity supply, there was an increase in diesel usage for generators during recent months, the consequence of the increased frequency of load-shedding.

Kingsmead Head Office

The installation of wind-driven eagle eye units has been completed and immediately reflected significant success in reducing bird activity on the building. The cost of maintaining and cleaning the exterior perches has been appreciably reduced with savings in labour, time and water.

Monthly Electricity Consumption
The graphs below indicate usage of electricity in kilowatts, as well as Rand value for the financial year under review at head office and branches.

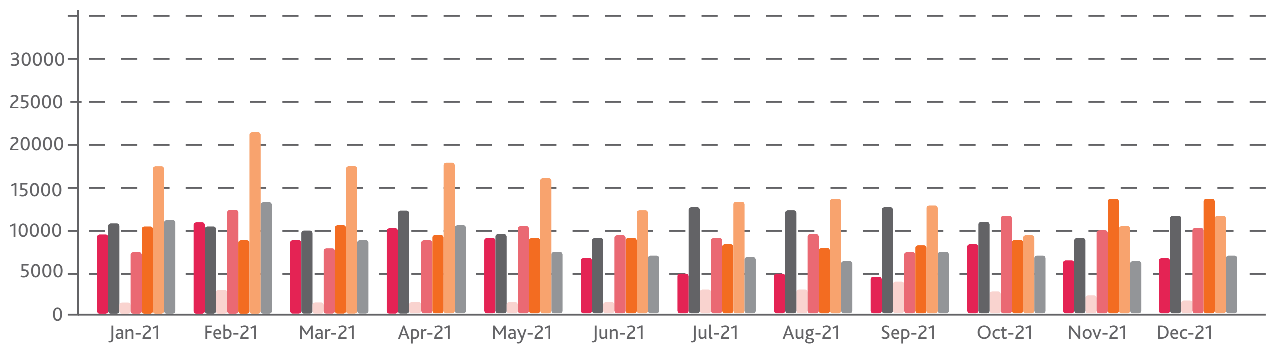
KINGSMEAD INCLUDING RAND VALUE, KW & KL CONSUMPTION



	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
	160 709	170 126	168 025	164 663	183 296	162 423	142 708	182 616	197 941	183 302	143 316	150 358
	76 776	87 472	85 870	80 505	94 055	80 178	74 233	68 883	65 286	59 571	63 902	65 972
	320	236	174	38 123	38 151	475	129	154	201	167	153	258

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

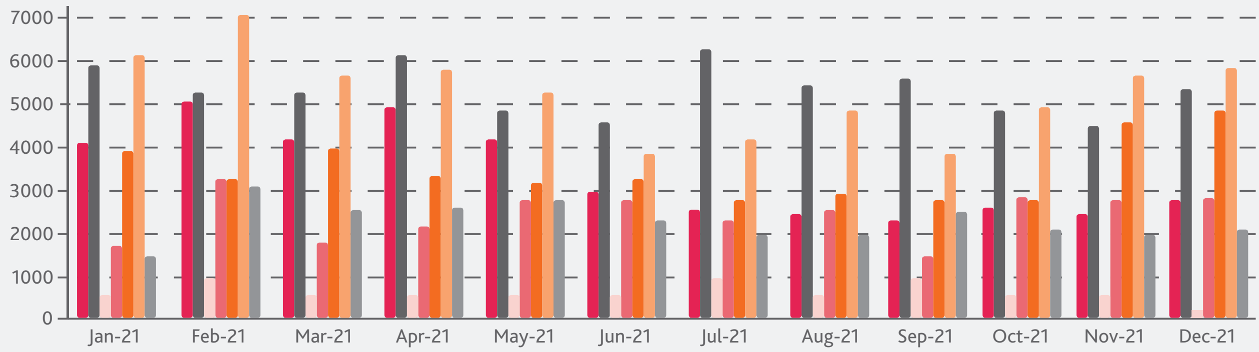
RAND COST PER BRANCH



	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
	8 856	10 695	8 797	10 423	8 891	6 389	5 087	5 129	5 020	6 280	6 408	6 650
	11 096	10 226	10 099	11 886	9 494	9 014	12 881	11 596	12 347	10 512	9 500	11 676
	1 990	3 100	1 902	2 083	1 990	2 083	3 100	2 137	3 669	2 500	2 134	1 298
	7 348	12 341	7 899	8 671	10 354	9 848	9 052	9 738	7 907	10 690	10 158	10 379
	10 319	9 177	10 285	9 119	8 809	8 993	8 082	8 543	8 207	9 072	13 835	13 807
	17 153	21 446	16 775	17 305	15 988	12 126	13 134	13 122	11 544	9 220	10 910	11 733
	11 591	13 068	8 786	10 300	7 249	6 607	6 607	6 143	7 932	7 118	6 488	6 838

Overport Rand Value   Athlone Rand Value   Fordsburg Rand Value
GRO Rand Value   Laudium Rand Value   Lenasia Rand Value   Rosebank Rand Value

KW CONSUMPTION FOR BRANCHES



	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
	4 184	5 078	4 155	4 946	4 201	2 984	2 351	2 371	2 318	2 558	2 612	2 715
	5 860	5 388	5 309	6 176	4 932	4 633	6 233	5 313	5 620	4 753	4 198	5 217
	520	1 000	480	560	520	560	1 000	560	1 040	600	480	120
	1 801	3 318	1 784	2 091	2 754	2 752	2 230	2 401	1 634	2 760	2 745	2 821
	3 907	3 324	3 983	3 337	3 150	3 279	2 767	3 026	2 830	2 695	2 694	4 955
	6 058	7 156	5 640	5 770	5 218	3 917	4 112	4 950	3 931	4 947	5 650	5 946
	1 532	3 165	2 546	2 680	2 806	2 300	1 982	2 050	2 437	2 158	2 009	2 133

Overport KW   Athlone KW   Fordsburg KW   GRO KW   Laudium KW   Lenasia KW   Rosebank KW

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 engagement journey.

- **CLIENTS**

Clients have been engaged across a number of different platforms, ranging from one-on-one interactions to the use of virtual platforms. Given the impact of the COVID-19 pandemic, the bank has prioritised the delivery of effective customer service and has reviewed ways in which customers might open and transact on accounts remotely. In addition, a significant milestone was reached in this regard with the development of a comprehensive mobile banking App in order to ensure that the needs and expectations of clients are effectively and efficiently met.

- **STAFF**

The loyal and committed staff complement of Al Baraka Bank is regarded as a critical resource, essential to the success of the business.

There has been continued engagement with staff throughout the year under review, inclusive of the implementation of numerous dedicated staff sessions dealing with, inter-alia, issues of wellness and health, given the impact of the COVID-19 virus specifically and the wider effects of the pandemic generally. Board and board committee feedback is regularly passed on to members of staff, whilst an awards function was held, on a virtual basis, to celebrate and acknowledge recent staff achievements.

- **SHAREHOLDERS**

Shareholder communication has been conducted by means of both email and the postal service, in terms of which shareholders have received copies of relevant information which has an impact on them as shareholders. Given the impact of the COVID-19 pandemic and as undertaken during the previous year, the bank held its annual general meeting on a virtual basis.

This was attended by a number of major shareholders.

- **COMMUNITY**

Al Baraka Bank has in place a dedicated programme of social outreach, which spans the disciplines of health, welfare and education. Staff are encouraged to participate in some form of social outreach throughout the year. This forms part of each staff member's annual 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 amongst one of the most regulated sectors of the economy. Al Baraka Bank has consistently engaged with the various regulatory and key industry bodies, inclusive of the Prudential Authority of the South African Reserve Bank, the Financial Intelligence Centre, the Financial Sector Conduct Authority, the Banking Association South Africa, the South African Banking Risk Centre and Payment Association of South Africa. These bodies serve as vital role-players within the industry and such interactions have been characterised by transparency, mutual respect and the utmost good faith in all our dealings.

The board, as well as the chairman and chief executive, meet with the Prudential Authority and the Financial Sector Conduct Authority on an annual basis, which serves to reinforce the professional working relationship between Al Baraka Bank, the Prudential Authority and the Financial Sector Conduct Authority.

- **MEDIA**

The bank continues to ensure that it is reflected positively in the media landscape through the implementation of a comprehensive 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 local procurement of goods and services, wherever possible. It is our policy to settle supplier invoices in a timely manner, such that suppliers, especially

SUSTAINABILITY REPORT (CONTINUED)

those of a small-scale nature, 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.

- **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.

CONCLUSION

Al Baraka Bank recognises sustainability reporting as a critical element of our strategic thinking, regarding it as a material depiction of our overall business footprint. Our goal is to merge the ultra-modern management of our United Nations Development Plan-aligned social impact, economic performance and commitment to environmental preservation for the betterment of people and the planet.

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

Whilst our social, economic and environment disclosure intent remains steadfast, we cannot convey a complete analysis, and confirm that no declaration is made in terms of our environmental safeguard measures in 2021.

COMPLIANCE REPORT

COVID-19 PANDEMIC

The COVID-19 pandemic has affected individuals and entities across the world. Compliance functions across various industries in South Africa have also experienced the impact of the pandemic. The Government, in its effort to stabilise the economy, whilst balancing the health and safety of its people, has issued various directives and regulations throughout the year. Compliance functions have displayed immense effort to not only ensure compliance with such regulatory requirements, but also to protect people from contracting the virus and to curb its spread.

At Al Baraka Bank, we are proud of our commitment to assist in stopping the spread of the virus and have invested a significant amount of time and resources to ensure that the necessary precautions have been applied and have put in place protective measures to enhance the safety of our employees, our customers and our service providers. The bank has been at the forefront in encouraging its employees to vaccinate and has arranged various sessions for employees to obtain medical advice on the effect of the vaccines.

DIGITALISATION

As a result of the pandemic, many financial institutions were forced to revisit their conventional mode of conducting business. Digitalisation reached a peak during the pandemic and has resulted in many technological advances amongst institutions. Al Baraka Bank made great strides in the digital journey during the year under review, including developing new processes to on-board clients digitally, the development of a mobile banking App and the utilisation of new digital platforms for staff.

Due to rapid digitalisation, there was an increased focus on cyber security within the financial services sector, especially to minimise increasing risks associated with the majority of staff members working remotely from home. In addition, a number of key regulatory considerations were addressed, relating to the Protection of Personal Information Act, the Cybercrimes Act, the Promotion of Equality and Prevention of Unfair Discrimination Amendment Bill and the Companies Amendment Bill.

SOME IMPORTANT REGULATORY REQUIREMENTS

All institutions were required to ensure that they were compliant with the Protection of Personal Information (POPI) Act by 01 July 2021. The bank focused efforts on ensuring compliance with the POPI Act in order to protect customers' personal information and to provide comfort and peace-of-mind to customers, service providers and other stakeholders that protecting their personal information was, and will remain, of paramount importance to the bank.

Another important regulatory requirement was the Conduct Standard for Banks, which was published by the Financial Sector Conduct Authority in July 2020. Specific sections of this standard came into operation in 2021, with the Regulator providing banks with a period of up to 12 months to comply with those particular sections of the Conduct Standard. The standard creates a comprehensive market conduct regulatory framework for the banking sector.

The objective of the Conduct Standard is to introduce requirements that promote the fair treatment of financial customers of banks. Such fair treatment requires banks to achieve six defined outcomes with the Conduct Standard setting out prescribed parameters, which must be adhered to by banks.

In addition, the President signed the Cyber Crimes Bill into law and the Act was published on 01 June 2021. This Act aims to both create new offences that criminalise the theft of and interference with data, whilst also modernising existing criminal offences to cater for the particular nature with which many cyber crimes are committed.

The Act also imposes sanctions that relate to cyber crime, criminalises the dissemination of harmful data messages and further regulates law enforcement's jurisdiction over cyber crime, by granting extensive powers to investigate, search, access and seize articles used in committing an offence, such as computers, databases or networks.

In addition to regulatory requirements, which became effective in 2021, the bank continuously monitors and improves its own controls relating to money laundering, terror financing and other financial crimes. We apply stringent control measures to ensure that the bank complies with regulatory requirements relating to financial crimes, as well as protecting our customers and other stakeholders from the risks associated with such crimes.

NEW BILLS PUBLISHED IN 2021

Legislative items of note published in 2021 include the Promotion of Equality and Prevention of Unfair Discrimination Amendment Bill and the Companies Amendment Bill.

The Promotion of Equality and Prevention of Unfair Discrimination Amendment Bill proposes extending the scope of the prohibition of unfair discrimination and introducing joint and several liability for companies where unfair discrimination is committed by its workers, employees or agents.

The Companies Amendment Bill has proposed a number of amendments/insertions, including, among others, the naming in the annual financial statements of directors or prescribed officers of companies that are required to be audited who receive remuneration and benefits and the publishing by companies of details of their highest-paid employee, lowest-paid employee, average remuneration, median remuneration and the gap between the top 5% highest paid and the bottom 5% lowest paid employees.

These two Bills have been published for comment and once comments have been considered and reviewed, legislation will be published for implementation.

TRAINING AND DEVELOPMENT

The bank maintains a strong stance on training and strives to ensure that staff undergo relevant and appropriate training before they consult with stakeholders. 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 functions. In fulfilling this role compliance independently facilitates training programmes and engages with human resources on an ongoing basis to ensure that staff receive the requisite training.

INTER-DEPARTMENTAL RELATIONSHIPS

The compliance division also works in conjunction with other assurance providers to ensure the adequate observance of corporate governance by the bank. This gives effect to a combined assurance model, which is in line with the requirements of King IV.

Representatives of the compliance department also serve on a range of strategic forums and committees, while providing guidance to the board and the management team in terms of regulatory and reputational risk matters. The bank continues to adopt a zero-tolerance policy in terms of non-compliance with any legislation. Compliance plays a pivotal role in identifying regulatory non-compliance and reports same to relevant management and the board.

INDUSTRY REPRESENTATION

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

SHARIAH COMPLIANCE

Al Baraka Bank adheres stringently to Shariah, as our ethos is premised on ethical banking. This affords our clients the peace-of-mind that all their affairs are managed by us to the highest ethical standards. The bank is driven by these values and this ensures that the bank grows stronger and provides greater value to its customers.

COMPLIANCE CULTURE

The bank maintains a firm balance between strict compliance to laws and regulations and meeting 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 proudly driven at board level and entrenched into the foundation upon which the business stands.

SHARIAH REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 during the year under review. We have also conducted our review to form an opinion as to whether Al Baraka Bank has complied with the applicable Shariah Rules and Principles in terms of the Shariah Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the resolutions issued by the Shariah Supervisory Board of the bank.

Al Baraka Bank's management is responsible for ensuring that the bank complies with Islamic Shariah Rules and Principles. It is the Shariah Supervisory Board's responsibility to form an independent opinion, based on its review of the operations of Al Baraka Bank, and report to you.

We conducted our review, which included examining, directly or indirectly through the Internal Shariah Audit Function, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the bank, including interviews with members of management.

The scope of the audit included:
1. Murabaha Financing;
2. Musharaka Financing;
3. Ijarah Financing;
4. Equity Murabaha Transactions;
5. ABL Sukuk;
6. Islamic Wills and Administration of Estates;
7. Profit Distribution;
8. Management Accounts;
9. Disposal of Impermissible Income;
10. Calculation of Zakah;
11. Foreign Exchange Transactions; and
12. Banking and Finance Fees.

We planned and performed our review so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Al Baraka Bank has not violated Shariah Rules and Principles.

In addition, an Independent External Shariah Compliance Audit was conducted, which assessed the effectiveness of the bank's Shariah governance framework and related controls.

In our opinion:
1. The contracts, transactions and dealings entered into by Al Baraka Bank during the year under review are generally in compliance with the applicable Shariah Rules and Principles;
2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with the applicable Shariah Rules and Principles;
3. An amount of impermissible income has been designated to be paid to charity (refer to the Welfare and Charitable Funds note in the notes to the annual financial statements);
4. In relation to certain transactions which were erroneously transacted, we directed management to rectify same;
5. Zakah of the bank was calculated at 51,5 cents per share. Shareholders are advised to discharge this Zakah individually, as the bank is not mandated to discharge this on their behalf; and
6. The bank has an effective Shariah Governance Framework that comprises Shariah Advisory, Internal Shariah Audit, External Shariah Audit and the Shariah Supervisory Board, which ensures that the bank complies with Shariah.

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

Shaykh Mahomed Shoaib Omar
Chairman

Shaykh Yousef Hassan Khalawi
Member

Mufti Zubair Bayat
Member

Mufti Shafique Ahmed Jakhura
Member

31 January 2022

SHARIAH SUPERVISORY BOARD

The Shariah Supervisory Board is an independent body, comprising specialist jurists in Islamic Commercial Jurisprudence, which is entrusted with directing, reviewing and supervising the activities of Al Baraka Bank in order to ensure that the bank complies with Shariah Law. The board is mandated to ensure that all Shariah matters regarding Al Baraka Bank are dealt with in a professional manner and in accordance with the Shariah standards set out by 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 Al Baraka Bank. He completed his B.Com Law degree and LLB at the University of KwaZulu-Natal and studied Arabic and Islamic Law under the renowned contemporary jurist, Mufti Taqi Usmani, at Darul Uloom Karachi.

He was also a student of the Chief Qadi of India, Mujahidul Islam Qasemi, the founder of the Islamic Fiqh Academy of India and a distinguished authority in Muslim Family Law. He has extensive experience in the application of Shariah Law to contemporary situations, including Islamic finance and has worked closely with the late Shariah expert, Shaykh Abdus Sattar Abu Ghuddah.

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

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

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

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

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

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

> **"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"**

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 workshops, covering a variety of subjects, written many articles and has translated and authored several 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 cash 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; 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 four times a year. The Shariah Supervisory Board ensures that all investments made by the funds comply with its directives, which are issued in line with the applicable Shariah principles as set out by AAOIFI. The appointment of an independent Shariah Supervisory Board to supervise the bank and the Shariah funds is indicative of Al Baraka Bank's absolute commitment to operate in conformity to Islamic economic principles, as derived from Shariah Law.

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 Banking Group B.S.C.

REGISTRATION NUMBER

1989/003295/06

COUNTRY OF INCORPORATION
Republic of South Africa

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

Rishaad Bismilla CA (SA), General Manager: Finance and Zaakirah Nabee 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 2021 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, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The company's directors are also responsible for the preparation and fair presentation of the audit committee report, company secretary statement and directors' report.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the group and company's ability to continue as going concerns and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group annual financial statements and separate company annual financial statements are fairly presented in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Approval of group annual financial statements and company annual financial statements

The group and company annual financial statements as set out on pages 31 to 95 were approved by the board of directors on 25 March 2022 and signed on their behalf by:

Yunus Goolam Hoosen Suleman
Interim chairman

Shabir Ahmed Essop Chohan
Chief executive

COMPANY SECRETARY STATEMENT

In terms of the provisions of the Companies Act, I certify that Albaraka Bank Limited has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices prescribed by the Companies Act and that all such returns and notices are true, correct and up-to-date.

Colin Breeds
Company secretary
Durban
25 March 2022

AUDIT COMMITTEE REPORT

During the financial year ended 31 December 2021, the audit committee convened six 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 22 June 2022.

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

- Approved the internal audit mandate, as set out in the board-approved internal audit charter, and ensured that internal audit is an effective risk-based function that adheres to the IIA Standards and Code of Ethics;
- Ensured that the internal audit plan was risk-based and addressed specific and critical risks of the company;
- Approved the internal audit plan;
- Regularly met separately with the internal audit manager;
- Considered the quality assurance review of the bank's internal audit function conducted by the Albaraka Banking Group and was satisfied that no material items were identified; and
- Did not receive any complaints relating to the internal audit of the company.

External audit and related matters
Ernst & Young Inc. are the company's appointed external auditors.

The committee has played an oversight role in respect of the external audit process to ensure its effectiveness. Amongst others, the committee:

- Reviewed and considered the accreditation pack presented for the audit firm and lead audit partner;
- Approved Ernst & Young Inc's terms of engagement;
- Reviewed the quality and effectiveness of the external audit process;
- Reviewed the external auditor's report to the committee and management's responses thereto;
- Reviewed significant judgements and/or unadjusted differences resulting from the audit, as well as any reporting decisions made;
- Maintained a non-audit services policy which determines the nature and extent of any non-audit services that Ernst & Young Inc. may provide to the company/group;
- Regularly met separately in confidence with Ernst & Young Inc.;
- At the invitation of the Prudential Authority, attended the trilateral meeting together with the external auditors;
- Through enquiry, ascertained that Ernst & Young Inc. has not identified any irregularity that required reporting thereof to IRBA;
- Evaluated and were satisfied with the independence of Ernst & Young Inc; and
- Assessed and noted the tenure of the current auditors as 13 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 (from 13 January 2022)
25 March 2022

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

TO THE SHAREHOLDERS OF ALBARAKA BANK LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Albaraka Bank Limited and its subsidiaries ('the group') and company set out on pages 36 to 95, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in shareholders' equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 67-page document titled "Abaraka Bank Limited Annual Financial Statements for the year ended 31 December 2021", which includes the Directors' Report, Company Secretary Statement and Audit Committee Report, as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

- events or conditions may cause the group and/or the company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion; and
- 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 04 December 2015, we report that Ernst and Young Inc. has been the auditor of Albaraka Bank Limited for 13 years.

Ernst & Young Inc

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

25 March 2022
Durban

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

THE DIRECTORS HAVE PLEASURE IN PRESENTING THEIR REPORT FOR THE YEAR ENDED 31 DECEMBER 2021.

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

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

Share capital
The authorised share capital of the company comprises 100 million (2020:100 million) ordinary shares of R10 each, amounting to R1 billion (2020: R1 billion). The issued share capital of the company comprises 32,2 million (2020: 32,2 million) ordinary shares of R10 each, amounting to R322,4 million (2020: R322,4 million).

Financial results
The results of the group and the company for the year ended 31 December 2021 are set out on pages 36 to 95.

Dividends
Nil dividends were declared in the 2021 financial year (2020: nil). This decision, made by the board of directors, was based on the impact of COVID-19 on the financial results of the group.

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. The bank has in issue R307,7 million Tier 2 Sukuk as at 31 December 2021 (2020: R307,7 million). The Prudential Authority has approved for the bank to issue an additional Tier 1 Sukuk instrument by March 2023.

Closure of the Rosebank Branch
During the 2021 financial year, the bank closed a branch located in Rosebank, Johannesburg. The decision was aligned to the restructuring of the bank's retail and corporate operations, which was implemented during the year.

The operational and business impact of this closure was consumed within other areas of the business, as resources and customer service elements transferred to other locations. The service contracts and other obligations relevant to this location were terminated and settled as at 31 December 2021.

Impact of civil unrest on group results
The civil unrest which took place in South Africa's KwaZulu-Natal and Gauteng provinces from 09 to 18 July 2021 placed cashflow constraints on a number of clients of the bank. Clients were either directly affected by way of damage, destruction and vandalism of business assets, or indirectly affected through supply chain disruptions, loss of business and loss of customers.

To assist affected clients, the bank considered client requests for deferment in repayments due for up to three months on a case-by-case basis. It was, however, noted that the number of clients impacted by civil unrest was significantly less than those affected by COVID-19. A large proportion of these deferred payments were settled as at 31 December 2021.

Impact of COVID-19 on group results
The 2021 financial year saw a gradual recovery of the economy, resulting in a slight improvement in the bank's overall performance, on the back of the significant impact that COVID-19 had on the banking industry in 2020.

The recovery saw customer behaviour normalising, leading to demand for advances gradually increasing and liquidity in the form of customer deposits reducing as customers cautiously returned to the market for new investments.

As a result, the bank's deposit-taking activities declined by R100,1 million or 1,3% for the 2021 financial year with advances to customers increasing by 12,9% or R661,2 million.

The reduction in the deposit book, coupled with the gradual growth in the advances business, resulted in reduced excess funds being available. This contributed to lower investment in Shariah-compliant equity finance and Mudaraba placements, resulting in advances to banks reducing by R728,9 million or 26,1% for the year. The economic recovery led to a positive impact on credit provisions, which decreased by R3,4 million or 9% for the 2021 period.

In spite of the growth in the advances business, income earned from advances to customers decreased by 15,3% or R70,8 million. This was mainly due to the drop in profit rates of 30% during the 2020 financial year, which followed through to 2021 and impacted returns as advances deals re-priced at the lower rates.

Income earned from advances to banks decreased by 11,1% or R11,29 million due to the reduction in funds placed with other banks year-on-year.

Taking the above into consideration and after profit sharing with depositors and Sukuk holders, the bank's net income from financing activities decreased by R48,5 million or 16,4% for 2021.

Income from non-funding activities, being foreign exchange, unit trust sales, electronic banking fees and other fee income, increased year-on-year by R9,3 million or 24,6%. In particular, transactional income grew by R9,3 million or 60,7% as a result of the growth in the advances business which led to an increase in related service fee income.

Total operating expenditure reduced by R18,1 million or 7,0% for 2021, driven largely by cost management initiatives, including a reduction in employment costs, as well as a reduction in other expenditure.

The group achieved a net profit after tax of R38,1 million, representing an improvement of R2 million or 5,6% compared to 2020. This resulted in basic and diluted earnings per share also increasing by 5,6% from 111,97 cents to 118,24 cents for the period.

In light of the pandemic, the Prudential Authority allowed banks, in 2020, a relaxation in the minimum capital adequacy regulatory requirement from 9% to 8%, which was still applicable as at 31 December 2021.

The increase in advances led to a growth in the bank's risk weighted assets. With the constrained returns on funding income, total capital and reserves increased at a lower rate than the increase in risk weighted assets. Accordingly, the bank's capital adequacy ratio was negatively impacted. With approval being received from the Reserve Bank for the issuance of an additional Tier 1 Sukuk, it is expected that the capital adequacy ratio will improve as this instrument is issued during the 2022 financial year.

Events after the reporting period
There are no material adjusting events after the financial period that require reporting. The directors are aware that the effects of the Corona virus pandemic may continue to follow through and influence the results for the 2022 financial year. Management and the board continue to consider the impact of this risk.

On 23 February 2022, the Minister of Finance announced that that the corporate income tax rate will change from 28% to 27%, effective for years of assessment ending on or after 31 March 2023. This was following the initial announcement made by the Minister on 24 February 2021. The change in the corporate income tax rate is considered a non-adjusting event after the reporting period and will be applicable to the group for the 2023 financialyear.

Current and deferred tax balances are reflected at 28% at 31 December 2021, as this is the rate that was substantively enacted. Management expects the change in the corporate income tax rate to affect the future deferred tax liability balance and effective tax rate of the group. However, it does not consider it practical to estimate the impact thereof at the date when these financial statements were authorised for issue.

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

Non-independent non-executive

M Manna	(Jordanian)	Appointed on 24 November 2021
AA Yousif	(Bahraini)	Chairman - Retired on 30 April 2021
SA Randeree	(British)	Vice chairman - Retired on 31 December 2021
MS Paruk CA (SA)		Retired on 31 December 2021
FA Randeree	(British)	Appointed on 01 July 2021

Independent non-executive

YGH Suleman CA (SA)		Lead independent director - until 14 January 2022. Interim chairman - appointed on 14 January 2022
MJD Courtiade CA (SA)	(French)	
Adv. JMA Cane SC		Lead independent director - appointed on 31 January 2022
ZH Fakey CA (SA)		
SM Nyasulu		

Executive

SAE Chohan CA (SA)		Chief executive
M Kaka CA (SA)		Chief operating officer
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 2021

		GROUP		COMPANY	
		2021	2020	2021	2020
	Notes	R'000	R'000	R'000	R'000
Assets					
Property and equipment	3	**95 826**	105 286	**17 604**	25 051
Right of use asset	4	**6 887**	8 631	**18 871**	24 845
Investment properties	5	**10 339**	10 339	**-**	-
Intangible assets	6	**76 983**	67 264	**76 983**	67 264
Investment in and amount due by subsidiary company	7	**-**	-	**36 681**	31 117
Deferred tax asset	8	**-**	-	**14 922**	18 648
Investment securities	9	**29 828**	25 918	**29 828**	25 918
Advances and other receivables	10	**7 839 671**	7 902 172	**7 839 506**	7 901 953
South African Revenue Service	11	**1 259**	-	**1 485**	14
Regulatory balances	12	**414 649**	355 715	**414 649**	355 715
Cash and cash equivalents	13	**107 987**	198 828	**107 982**	193 823
Total assets		**8 583 429**	8 674 153	**8 558 511**	8 644 348
Equity and liabilities					
Equity					
Share capital	14	**322 403**	322 403	**322 403**	322 403
Share premium	14	**82 196**	82 196	**82 196**	82 196
Other reserves		**2 037**	1 751	**2 037**	1 751
Retained income		**438 465**	400 344	**426 267**	387 667
Shareholders' interests		**845 101**	806 694	**832 903**	794 017
Liabilities					
Deferred tax liability	8	**12 335**	10 104	**-**	-
Welfare and charitable funds	15	**25 700**	21 917	**25 700**	21 917
Sukuk holders/Albaraka Sukuk Trust	20	**309 367**	309 367	**307 700**	307 700
Provision for leave pay	18	**6 668**	8 936	**6 668**	8 936
Lease liabilities	4	**7 878**	10 079	**7 878**	10 079
Accounts payable	16	**41 745**	72 005	**42 894**	68 152
South African Revenue Service	17	**1 264**	1 505	**1 397**	1
Deposits from customers	19	**7 333 371**	7 433 546	**7 333 371**	7 433 546
Total liabilities		**7 738 328**	7 867 459	**7 725 608**	7 850 331
Total equity and liabilities		**8 583 429**	8 674 153	**8 558 511**	8 644 348

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		GROUP		COMPANY	
		2021	2020	**2021**	2020
	Notes	**R'000**	R'000	**R'000**	R'000
Income earned from advances		**391 992**	462 794	**391 992**	462 794
Income earned from equity finance		**59 693**	84 747	**59 693**	84 747
Income earned from Mudaraba deposits		**30 576**	16 808	**30 576**	16 808
Gross income earned		**482 261**	564 349	**482 261**	564 349
Income paid to depositors	21	**(215 867)**	(245 117)	**(215 867)**	(245 118)
Income paid to Sukuk holders/Albaraka Sukuk Trust	22	**(20 000)**	(24 360)	**(20 000)**	(24 271)
Net income before credit loss expense		**246 394**	294 872	**246 394**	294 960
Credit loss expense	10	**1 719**	(21 385)	**1 719**	(21 385)
Net income after credit loss expense		**248 113**	273 487	**248 113**	273 575
Net non-Islamic income	23	**-**	-	**-**	-
Fee and commission income	24	**45 088**	35 339	**45 356**	35 607
Other operating income	25	**2 079**	2 515	**9 006**	18 811
Net income from operations		**295 280**	311 341	**302 475**	327 993
Operating expenditure	26	**(240 723)**	(258 793)	**(243 183)**	(261 299)
Finance costs	4	**(836)**	(1 128)	**(7 628)**	(9 084)
Profit before taxation		**53 721**	51 420	**51 664**	57 610
Taxation	27	**(15 600)**	(15 322)	**(13 064)**	(12 237)
Profit after tax for the year attributable to equity holders		**38 121**	36 098	**38 600**	45 373
Other comprehensive income					
Items not subsequently reclassified to profit and loss					
Other comprehensive income net of tax	28	**286**	(2)	**286**	(2)
Total comprehensive income for the year, net of tax, attributable to equity holders		**38 407**	36 096	**38 886**	45 371
Weighted average number of shares in issue ('000)		**32 240**	32 240		
Basic and diluted earnings per share (cents)	29	**118,24**	111,97		

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital R'000	Share premium R'000	Other reserves R'000	Retained income R'000	Shareholders' interest R'000
Group						
2021						
Balance at beginning of year		**322 403**	**82 196**	**1 751**	**400 344**	**806 694**
Profit after tax		**-**	**-**	**-**	**38 121**	**38 121**
Other comprehensive income	28	**-**	**-**	**286**	**-**	**286**
Total comprehensive income		**-**	**-**	**286**	**38 121**	**38 407**
Balance at end of year		**322 403**	**82 196**	**2 037**	**438 465**	**845 101**
2020						
Balance at beginning of year		322 403	82 196	1 753	364 246	770 598
Profit after tax		-	-	-	36 098	36 098
Other comprehensive income	28	-	-	(2)	-	(2)
Total comprehensive income		-	-	(2)	36 098	36 096
Balance at end of year		322 403	82 196	1 751	400 344	806 694
Company						
2021						
Balance at beginning of year		**322 403**	**82 196**	**1 751**	**387 667**	**794 017**
Profit after tax		**-**	**-**	**-**	**38 600**	**38 600**
Other comprehensive income	28	**-**	**-**	**286**	**-**	**286**
Total comprehensive income		**-**	**-**	**286**	**38 600**	**38 886**
Balance at end of year		**322 403**	**82 196**	**2 037**	**426 267**	**832 903**
2020						
Balance at beginning of year		322 403	82 196	1 753	342 294	748 646
Profit after tax		-	-	-	45 373	45 373
Other comprehensive income	28	-	-	(2)	-	(2)
Total comprehensive income		-	-	(2)	45 373	45 371
Balance at end of year		322 403	82 196	1 751	387 667	794 017

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	GROUP 2021 R'000	GROUP 2020 (Restated)* R'000	COMPANY 2021 R'000	COMPANY 2020 (Restated)* R'000
Cash flow from operating activities					
Cash generated from operations	30.1	**109 141**	38 776	**116 116**	43 230
Changes in working capital	30.2	**(158 485)**	(19 520)	**(153 540)**	(18 880)
Taxation paid	30.3	**(15 112)**	(8 591)	**(9 652)**	(6 043)
Dividends paid	30.4	**(1)**	(77)	**(1)**	(77)
Net cash flow from operating activities		**(64 457)**	10 588	**(47 077)**	18 230
Cash flow from investing activities					
Purchase of property and equipment	30.5	**(2 902)**	(1 834)	**(2 890)**	(1 834)
Purchase of intangible assets	30.6	**(19 439)**	(24 200)	**(19 439)**	(24 200)
Purchase of investment securities	9	**(115)**	(79)	**(115)**	(79)
Dividend income	25	**1 438**	1 139	**1 438**	1 139
Increase in investment in and amount due by subsidiary		**-**	-	**(12 392)**	(8 600)
Net cash utilised in investing activities		**(21 018)**	(24 974)	**(33 398)**	(33 574)
Cash flow from financing activities					
Settlement of lease liabilities - capital	4	**(5 125)**	(4 679)	**(5 125)**	(4 679)
Settlement of lease liabilities - finance lease charges		**(836)**	(1 128)	**(836)**	(1 128)
Net cash utilised in financing activities		**(5 961)**	(5 807)	**(5 961)**	(5 807)
Net decrease for the year		**(91 436)**	(20 193)	**(86 436)**	(21 151)
Net foreign exchange difference on cash on hand		**595**	659	**595**	659
Cash and cash equivalents at beginning of year		**198 828**	218 362	**193 823**	214 315
Cash and cash equivalents at end of year	13	**107 987**	198 828	**107 982**	193 823

*2020 amounts have been restated. Refer to note 30.7: Restatement of the statement of cashflows.

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 consolidated financial statements of the group for the year ended 31 December 2021 comprise the company, its subsidiary and the Albaraka Sukuk Trust (together referred to as the "group"). The accounting policies below are applicable to both the company and group financial statements, unless otherwise stated.

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

2. BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

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

Use of significant estimates and judgements

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

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

- In determining the rate in the intercompany lease, the company estimates any unguaranteed residual value which may be realised at the end of the lease. This unguaranteed residual is compared to the fair value of the underlying asset independently valued on a regular basis (refer note 4);
- In determining the lease liability under IFRS 16 the bank applies an incremental borrowing rate, which is linked to the prime rate applicable at inception, as management has assessed that this would be the best estimate as a borrowing rate based on enquiries made from other banks related to medium to long-term borrowing rates that could be afforded to the bank. (Refer note 4);
- In determining of the lease term for lease contracts with renewal and termination options the bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The bank has lease contracts that include extension and termination options. Judgement is applied to evaluate whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The bank considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the bank reassesses the lease term for any significant event or change in circumstance that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate. (Refer note 4);
- In determining the extent to which the deferred tax assets may be recognised, management considers factors such as the likely period of future operations, estimated profits which are adjusted for exceptional items and estimated taxable profits based on the applicable legislation as well as future tax planning strategies. (Refer note 8); and
- In determining the useful lives of property and equipment, management have exercised judgement as further detailed in accounting policy note 6, property and equipment.

Impairment losses on financial assets

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

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

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

Critical judgements in determining ECL are those that are embedded in the calibration of the ECL models and include the definition of default and the levels at which the significant increase in credit risk (SICR) thresholds were established.

The bank embarked on a further recalibration of the model in the 2021 year to take into account the most recent activity in the advances portfolio, which considers arrears and payment performance.

The bank introduced additional rules in the impairment model for deals that cure out of stages 2 and stage 3 and periods of probation have been applied to the curing methodology.

New and amended standards and interpretations effective 01 January 2021 (unless stated otherwise)

The following amendments and interpretations apply for the first time in 2021, but do not have an impact on the bank's consolidated financial statements.

- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16; and
- COVID-19 Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16 (effective 01 April 2021).

Standards and amendments not yet effective

At the date of authorisation of the annual financial statements for the year ended 31 December 2021, 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.

Property, plant and equipment: proceeds before intended use – Amendments to IAS 16 (effective 01 January 2022)

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Onerous contracts: costs of fulfilling a contract – Amendments to IAS 37 (effective 01 January 2022)

The amendment specifies which costs need to be included when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'.

The costs that relate directly to a contract to provide goods or services include both incremental costs (eg, the costs of direct labour and materials) and an allocation of costs directly related to contract activities (eg, depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision).

General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counter-party under the contract.

Improvements to international financial reporting standards – IFRS 9 Financial instruments: Fees in the '10 per cent' test for de-recognition of financial liabilities (effective 01 January 2022)

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

There is no similar amendment proposed for IAS 39.

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective 01 January 2023)

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; and
- That a right to defer must exist at the end of the reporting period.

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

Definition of accounting estimates – Amendments to IAS 8 (effective 01 January 2023)

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

The amended standard explains that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained.

Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2 (effective 01 January 2023)

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

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

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

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12 (effective 01 January 2023)

The amendment relates to deferred tax on transactions and events (such as leases and decommissioning obligations), that result in the initial recognition of both an asset and a liability.

Under the amendment, the initial recognition exception no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries as at 31 December 2021 including controlled structured entities.

Investment in subsidiary

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of financial position and statement of profit or loss and other comprehensive income from the date the group gains control until the date the group ceases to control the subsidiary. The parent and its subsidiary's assets, liabilities, equity, income, expenses and cash flows are presented as those of a single economic entity.

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

Albaraka Sukuk Trust was created specifically as a structured entity to administer the issuance and management of the Albaraka Sukuk product. Albaraka Sukuk Trust therefore cannot operate in the absence of the bank and as such is required to be consolidated as part of the group reporting.

Assets, liabilities, income and expenses of the trust for the year are included in the statement of financial position and statement of profit or loss and other comprehensive income from the date the group gains control until the date the group ceases to control the trust.

Transactions eliminated on consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES

Recognition of profit:

The effective profit rate method

Profit is recorded using the effective profit rate (EPR) method for all financial instruments measured at amortised cost. Profit from financial assets measured at fair value through other comprehensive income under IFRS 9. The EPR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

Profit and similar income

The bank calculates profit by applying the EPR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the bank calculates profit by applying the effective profit rate to the net amortised cost of the financial asset.

If the financial assets cures and is no longer credit-impaired, the bank reverts to calculating profit on a gross basis and any adjustment previously not recognized in income is taken to bad debts recovered.

IFRS 9 Financial instruments:

Classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, 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; and
- 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. IFRS 9 is an expected credit loss model which broadens the information that an entity is required to consider when determining its expectations of impairment. Expectations of future events are taken into account and this has resulted in the earlier recognition of larger impairments.

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

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

Impairment of financial assets:

The calculation of expected credit losses

The bank calculates expected credit losses based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EPR.

A cash short fall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **Probability of default (PD)**
  The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

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

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

When estimating the expected credit losses, the bank considers three scenarios: a base case, an optimistic case and a downturn case.

Each of these is associated with different PD, EAD and LGD. When relevant, the assessment of multiple scenarios also incorporates how defaulted advances are expected to be recovered, including the probability that the advances will cure and the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL method are summarised below:

Stage 1:
The 12-month ECL is calculated as the portion of lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The bank calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EPR. This calculation is made for each of the scenarios, as explained above.

Stage 2:
When an advance has shown a significant increase in credit risk since origination, the bank records an allowance for the lifetime ECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PD and LGD are estimated over the lifetime of the instrument.

The expected cash 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 inter-bank 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:

Financial guarantee contracts

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

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

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

Trade facilities

The bank's product offering includes a variety of corporate trade facilities, in which the bank has the right to cancel and/ or reduce the facilities without notice. The bank calculates ECL over a period that reflects the bank's expectations of the customer behaviour, its likelihood of default and the bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the bank's expectations, the period over which the bank calculates ECL for these products, is two 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; and
- Unemployment.

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

Collateral valuation

To mitigate its credit risks on financial assets, the bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, guarantees, real estate, receivables, etc. Collateral, unless repossessed, is not recorded on the bank's statement of financial position.

However, the fair value of collateral affects the calculation of ECL. To the extent possible, the bank uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Collateral repossessed

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

Write-offs

Financial assets are written-off either partially or in their entirety only when the bank has no prospects of recovery, or financial assets that have some prospects of recovery are written-off, but are still subject to enforcement activity.

If the amount to be written-off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Significant Increase in credit risk

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

Ranges of credit scores, termed credit score bands, have been established to further assess credit risk. A deterioration in the credit score band (ie. 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; and
- 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 down-turn) 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 the stage 2 or 3 is required in the LGD model as such an allowance is not included in the probability of default used in the calculation of the expected credit loss.

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

Curing out of default
- The bank re-calibrated the model and accounts that were in default can only move out of Stage 3, 12 months after settling enough arears to be less than 90 days in arrears, previously there was no cure rule out of Stage 3. These accounts will stay in Stage 2 for at least another six 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 six months. Non-distressed restructures are moved to Stage 3 for six months and thereafter to Stage 2 for a further six 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 (ie. 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; and
- 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 six months and payment arrangements.

These Include:
a) Significant financial difficulty of the issuer or the borrower;
b) A breach of contract, such as a default or past due event;
c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
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 (ie. 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 (ie. 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 eg. including any embedded derivatives or exposure to equity, or changing the currency or counterparty). Otherwise, all other modifications would not be seen as substantial modifications giving rise to de-recognition.

5. PROPERTY AND EQUIPMENT

Items of equipment are stated at cost excluding the costs of day-to-day servicing less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Capital expenditure, which takes place in tranches, is first capitalised to work in progress and subsequently moved to the relevant capital asset upon completion when the asset is available for use and subsequently depreciated.

Equipment, motor vehicles, buildings, computer hardware, computer software, and leasehold improvements are depreciated on a straight-line basis over the estimated useful lives of the asset. Land is not depreciated. The estimated useful lives are as follows:

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

The assets' depreciation methods, residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. Management have exercised judgement in determining useful lives and residual values of each category of property and equipment as required by International Accounting Standard (IAS) 16 - Property, plant and equipment.

These judgements have been based on historical trends and the expected future economic benefits to be derived from the assets. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and is treated as changes in accounting estimates.

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

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

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

6. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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, ie. the date that the group commits itself to purchase or sell the assets. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

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

Fair value through profit or loss financial instruments

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

Advances and other receivables

Advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the group does not intend to sell immediately or in the near term. Advances are initially measured at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective profit rate (EPR) method except when the group designates the advances at fair value through profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EPR. The losses arising from impairment are recognised in profit for the year in the Statement of profit or loss and other comprehensive income.

Offsetting

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

Investment securities

Investment securities, which are not listed on an active market, are measured at fair value and are classified as fair value through other comprehensive income based on the business model, payments of principal and profit assessments. Those securities that are listed are measured at fair value through profit or loss. Dividend income is recognised in profit or loss when the group becomes entitled to the dividend.

Fair value measurement

The group discloses financial instruments at fair value at each reporting date in terms of IFRS 13. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability accessible to the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. See note 33.6: Fair value hierarchy for further disclosure regarding the three applicable levels.

Non-derivative financial liabilities

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

Guarantees

In the ordinary course of business, the bank issues guarantees consisting of letters of credit, letters of guarantees and confirmations. These guarantees are recognised as off-balance sheet items. The bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision.

10. INCOME TAX EXPENSE

Income tax expense on the profit or loss for the year comprise current and deferred tax. Income tax is recognised in profit for the year except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of tax payable for previous years.

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates/ laws that have been enacted or substantively enacted at the reporting date. These can be offset if legally enforceable and relates to the same tax entity and authority.

Shareholder payments are net of dividend withholding tax at the relevant rate.

11. REVENUE RECOGNITION

Income from Islamic activities comprises:

Income earned from advances being profits attributable to the purchase and sale of moveable and immoveable property, manufacturing materials and finished products in terms of Musharaka or Murabaha arrangements. 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.

12. LEASES

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

Group and company as a lessee

The group implements a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The group elected to apply the exemption for short-term leases in relation to its Athlone and Cape Town Corporate leases due to the leases being 12-month leases, as well as these leases being intercompany 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 assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The bank is not reasonably certain that any of the leases will be extended due to various reasons. Operationally, the bank may not continue to lease the current premises and may look for new premises to lease or to purchase.

Due to advanced technology and digitalisation, many banks are now moving to a virtual branch network. With the new core banking system, the bank may consider this as a future option.

Therefore, only the initial contractual period has been included in the calculation for the right of use asset and lease liability. The same economic life is applied to determine the depreciation rate of the right of use assets.

Right of use assets and lease liabilities

Right-of-use assets are initially measured at cost. The cost of the right-of-use asset shall comprise the initial measurement of the lease liability adjusted by the amount of any lease payments made relating to that lease at or before the commencement date less any lease incentives, any initial direct costs incurred as well as an estimate of dismantling costs to be incurred.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the contracted lease period as follows:

Buildings - Leased | 15 years

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

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

13. CASH AND CASH EQUIVALENTS AND REGULATORY BALANCES

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

The bank measures this category at amortised cost as both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit 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 is 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 (ie. 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; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in profit and loss. During the period of development, the asset is tested for impairment annually.

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

Computer software	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; or
- Is a member of the key management personnel of the group or of a subsidiary of the group.

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

The following are deemed not to be related:

- Two entities simply because they have a director or key manager in common;
- Two 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); and
- A single customer, supplier, franchiser, distributor, or general agent with whom the group transacts a significant volume of business merely by virtue of the resulting economic dependence.

1. CAPITAL ADEQUACY

Introduction

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

The bank has one wholly-owned subsidiary and one structured entity. The subsidiary and structured entity are consolidated for accounting purposes and group annual financial statements are prepared annually. The subsidiary and structured entity are consolidated for regulatory purposes in accordance with Regulation 36(2) of the Banks Act and Regulations. In addition, and 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 off-balance sheet exposures as determined by the provisions of Basel III. The capital structure of the bank is as follows:

Regulatory capital

	2021	2020
	R'000	R'000
Tier 1		
Share capital	**322 403**	322 403
Share premium	**82 196**	82 196
Retained income	**426 267**	387 667
Less: unappropriated profits	**(4 495)**	(19 632)
Unrealised gains and losses on fair value through other comprehensive income items net of tax	**2 037**	1751
Total capital and reserves	**828 408**	774 385
Less: prescribed deductions against capital and reserve funds	**(63 229)**	(59 850)
Total Tier 1 capital	**765 179**	714 535
Tier 2		
Stage 1 and stage 2	**16 753**	16 639
Sukuk*	**301 640**	307 700
Total eligible capital	**1 083 572**	1 038 874
Capital adequacy ratios (Tier 1 %)	**11,88%**	11,88%
Capital adequacy ratios (Total %)	**16,80%**	17,27%
Base minimum regulatory requirement ratios (Total %)	**8,00%**	8,00%

The Sukuk has been approved by the South African Reserve Bank as a qualifying Tier 2 capital instrument.
Due to COVID-19, the minimum regulatory requirement ratio remained at 8% for the year.

*The first tranche of the Tier 2 Sukuk issued on 30 September 2016 totalling R30,3 million exceeded 5 years on the 30 September 2021. In line with Regulation 38 (12) R6,06 million (2020: nil) is accordingly excluded from the qualifying amount of Tier 2 capital.

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 2021, 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:

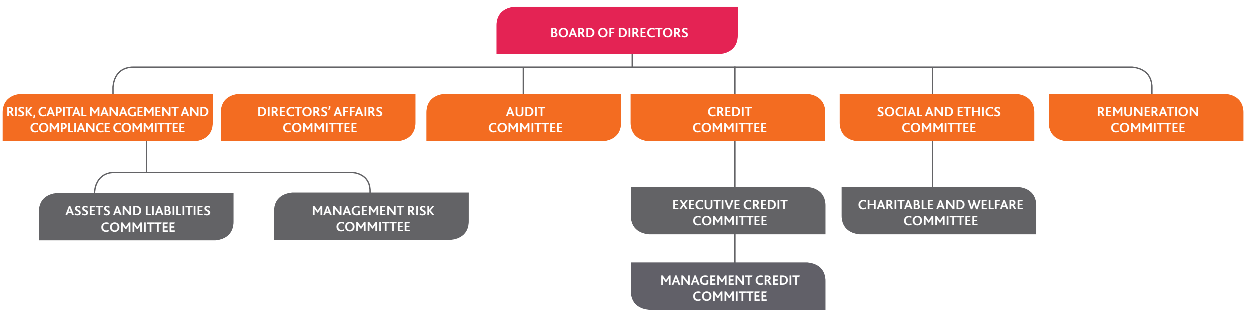
	CAPITAL REQUIREMENTS		RISK-WEIGHTED ASSETS	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**
Credit risk	**448 674**	407 954	**5 608 418**	5 099 427
Operational risk	**50 643**	51 820	**633 034**	647 745
Equity risk	**2 386**	2 073	**29 828**	25 918
Market risk	**1 504**	2 594	**18 800**	32 421
Other risk	**14 896**	16 742	**148 900**	162 658
	518 103	481 183	**6 438 980**	5 968 169

2. RISK MANAGEMENT AND ASSESSMENT

Whilst the board is ultimately responsible for risk management and to determine the type and level of risk which the bank is willing to accept in conducting its banking activities, the effective management of risk has been delegated to six board committees, namely, the risk, capital management and compliance committee, the audit committee, the credit committee, the directors' affairs committee, the social and ethics committee and remuneration committee. In addition, the Shariah Supervisory Board has been delegated the responsibility of managing the shariah risk which the bank faces. These committees are assisted by management committees (more particularly the assets and liabilities committee (ALCO), the executive credit committee, the management risk committee) to discharge their responsibilities effectively. The composition, terms of reference and delegated powers of authority of the board and management committees are set by the board and are reviewed annually.

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

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



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

Major risks

The following are the major forms of risks to which the bank is exposed:
- Credit risk;
- Market risk;
- Equity risk;
- Liquidity risk;
- Profit rate risk;
- Shariah risk;
- Operational risk;
- Reputational risk; and
- Compliance risk.

2.1 Credit risk

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

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

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

Credit exposures are monitored primarily on performance. Defaulting accounts receive prompt attention. Initially they are dealt with by line management and, in instances where further degeneration occurs, they are handed over to the bank's collections and legal specialists.

Depending on the type of credit exposure, account reviews, which include the re-performance of qualitative and quantitative assessments, are performed annually.

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

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

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

Portfolio measures of credit risk

Credit exposures are now in accordance with International Financial Reporting Standard (IFRS) 9 on 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

The bank continued to apply Directive 03/2020 that was issued by the Prudential Authority with effect from 06 April 2020 for granting clients relief for repayments. The relief provided was on a lower scale as compared to 2020 as most client's businesses had recovered and was fully operational. Some clients' businesses that were still affected and met the criteria of Directive 03/2020 in 2020 were granted further extensions in repayment terms in 2021.

These clients were given the option of thereafter settling the arrears or a purchase of equity in a property to settle the arrears.
COVID-19-related credit exposures decreased in 2021 when compared to 2020. This was due to fewer requests from clients for payment relief, as

most businesses became fully operational as a consequence of the easing of lockdown restrictions.

Civil unrest-related credit exposures

The civil unrest that occurred in July 2021 had an impact on some of the bank's clients whose properties were partially or fully damaged. In some instances, businesses were either directly or indirectly affected. The bank assisted clients with payment relief on a case-by-case basis where the cashflows of the business was impacted. The number of clients impacted by civil unrest was significantly less than those affected by COVID-19. A large portion of these arrears have been settled.

A default is considered to have occurred with regard to a particular obligor when either of the following events have taken place:
- The bank considers that the obligor is unlikely to pay its credit obligations to the bank, without recourse by the bank to actions such as realising security (if held); and
- The obligor is past due more than 90 days on any material credit obligation to the bank.

GROUP AND COMPANY

	2021 R'000	2020 R'000
Credit exposures		
Advances to customers	**5 773 878**	5 112 727
Advances and balances with banks	**2 105 223**	2 837 395
Advances, treasury bills and regulatory balances	**472 258**	488 631
Letters of credit, guarantees and confirmations	**608 181**	513 145
Total exposure	**8 959 540**	8 951 898
Provision for credit loss expense on advances to customers	**(32 324)**	(35 816)
Provision for credit loss expense on inter-bank and sovereign exposures	**(1 993)**	(1 892)
Total provision for credit loss expense	**(34 317)**	(37 708)
Net exposure	**8 925 223**	8 914 190

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

	2021 R'000	2020 R'000
Geographical distribution of exposures		
Customer exposure		
KwaZulu-Natal	**3 421 575**	2 976 326
Gauteng	**1 868 695**	1 641 111
Western Cape	**1 091 789**	1 008 435
Total customer exposure	**6 382 059**	5 625 872
Bank exposure		
KwaZulu-Natal	**13 146**	10 529
Gauteng	**2 557 366**	3 300 611
United States of America	**6 969**	14 886
Total bank exposure	**2 577 481**	3 326 026
Total exposure	**8 959 540**	8 951 898
Industry distribution of exposures		
Banks and financial institutions	**2 577 481**	3 326 026
Individuals	**1 401 935**	1 425 726
Business and trusts	**4 980 124**	4 200 146
Total exposure	**8 959 540**	8 951 898

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		2021 R'000	2020 R'000
Product distribution analysis			
Property (Musharaka and Murabaha)		**4 496 263**	3 961 174
Equity finance and Mudaraba deposits		**2 069 311**	2 798 123
Instalment sales		**747 356**	636 748
Trade		**527 319**	511 058
Balances with local and central banks		**508 170**	527 903
Letters of credit		**1 631**	2 243
Guarantees and confirmations		**606 550**	510 902
Other		**2 940**	3 747
Total exposure		**8 959 540**	8 951 898
Residual contractual maturity of book			
Within 1 month	- equity finance and Mudaraba deposits	**687 665**	723 380
	- other	**359 147**	512 353
From 1 to 3 months	- equity finance and Mudaraba deposits	**982 548**	1 505 181
	- other	**760 766**	648 507
From 3 months to 1 year	- equity finance and Mudaraba deposits	**-**	452 607
	- other	**1 122 077**	939 388
From 1 year to 5 years	- equity finance and Mudaraba deposits	**399 098**	116 955
	- other	**2 311 054**	2 038 633
More than 5 years	- other	**2 337 185**	2 014 894
Total exposure		**8 959 540**	8 951 898

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

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Collateral is allocated per asset class as follows:	Credit exposure	Collateral cover	Credit exposure	Collateral cover
	2021		2020	
	R'000	R'000	R'000	R'000
Standard asset	**4 937 305**	**4 128 239**	3 831 252	3 248 495
Special mention asset	**609 222**	**571 585**	1 085 570	951 156
Sub-standard asset	**112 159**	**106 200**	108 281	98 357
Doubtful asset	**52 801**	**48 633**	43 482	34 483
Loss asset	**62 391**	**55 608**	44 142	41 946
	5 773 878	**4 910 265**	5 112 727	4 374 437

The disclosure provided is in line with the information as submitted to the Regulator.

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

GROUP AND COMPANY

	2021	2020
	R'000	R'000
Past due and individually impaired		
- Individuals	**12 400**	12 487
- Business and trusts	**57 037**	51 988
	69 437	64 475
Past due but not impaired		
- Individuals	**218 260**	315 703
- Business and trusts	**533 682**	709 743
	751 942	1 025 446

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 banks IFRS 9 policy.

The value of restructured advances at year end is R430,8 million (2020: R611,3 million). This includes an amount of R101,3 million (2020: R522,1 million) which relates to COVID-19-related restructures and an amount of R48 million (2020: nil) which relates to civil unrest-related restructures that were provided as a relief to clients due to the pandemic and to those business' that were impacted by the civil unrest.

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

GROUP AND COMPANY

	Less than 30 days		30 to 60 days		60 to 180 days		Greater than 180 days		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	R'000	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
Individuals	**175 624**	208 051	**16 004**	44 848	**13 449**	40 910	**13 182**	21 894	**218 259**	315 703
Business and trusts	**421 023**	470 010	**39 060**	82 276	**56 024**	107 261	**17 576**	50 196	**533 683**	709 743
	596 647	678 061	**55 064**	127 124	**69 473**	148 171	**30 758**	72 090	**751 942**	1 025 446

2.2. Market risk

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

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

GROUP AND COMPANY

		2021	2020
		R'000	R'000
Assets held under interest rate risk	- Treasury bills	**273 459**	227 355
Assets held under exchange rate risk	- Foreign currency held	**18 801**	32 421
		292 260	259 776

In accordance with Islamic banking principles, the bank does not levy interest on finance provided hence is not exposed to interest rate risk but rather profit rate risk as described in note 2.5. The treasury bills disclosed above are held for statutory liquidity requirements and thus interest earned on these bills are included in the amounts donated as per note 15.

2.3. Equity risk

Equity risk relates to the risk of loss that the bank would suffer due to material fluctuations in the fair values of equity investments. Equity risk in the case of Al Baraka Bank, relates to its 100% investment in Albaraka Properties Proprietary Limited, a property-owning subsidiary, whose sole assets are properties held in Athlone (Cape Town) and Kingsmead (Durban).

In addition, the bank owns 52 000 shares in Kiliminjaro Investments Proprietary Limited, a property holding company, as well as 1 000 shares in Earthstone Investments (Pty) Ltd, also a property holding company and 160 000 shares in Ahmed Al Kadi Private Hospital Limited, a hospital that provides healthcare services to the general public. Both investment companies hold property in Durban, as well as the private hospital being situated in Durban. The fair values of the underlying properties are obtained by an independent valuation on a periodic basis and compared to the cost of these investments to identify any need for impairment. These investments are classified as fair-value through-other-comprehensive-income.

The bank also has an investment in unit trusts, which is classified as fair-value through-profit-and–loss and is subject to regular monitoring by management and the board but is not currently significant in relation to the overall results and financial position of the group.

2.4 Liquidity risk

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

Liquidity risk is managed mainly by ensuring that the funding of the bank is sourced from a wide range of retail deposits with an appropriate spread of short, medium and long-term maturities. Exposure to large deposits is strictly controlled. ALCO monitors and reviews the maturity profiles of the bank's assets and liabilities on a regular basis to ensure that appropriate liquidity levels are maintained to meet future commitments.

The bank also has a policy of maintaining liquidity buffers (in the form of Treasury Bills and cash surpluses held on call) comfortably in excess of regulatory requirements.

In terms of Regulation 43, the bank has made available, via its website, the disclosure on the liquidity coverage ratio. This can be accessed via https://www.albaraka.co.za/pages/basel-disclosures

Refer to note 33.3 for details relating to liquidity risk management.

2.5 Profit rate risk

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

In keeping with Islamic banking principles, the bank does not levy interest on finance provided to debtors, but instead earns income either by means of buying the item to be financed from the supplier and on-selling or leasing the item to the bank's clients at an agreed mark-up or by entering into arrangements with the debtor in terms of which the bank shares in the profit generated by the debtor at an agreed profit-sharing ratio. Similarly, the bank's depositors do not earn interest on deposits placed with the bank, but instead earn income on a pre-determined basis on their deposits based on their proportionate share of the profits earned from customers, by the bank. There is thus no mismatch in terms of the earning profile of depositors and that of the bank as the bank will only be able to share profits which are earned. As such the bank is not at risk of earning less from advances than it would be required to pay to its depositors.

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

The 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	
	2021	2021
	R'000	R'000
	1% increase	1% decrease
Impact on profit before tax (R'm)	3 220	3 220

2.6 Shariah risk

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

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

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

- The employment of adequate resources to manage and effectively mitigate, to the fullest possible extent, risk which could compromise Shariah compliance;
- Shariah reviews are carried out appropriately, and in a timely manner in accordance with Shariah Supervisory Board policies and plans;
- Confirmation that profits earned from clients and profits paid to depositors are strictly in accordance with Shariah principles;

- Profit distribution is managed by the bank in accordance with Shariah guidelines, as defined by the Shariah Supervisory board;
- Obtaining written Shariah Supervisory Board approval prior to the implementation of any new product or service and any proposed amendment to an existing bank product;
- The disposal of non-permissible income in terms of Shariah Supervisory Board rulings;
- The effective management and/or investment, in a Shariah-compliant manner, of excess liquidity; and
- The employment of a programme of continuous update by the bank of new developments, changes and amendments with regards to AAOIFI Shariah standards.

2.7 Operational risk

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

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

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

2.8 Reputational risk

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

2.9 Compliance Risk

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	R'000	**R'000**	R'000
3. PROPERTY AND EQUIPMENT				
Cost				
Land and buildings	**76 237**	76 237	**-**	-
Vehicles	**7 251**	7 251	**7 251**	7 251
Fittings, equipment and computers	**71 309**	79 336	**62 143**	70 111
Leasehold improvements	**19 399**	21 163	**18 691**	20 455
Capital work in progress	**77**	40	**65**	41
	174 273	184 027	**88 150**	97 858
Accumulated depreciation and impairment	**(78 447)**	(78 741)	**(70 546)**	(72 807)
Land and buildings	**-**	-	**-**	-
Vehicles	**(6 132)**	(5 396)	**(6 132)**	(5 396)
Fittings, equipment and computers	**(54 951)**	(56 474)	**(47 942)**	(51 314)
Leasehold improvements	**(17 364)**	(16 871)	**(16 472)**	(16 097)
Carrying amount	**95 826**	105 286	**17 604**	25 051
Land and buildings comprise the following commercial properties presented at their carrying amount as described below:				
1. Commercial property in Cape Town described as Erf no. 33983 Cape Town in extent 610 square metres independently valued at R17,0 million in 2021. The property was leased entirely to the bank. Commercial property comprises land and buildings at carrying amount.	**3 655**	3 655		
2. Commercial property in Durban described as Portion 6 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 3 316 square metres. The property is leased to the bank. The lease contains an initial non-cancellable period of ten years, starting from 2009, extendable by 5 years thereafter. The property was independently valued at R140,2 million in 2021. Commercial property comprises land at a cost of R3,5 million (2020: R3,5 million) and buildings thereon at a cost of R69,1 million (2020: R69,1 million).	**72 582**	72 582		
	76 237	76 237	**-**	-
Carrying amount at beginning of year	**76 237**	76 237	-	-
Additions	**-**	-	-	-
Depreciation	**-**	-	-	-
Carrying amount at end of year	**76 237**	76 237	-	-

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

The bank does not have any encumbered assets.

	Land and buildings	Vehicles	Fittings, equipment and computers	Leasehold improvements	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Movement in property and equipment: Carrying amount						
Group						
2021						
Cost at beginning of year	76 237	7 251	79 336	21 163	40	184 027
Accumulated depreciation at beginning of year	-	(5 396)	(56 474)	(16 871)	-	(78 741)
Net carrying amount at beginning of year	76 237	1 855	22 862	4 292	40	105 286
Additions	-	-	2 698	166	37	2 901
Assets written-off	-	-	(368)	(108)	-	(476)
Depreciation for the year	-	(736)	(8 834)	(2 315)	-	(11 885)
Net carrying amount at end of year	76 237	1 119	16 358	2 035	77	95 826
Cost at end of year	76 237	7 251	71 309	19 399	77	174 273
Accumulated depreciation at end of year	-	(6 132)	(54 951)	(17 364)	-	(78 447)
2020						
Cost at beginning of year	76 237	7 251	74 174	21 104	3 659	182 425
Accumulated depreciation at beginning of year	-	(4 479)	(47 153)	(14 291)	-	(65 923)
Net carrying amount at beginning of year	76 237	2 772	27 021	6 813	3 659	116 502
Additions	-	-	1 775	59	-	1 834
Transfers	-	-	3 619	-	(3 619)	-
Depreciation for the year	-	(917)	(9 553)	(2 580)	-	(13 050)
Net carrying amount at end of year	76 237	1 855	22 862	4 292	40	105 286
Cost at end of year	76 237	7 251	79 336	21 163	40	184 027
Accumulated depreciation at end of year	-	(5 396)	(56 474)	(16 871)	-	(78 741)

	Land and buildings	Vehicles	Fittings, equipment and computers	Leasehold improvements	Capital work in progress	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Movement in property and equipment: Carrying amount						
Company						
2021						
Cost at beginning of year	-	7 251	70 111	20 455	41	97 858
Accumulated depreciation at beginning of year	-	(5 396)	(51 314)	(16 097)	-	(72 807)
Net carrying amount at beginning of year	-	1 855	18 797	4 358	41	25 051
Additions	-	-	2 699	166	24	2 889
Assets written-off	-	-	(307)	(108)	-	(415)
Depreciation for the year	-	(736)	(6 988)	(2 197)	-	(9 921)
Net carrying amount at end of year	-	1 119	14 201	2 219	65	17 604
Cost at end of year	-	7 251	62 143	18 691	65	88 150
Accumulated depreciation at end of year	-	(6 132)	(47 942)	(16 472)	-	(70 546)
2020						
Cost at beginning of year	-	7 251	64 947	20 396	3 660	96 254
Accumulated depreciation at beginning of year	-	(4 479)	(43 853)	(13 634)	-	(61 966)
Net carrying amount at beginning of year	-	2 772	21 094	6 762	3 660	34 288
Additions	-	-	1 775	59	-	1 834
Transfers	-	-	3 619	-	(3 619)	-
Depreciation for the year	-	(917)	(7 691)	(2 463)	-	(11 071)
Net carrying amount at end of year	-	1 855	18 797	4 358	41	25 051
Cost at end of year	-	7 251	70 111	20 455	41	97 858
Accumulated depreciation at end of year	-	(5 396)	(51 314)	(16 097)	-	(72 807)

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

4. LEASES

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

Albaraka Bank Limited has entered into a lease with its wholly-owned subsidiary, Albaraka Properties Proprietary Limited for the use of its property as the bank's corporate head office. This lease is for an initial period of 10 years with a five-year renewal option. Rentals are escalated annually at 8%. No purchase option exists. Renewals are at the option of the bank. Future minimum lease payments under 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.

Additionally, Al Baraka 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.

RIGHT OF USE ASSETS

	GROUP		
	Office building	ATM sites	Total
	R'000	R'000	R'000
2021			
Cost at beginning of year	**18 432**	**325**	**18 757**
Accumulated depreciation at beginning of year	**(9 884)**	**(242)**	**(10 126)**
Net carrying amount at beginning of year	**8 548**	**83**	**8 631**
Additions	**4 690**	**-**	**4 690**
*Terminations	**(1 454)**	**-**	**(1 454)**
Depreciation for the year	**(4 913)**	**(67)**	**(4 980)**
Net carrying amount at end of year	**6 871**	**16**	**6 887**
Cost at end of year	**21 668**	**325**	**21 993**
Accumulated depreciation at end of year	**(14 797)**	**(309)**	**(15 106)**
2020			
Cost at beginning of year	18 432	325	18 757
Accumulated depreciation at beginning of year	(4 938)	(121)	(5 059)
Net carrying amount at beginning of year	13 494	204	13 698
Additions	-	-	-
Depreciation for the year	(4 946)	(121)	(5 067)
Net carrying amount at end of year	8 548	83	8 631
Cost at end of year	18 432	325	18 757
Accumulated depreciation at end of year	(9 884)	(242)	(10 126)

	Office building	ATM sites	Total
	R'000	R'000	R'000
2021			
Cost at beginning of year	81 876	325	82 201
Accumulated depreciation at beginning of year	(57 114)	(242)	(57 356)
Net carrying amount at beginning of year	24 762	83	24 845
Additions	4 690	-	4 690
*Terminations	(1 454)	-	(1 454)
Depreciation for the year	(9 143)	(67)	(9 210)
Net carrying amount at end of year	18 855	16	18 871
Cost at end of year	85 112	325	85 437
Accumulated depreciation at end of year	(66 257)	(309)	(66 566)
2020			
Cost at beginning of year	81 876	325	82 201
Accumulated depreciation at beginning of year	(47 941)	(121)	(48 062)
Net carrying amount at beginning of year	33 935	204	34 139
Additions	-	-	-
Depreciation for the year	(9 173)	(121)	(9 294)
Net carrying amount at end of year	24 762	83	24 845
Cost at end of year	81 876	325	82 201
Accumulated depreciation at end of year	(57 114)	(242)	(57 356)

*During the year the bank early-terminated its lease relating to the Rosebank Branch. The right of use asset and lease liability for 2021 were R1,5 million (2020: R2 million) and R1,8 million (2020: R2,2 million) respectively.

	Group and Company	Company Per Note 7 *	Company Total
	2021	2021	2021
	R'000	R'000	R'000
Lease liabilities			
Long-term portion of lease liabilities	**3 989**	**31 435**	**35 424**
Office building	**3 989**	**31 435**	**35 424**
ATM sites	-	-	-
Short-term portion of lease liabilities	**3 889**	**12 189**	**16 078**
Office building	**3 867**	**12 189**	**16 056**
ATM sites	**22**	**-**	**22**
Carrying amount of lease liabilities	**7 878**	**43 624**	**51 502**
As at 1 January 2021	**10 079**	**52 988**	**63 067**
Additions	4 690	-	4 690
*Terminations	(1 766)	-	(1 766)
Deemed interest	836	6 792	7 628
Payments	(5 961)	(16 156)	(22 117)
As at 31 December 2021	**7 878**	**43 624**	**51 502**
	2020	2020	2020
	R'000	R'000	R'000
Long-term portion of lease liabilities	**6 353**	**43 624**	**49 977**
Office building	6 331	43 624	49 955
ATM sites	22	-	22
Short-term portion of lease liabilities	**3 726**	**9 364**	**13 090**
Office building	3 645	9 364	13 009
ATM sites	81	-	81
Carrying amount of lease liabilities	**10 079**	**52 988**	**63 067**
As at 1 January 2020	**14 758**	**59 991**	**74 749**
Additions	-	-	-
Deemed interest	1 128	7 956	9 084
Payments	(5 807)	(14 959)	(20 766)
As at 31 December 2020	**10 079**	**52 988**	**63 067**

*The lease liability as per the lease recognised at the company level between the bank and Albaraka Properties Proprietary Limited is offset in note 7 against the inter-company loan account between the bank and the property company. Accordingly, the total lease liability at the company level is R51,2 million (2020: R63,1 million) split between the investment in and amount due by subsidiary company: R43,6million (2020: R53,0 million) and lease liability: R7,9 million (2020: R10,1 million) on the statement of financial position.

GROUP

Maturity analysis - contractual undiscounted cash flow of lease liability	Office building	ATM sites	Total
	R'000	R'000	R'000
2021			
Less than one year	4 340	22	4 362
One to five years	4 161	-	4 161
	8 501	22	8 523

COMPANY

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

GROUP

	Office building	ATM sites	Total
	R'000	R'000	R'000
2020			
Less than one year	4 361	86	4 447
One to five years	6 942	22	6 964
	11 303	108	11 411

COMPANY

	Office building	ATM sites	Total
	R'000	R'000	R'000
Less than one year	20 517	86	20 603
One to five years	59 973	22	59 995
	80 490	108	80 598

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**
The following are the amounts recognised in profit or loss:				
Depreciation expense of right-of-use assets	**4 980**	5 067	**9 210**	9 294
Deemed interest expense on lease liabilities	**836**	1 128	**7 628**	9 084
Early settlement of lease gain	**(311)**	-	**(311)**	-
Early settlement of lease charge	**539**	-	**539**	-
*Expense relating to short-term leases	**-**	-	**1 427**	1 443
Total amount recognised in profit or loss	**6 054**	6 195	**18 503**	19 821

The bank and group had total cash outflows for leases of R6 million and R6 million respectively. There are no future cash outflows relating to leases that have not yet commenced. During the year the bank early-terminated its lease relating to the Rosebank Branch. Depreciation of right-of-use-asset and deemed interest on lease liability relating to the Rosebank Branch lease for 2021 were R545 335 (2020: R545 335) and R182 547 (2020: R221 671) respectively.

*These leases are for periods less than one year and have been treated as short-term leases as per the standard. They represent two leases for the Cape Town corporate office and Athlone retail branch. As these leases are intercompany leases they eliminate on consolidation and are therefore only applicable at the company level.

5. INVESTMENT PROPERTIES

	GROUP	
	2021	2020
	R'000	**R'000**
Balance at beginning of year	**10 339**	10 339
Transfers	**-**	-
Balance at end of year	**10 339**	10 339

Investment properties are only applicable at a group level and comprise the following land as described below:
Land in Durban described as Portion 4 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 2 140 square metres and Portion 5 of Erf 12445 Durban, Registration Division FU, Province of KwaZulu-Natal, in extent 1 528 square metres. The group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties.

The group carries investment properties at historic cost less accumulated depreciation and impairment. The cost of the properties was considered to be equal to their fair value at the time of acquisition. The investment property was independently valued at R10,4 million as at 01 March 2021 which is in line with the group policy to obtain such valuations every three years. The independent valuation referred to above, provides an indication of what the fair value of this property is.

The inputs into the valuation as applied by the independent valuator were location, surrounding environment and any improvements applied to the property. The valuator further considered sales of comparable properties in proximity to the investment property. Investment property would be classified in a level two category in the fair value hierarchy. As investment property is classified as a non-financial asset, management has considered its highest and best use and have accordingly concluded not to adjust its value based on the independent valuation referred to above.

Total direct expenditure for the 2021 financial year relating to investment properties amounted to R653 500 (2020: R614 400).

	2021	2020
	R'000	R'000
6. INTANGIBLE ASSETS		
Cost		
Computer software	8 471	8 232
Capitalised project costs	73 638	72 400
Capital work in progress	19 966	2 003
	102 075	82 635
Accumulated amortisation and impairment	(25 092)	(15 371)
Computer software	(4 189)	(2 630)
Capitalised project costs	(20 903)	(12 741)
	76 983	67 264

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

	Computer software	Capitalised project costs	Capital work in progress	Total
	R'000	R'000	R'000	R'000
Movement in intangible assets: Carrying amount				
Group and Company				
2020				
Cost at beginning of year	3 603	44 871	43 001	91 475
Accumulated amortisation at beginning of year	(1 697)	(33 412)	-	(35 109)
Net carrying amount at beginning of year	1 906	11 459	43 001	56 366
Additions	4 629	8 076	11 495	24 200
Transfers	-	50 852	(50 852)	-
Disposal	-	-	-	-
Assets written-off	-	(1 266)	(1 641)	(2 907)
Amortisation for the year	(933)	(9 462)	-	(10 395)
Net carrying amount at end of year	5 602	59 659	2 003	67 264
Cost at end of year	8 232	72 400	2 003	82 635
Accumulated amortisation at end of year	(2 630)	(12 741)	-	(15 371)

All disposals reflected in the note above are at net carrying amounts

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	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Shares at cost	-	-	1	1
Due by subsidiary	-	-	36 680	31 116
• Amounts owing by subsidiary	-	-	80 304	84 104
• Lease liability (note 4)	-	-	(43 624)	(52 988)
	-	-	36 681	31 117

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 R6,79 million (2020: R7,96 million).

8. DEFERRED TAX (LIABILITY)/ASSET

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	R'000	**R'000**	R'000
Balance at beginning of year	**(10 104)**	(2 278)	**18 648**	(27 311)
Tax recognised in profit or loss	**(3 212)**	(8 015)	**(4 707)**	(8 851)
Tax recognised in other comprehensive income	**(50)**	60	**(50)**	60
Prior year over-provision recognised in profit or loss	**1 031**	129	**1 031**	128
Balance at end of year	**(12 335)**	(10 104)	**14 922**	(18 648)
The deferred tax (liability)/asset comprises temporary differences arising on the following:				
Lease liability	**-**	-	**8 859**	10 297
Financial assets	**(1 843)**	(990)	**(1 843)**	(990)
Credit loss expense on advances	**(656)**	(540)	**(656)**	(540)
Leave pay provision	**1 867**	2 502	**1 867**	2 502
Portfolio impairment	**4 691**	4 659	**4 691**	4 659
Profit not paid to depositors	**6 385**	2 088	**6 385**	2 088
Other	**3 512**	2 389	**3 148**	2 120
Ijarah receivables	**7 982**	7 982	**7 982**	7 982
Prepaid expenses	**(575)**	(548)	**(562)**	(537)
Intangible assets, property and equipment	**(33 206)**	(27 320)	**(14 457)**	(8 607)
Fair value on investments	**(492)**	(326)	**(492)**	(326)
	(12 335)	(10 104)	**14 922**	18 648

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**
9. INVESTMENT SECURITIES				
Unit trust investments				
Fair value at beginning of year	**9 546**	9 534	**9 546**	9 534
Additions at cost	**115**	79	**115**	79
Fair value gain/(loss)	**3 043**	(67)	**3 043**	(67)
Fair value at end of year	**12 704**	9 546	**12 704**	9 546
Unlisted investments				
Kiliminjaro Investment Proprietary Limited at fair value	**5 190**	5 130	**5 190**	5 130
Earthstone Investments Proprietary Limited at fair value	**10 686**	10 163	**10 686**	10 163
Ahmed Al Kadi Private Hospital Limited at fair value	**1 248**	1 079	**1 248**	1 079
	29 828	25 918	**29 828**	25 918
10. ADVANCES AND OTHER RECEIVABLES				
10.1 Sectoral analysis				
Advances to customers				
Property (Musharaka and Murabaha)	**4 496 263**	3 961 174	**4 496 263**	3 961 174
Instalment sale	**747 356**	636 748	**747 356**	636 748
Trade	**527 319**	511 058	**527 319**	511 058
Other	**2 940**	3 747	**2 940**	3 747
Gross advances to customers	**5 773 878**	5 112 727	**5 773 878**	5 112 727
Provision for credit loss expense	**(32 324)**	(35 816)	**(32 324)**	(35 816)
Net advances to customers after provisions	**5 741 554**	5 076 911	**5 741 554**	5 076 911
Advances to banks				
Gross equity finance and Mudaraba deposits	**2 069 311**	2 798 123	**2 069 311**	2 798 123
Provision for credit loss expense	**(1 993)**	(1 892)	**(1 993)**	(1 892)
Net advances to banks after provisions	**2 067 318**	2 796 231	**2 067 318**	2 796 231
Net advances	7 808 872	7 873 142	7 808 872	7 873 142
Other receivables	30 799	29 030	30 634	28 811
	7 839 671	7 902 172	7 839 506	7 901 953

Included under property are Musharaka advances amounting to R4,5 billion (2020: R3,96 billion). Included in other receivables is R6,35 million (2020: R18,7 million) receivable for the agreed sale of foreign currency.

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**
10.2 Maturity analysis				
Advances to customers				
Within 1 month	**212 303**	197 578	**212 303**	197 578
From 1 month to 3 months	**338 925**	381 753	**338 925**	381 753
From 3 months to 1 year	**818 920**	685 688	**818 920**	685 688
From 1 year to 5 years	**2 292 162**	2 007 771	**2 292 162**	2 007 771
More than 5 years	**2 111 568**	1 839 937	**2 111 568**	1 839 937
	5 773 878	5 112 727	**5 773 878**	5 112 727
Equity finance and Mudaraba deposits				
Within 1 month	**687 665**	723 380	**687 665**	723 380
From 1 month to 3 months	**982 548**	1 505 181	**982 548**	1 505 181
From 3 months to 1 year	**-**	452 607	**-**	452 607
From 1 year to 5 years	**399 098**	116 955	**399 098**	116 955
	2 069 311	2 798 123	**2 069 311**	2 798 123
10.3 Expected credit loss				
Advances to customers				
Stage 1	9 138	7 751	**9 138**	7 751
Stage 2	5 623	6 996	**5 623**	6 996
Stage 3	17 563	21 069	**17 563**	21 069
	32 324	35 816	**32 324**	35 816
Inter-bank and sovereign exposures				
Stage 1	**1 993**	1 892	**1 993**	1 892
Total expected credit loss	**34 317**	37 708	**34 317**	37 708
10.4 Credit loss expense				
Charge to/(release of) impairment relating to Stage 3	(3 505)	12 838	(3 505)	12 838
Credit impaired profits and write-offs	2 340	1 302	2 340	1 302
Charge to/(release of) impairment relating to Stage 1 & 2	114	7 856	114	7 856
Bad debts recovered	(668)	(611)	(668)	(611)
	(1 719)	21 385	(1 719)	21 385

The release of impairment relating to Stage 3 of R3,5 million is mainly due to a substantial reduction in impairments of COVID-19-related deals where clients have settled their arrears or concluded purchase of equity deals to settle arrears thus moving them out of Stage 3.

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
2021				
Expected credit loss				
Opening balance	9 643	6 996	21 069	37 708
Impact on stage classification	(10 462)	(3 148)	1 468	(12 142)
*Transfer out of stage 1	(939)	774	165	-
*Transfer out of stage 2	4 530	(4 745)	215	-
*Transfer out of stage 3	14 587	1 703	(16 290)	-
*Impact of stage transfers	(28 640)	(880)	17 378	(12 142)
Settlement/write-off of advances	(2 336)	(1 107)	(9 004)	(12 447)
New advances	12 689	4 471	4 038	21 198
Closing ECL	9 534	7 212	17 571	34 317
Exposure				
Gross carrying amount as at 1 January 2021	6 891 245	823 701	195 905	7 910 851
New financial assets	1 314 144	347 921	30 010	1 692 075
Transfers out of stage 1	(322 420)	203 560	118 860	-
Transfers out of stage 2	210 284	(243 160)	32 876	-
Transfers out of stage 3	67 329	7 013	(74 342)	-
Settlements	(1 256 723)	(428 208)	(72 258)	(1 757 189)
Written-off	(17)	(20)	(2 511)	(2 548)
Gross carrying amount as at 31 December 2021	6 903 842	710 807	228 540	7 843 189

*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 reduction in the ECL despite the increase in the gross carrying amount is mainly due to a decrease in impairments relating to Stage 3 deals where Covid-19 related arrears were settled, thus reducing the overall ECL.

Provisions were released as clients that had Covid-19 payment arrangements began settling their arrears either through completing the payment arrangement terms or through full settlement of the deal. This corresponds with the above reconciliation items in which "transfers out of stage 3" were R16,2 million (2020: R0,5 million) and "settlements" in stage 3 were R9 million (2020: R0,5 million). This moved client deals into performing stages (in which there are lower LGDs and PDs) and ultimately contributed to the overall decrease in ECL during the year.

The July unrest was less impactful on the provisions than COVID-19 for the current financial year.

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
2020				
Exposure				
Opening balance	5 990	2 792	8 232	17 014
Impact on stage classification	(1 630)	2 697	11 088	12 155
*Transfer out of stage 1	(2 357)	1 980	377	-
*Transfer out of stage 2	1 199	(1 427)	228	-
*Transfer out of stage 3	171	310	(481)	-
*Impact of stage transfers	(643)	1 834	10 964	12 155
Settlement/write-off of advances	(1 101)	(229)	(454)	(1 784)
New advances	6 384	1 736	2 203	10 323
Closing ECL	9 643	6 996	21 069	37 708
Exposure				
Gross carrying amount as at 1 January 2020	5 373 306	1 033 286	80 669	6 487 261
New financial assets	2 844 763	428 118	20 645	3 293 526
Transfers out of stage 1	(245 935)	137 817	108 118	-
Transfers out of stage 2	511 019	(543 578)	32 559	-
Transfers out of stage 3	1 487	2 767	(4 254)	-
Settlements	(1 593 339)	(234 709)	(40 562)	(1 868 610)
Written-off	(56)	-	(1 270)	(1 326)
Gross carrying amount as at 31 December 2020	6 891 245	823 701	195 905	7 910 851

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

10.6 Product exposure by stage

2021				
Legal charges	-	-	**1 189**	**1 189**
Ijarah motor vehicle	**53 572**	**598**	**244**	**54 414**
Musharaka commercial	**2 118 404**	**217 844**	**112 631**	**2 448 879**
Murabaha equipment	**201 306**	**27 392**	**7 933**	**236 631**
Murabaha property	**838**	**214**	-	**1 052**
Murabaha motor vehicle	**356 193**	**95 934**	**4 184**	**456 311**
Musharaka residential	**1 723 534**	**238 716**	**85 833**	**2 048 083**
Murabaha trade	**380 684**	**130 109**	**16 526**	**527 319**
Equity finance	**2 069 311**	-	-	**2 069 311**
Total exposure	**6 903 842**	**710 807**	**228 540**	**7 843 189***

GROUP AND COMPANY

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
2020				
Legal charges	-	-	1 230	1 230
Ijarah motor vehicle	45 076	-	802	45 878
Musharaka commercial	1 782 882	173 834	93 748	2 050 464
Murabaha equipment	178 352	34 573	17 932	230 857
Murabaha property	1 927	730	-	2 657
Murabaha motor vehicle	338 584	13 901	7 529	360 014
Musharaka residential	1 513 583	329 318	67 669	1 910 570
Murabaha trade	232 718	271 345	6 995	511 058
Equity finance	2 798 123	-	-	2 798 123
Total exposure	6 891 245	823 701	195 905	7 910 851*

*The amounts included above include current outstanding principal and profit receivable.

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.

Past due status

2021				
<1 day	**6 342 128**	**494 791**	**23 185**	**6 860 104**
Transfers from stage 1	-	134 849	41 626	176 475
1-30 days	**561 714**	**48 030**	**15 162**	**624 906**
Transfers from stage 1	-	7 408	1 870	9 278
31-60 days	-	**2 518**	**5 666**	**8 184**
Transfers from stage 1	-	12 319	20 135	32 454
61-90 days	-	**4 369**	**12 751**	**17 120**
Transfers from stage 1	-	6 523	2 516	9 039
90+ days	-	-	**55 798**	**55 798**
Transfers from stage 1	-	-	38 952	38 952
Transfers from stage 2	-	-	10 879	10 879
	6 903 842	**710 807**	**228 540**	**7 843 189**

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

	Stage 1	Stage 2	Stage 3	Total
	R'000	R'000	R'000	R'000
2020				
<1 day	6 197 751	567 495	14 592	6 779 678
Transfers from stage 1	-	55 684	41 668	97 352
1-30 days	693 494	69 833	1 706	765 033
Transfers from stage 1	-	19 227	12 489	31 716
31-60 days	-	30 772	4 083	34 855
Transfers from stage 1	-	23 183	1 190	24 373
61-90 days	-	42 220	866	43 086
Transfers from stage 1	-	15 287	4 635	19 922
90+ days	-	-	62 297	62 297
Transfers from stage 1	-	-	31 164	31 164
Transfers from stage 2	-	-	21 215	21 215
	6 891 245	823 701	195 905	7 910 851

The stage transitions during the year were from stage 1 to 2: R144,7 million; from stage 1 to 3: R20,5 million and from stage 2 to 3: R12,8 million.

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	R'000	R'000	R'000
11. SOUTH AFRICAN REVENUE SERVICE RECEIVABLE				
Income tax	-	-	-	14
Value Added Taxation	**1 259**	-	**1 485**	-
	1 259	-	**1 485**	14
12. REGULATORY BALANCES				
Government and other stock	**273 459**	227 355	**273 459**	227 355
Balances with Central Bank	**141 190**	128 360	**141 190**	128 360
	414 649	355 715	**414 649**	355 715

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**
13 . CASH AND CASH EQUIVALENTS				
Cash on hand	**14 465**	26 641	**14 460**	21 636
Balances with Central Bank	**57 609**	132 916	**57 609**	132 916
Placements with other banks	**35 913**	39 271	**35 913**	39 271
	107 987	198 828	**107 982**	193 823

The following banking facilities are available to the group:

Settlement facilities	**81 637**	74 983	**81 637**	74 983
	81 637	74 983	**81 637**	74 983

Settlement facilities of $5,1 million are held with ABSA Bank in respect of foreign exchange contracts.

14. SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital				
100 000 000 (2020: 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 (2020: 32 240 260) ordinary shares of R10 each	**322 403**	322 403	**322 403**	322 403
Share premium				
Balance at beginning of year	**82 196**	82 196	**82 196**	82 196
Balance at end of year	**82 196**	82 196	**82 196**	82 196

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**

15. WELFARE AND CHARITABLE FUNDS

	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Gross income from non-Islamic activities during the year (note 23)	**10 370**	18 374	10 370	18 374
Normal tax thereon	**(1 674)**	(4 209)	**(1 674)**	(4 209)
Net income from non-Islamic activities during the year	**8 696**	14 165	**8 696**	14 165
Donations and advances	**(4 913)**	(18 055)	**(4 913)**	(18 055)
Balance at beginning of year	**21 917**	25 807	**21 917**	25 807
Balance at end of year	**25 700**	21 917	**25 700**	21 917

Included in the balance for the year is R20,1 million (2020: R16,1 million) placed in treasury bills as part of the bank's liquidity requirements.

16. ACCOUNTS PAYABLE

	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Sundry creditors	**20 620**	33 713	**20 591**	33 685
Accruals	**21 125**	38 292	**22 303**	34 467
	41 745	72 005	**42 894**	68 152

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 R6,3 million (2020: R18,3 million) payable for foreign currency purchased.

17. SOUTH AFRICAN REVENUE SERVICE PAYABLE

	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Income tax	**1 264**	1 282	**1 397**	-
Value Added Taxation	**-**	223	**-**	1
	1 264	1 505	**1 397**	1

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

18. PROVISION FOR LEAVE PAY

	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Balance at beginning of year	**8 936**	11 348	**8 936**	11 348
Accrued during the year	**9 827**	12 891	**9 827**	12 891
Utilised during the year	**(12 095)**	(15 303)	**(12 095)**	(15 303)
Balance at end of year	**6 668**	8 936	**6 668**	8 936

19. DEPOSITS FROM CUSTOMERS

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

The bank measures deposits from customers at amortised cost as both of the following conditions are met:

- The financial liability is held within a business model with the objective to hold financial liabilities in order to collect contractual cash flows; and
- The contractual terms of the financial liability give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**
20. SUKUK HOLDERS/ALBARAKA SUKUK TRUST				
Sukuk capital	**307 700**	307 700	**307 700**	307 700
Sukuk profit payable	**1 667**	1 667	**-**	-
	309 367	309 367	**307 700**	307 700

The Sukuk investment product qualifies as a Tier 2 capital instrument in terms of Basel III with a 10-year maturing period. Albaraka Sukuk Trust was formed with the sole purpose of administering the issuance and management of the Sukuk investment product to the Sukuk certificate holders. Profits are paid monthly and the R1,7 million (2020: R1,7 million) profit payable balance represents the December profit accrual which was paid in January 2022 (2020: January 2021). The Tier 2 Sukuk has been issued in tranches with the latest tranche issued in December 2019 of R107,7 million.

The bank currently has approval from the Prudential Authority to issue R500 million of an additional Tier 1 Sukuk by March 2023.

21. INCOME PAID TO DEPOSITORS

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

22 INCOME PAID TO SUKUK HOLDERS

	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Income paid from deposit pool	**17 134**	23 866	**17 134**	23 777
Hiba	**2 866**	494	**2 866**	494
	20 000	24 360	**20 000**	24 271

Income paid to Sukuk holders is based on the profit-sharing ratio agreed upon between the investor and the bank at the time of the initial investment. During the financial year the bank introduced Hiba (a voluntary payment) on the Sukuk product to compensate for the significant decrease in rates due to market conditions in 2020 and 2021.

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**

23. NET NON-ISLAMIC INCOME

Non-Islamic income	**10 370**	18 374	**10 370**	18 374
Amount transferred to welfare and charitable funds (note 15)	**(10 370)**	(18 374)	**(10 370)**	(18 374)
	-	-	**-**	-

24. FEE AND COMMISSION INCOME

Service fees	**30 540**	20 662	**30 540**	20 662
Commission received on sale of unit trusts	**8 633**	7 509	**8 633**	7 509
Profit from foreign currency trading	**5 915**	7 168	**5 915**	7 168
Management fee from subsidiary	**-**	-	**268**	268
	45 088	35 339	**45 356**	35 607

25. OTHER OPERATING INCOME

Net parking income from investment property	**73**	706	**-**	71
Dividend income	**1 478**	1 139	**8 478**	18 139
Other	**528**	670	**528**	601
	2 079	2 515	**9 006**	18 811

26. OPERATING EXPENDITURE

Operating expenditure includes:				
Auditor's remuneration				
Audit fees				
• current year	4 058	4 124	4 008	4 075
• prior year under provision	-	296	-	296
Fees for other services				
• Other	273	963	273	963
	4 331	5 383	4 281	5 334

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**
Consultancy fees	**9 815**	9 182	**9 733**	9 149
Depreciation of property and equipment	**11 885**	13 050	**9 921**	11 071
Amortisation of intangible assets	**9 721**	10 395	**9 721**	10 395
Depreciation of right of use assets	**4 980**	5 067	**9 210**	9 294
Early settlement of lease gain	**(311)**	-	**(311)**	-
Early settlement of lease charge	**549**	-	**549**	-
Short-term lease expense	**-**	-	**1 427**	1 443
Staff costs	**117 979**	122 751	**117 979**	122 751
Staff costs - other	**100 245**	105 285	**100 245**	105 285
Staff costs - medical aid	**6 185**	6 104	**6 185**	6 104
Staff costs - provident fund	**11 549**	11 362	**11 549**	11 362
Shariah Board Members fees	**968**	1 454	**968**	1 454
Directors' emoluments	**9 873**	11 478	**9 873**	11 478
Executive services	**6 753**	8 211	**6 753**	8 211
Non-executive directors' fees	**3 120**	3 267	**3 120**	3 267

	2021			2020		
	Salary	**Other benefits**	**Total**	Salary	Other benefits	Total
	R'000	**R'000**	**R'000**	R'000	R'000	R'000
26.1 Executive services						
Company only						
SAE Chohan – Chief executive	**2 915**	**24**	**2 939**	2 779	800	3 579
A Ameed – Financial director	**1 734**	**-**	**1 734**	1 695	447	2 142
M Kaka – Chief operating officer	**2 068**	**12**	**2 080**	1 987	503	2 490
	6 717	**36**	**6 753**	6 461	1 750	8 211

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

	COMPANY	
	2021	2020
	R'000	R'000
26.2 Non-executive directors' fees		
AA Yousif	**114**	455
M Manna	**32**	-
SA Randeree	**425**	417
JMA Cane	**416**	415
MJD Courtiade	**373**	353
ZH Fakey	**419**	372
F Kassim	**-**	73
A Lambat	**-**	112
MS Paruk	**428**	435
YGH Suleman	**463**	424
SM Nyasulu	**303**	211
FA Randeree	**147**	-
	3 120	3 267

	GROUP		COMPANY	
	2021	2020	**2021**	2020
27. TAXATION	**R'000**	R'000	**R'000**	R'000
Normal tax				
• current year	**14 184**	11 316	**10 153**	7 395
• prior year	**910**	329	**910**	328
Attributable to income from non-Islamic activities (refer to accounting policy 12 and note 23)				
• current year	**(1 776)**	(4 245)	**(1 776)**	(4 245)
• prior year	**101**	36	**101**	36
Deferred tax				
• current year	**3 212**	8 015	**4 707**	8 851
• prior year	**(1 031)**	(129)	**(1 031)**	(128)
Taxation attributable to Islamic activities	**15 600**	15 322	**13 064**	12 237

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	%	%	**%**	%
Effective tax rate	**29,0**	29,8	**25,3**	21,2
Adjustable items:				
Non-taxable income	**0,2**	0,5	**4**	8,7
Non-deductible expenditure	**(1,3)**	(1,8)	**(1,4)**	(1,5)
Current tax adjustment - prior year	**(1,7)**	(0,7)	**(1,8)**	(0,6)
Deferred tax adjustment - prior year	**1,8**	0,2	**1,9**	0,2
South African companies tax rate	**28,0**	28,0	**28,0**	28,0

Non-taxable income is exempt income from dividends and non-deductible expense are items that are capital in nature and where the depreciation is not allowed for tax purposes.

28. FAIR VALUE GAIN/(LOSS)

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**
Fair value gain/(loss) on FVOCI	**751**	183	**751**	183
Deferred tax on FVOCI	**(166)**	(9)	**(166)**	(9)
Fair value gain/(adjustment) on forward exchange contract	**(415)**	(245)	**(415)**	(245)
Deferred tax on forward exchange contract	**116**	69	**116**	69
	286	(2)	**286**	(2)

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	R'000	**R'000**	R'000
29. 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 (2020: 32 240 260) ordinary shares in issue during the year (cents)	**118,24**	111,97		
Headline earnings per share are calculated on headline earnings and a weighted number of 32 240 260 (2020: 32 240 260) ordinary shares in issue during the year (cents)	**118,24**	111,97		
Headline earnings per share are derived from:				
Profit for the year	**38 121**	36 098		
Profit arising on disposal of property and equipment	**-**	-		
	38 121	36 098		

	GROUP		COMPANY	
	2021	2020	**2021**	2020 (Restated)*
	R'000	R'000	**R'000**	R'000
30. STATEMENT OF CASH FLOWS				
30.1 Cash generated from operations				
Profit before taxation	**53 721**	51 420	**51 664**	57 610
Adjustment for non-cash items and investment income:				
Income earned not yet received	**49 806**	(95 801)	**49 806**	(95 801)
Profits payable to depositors	**(12 882)**	33 337	**(12 882)**	31 670
Depreciation of property and equipment	**11 885**	13 050	**9 921**	11 071
Dividend income	**(1 478)**	(1 139)	**(8 478)**	(18 139)
Unrealised forex losses/(gains)	**(595)**	(659)	**(595)**	(659)
Amortisation of intangible assets	**9 721**	10 395	**9 721**	10 395
Depreciation on right of use assets	**4 980**	5 067	**9 210**	9 294
Deemed interest on leases	**836**	1 128	**7 628**	9 084
Net loss arising on disposal of property and equipment	**476**	-	**415**	-
Provision for leave pay	**(2 268)**	(2 412)	**(2 268)**	(2 412)
Credit loss expense	**(1 719)**	21 385	**(1 719)**	21 385
Assets written-off	**(299)**	2 938	**(299)**	2 938
Fair value (gain)/loss on financial instruments	**(3 043)**	67	**(3 043)**	67
Net transactions with group companies	**-**	-	**7 035**	6 727
	109 141	38 776	**116 116**	43 230

*2020 amounts have been restated. Refer to note 30.8: Restatement of cash generated from operations.

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	R'000	**R'000**	R'000
30.2 Changes in working capital				
Increase in deposits from customers	**(87 293)**	1 221 578	**(87 293)**	1 221 578
Increase in Sukuk investment	**-**	(1 583)	**-**	(1 627)
Increase in accounts payable	**(30 307)**	26 581	**(25 305)**	27 245
Increase/(decrease) in welfare and charitable funds	**3 783**	(3 890)	**3 783**	(3 890)
Decrease/(increase) in advances and other receivables	**14 603**	(1 305 372)	**14 546**	(1 305 352)
Increase/(decrease) in capital reserves	**(337)**	(2)	**(337)**	(2)
Decrease/(increase) in regulatory balances	**(58 934)**	43 168	**(58 934)**	43 168
	(158 485)	(19 520)	**(153 540)**	(18 880)
30.3 Taxation paid				
Amount (payable)/receivable at beginning of year	**(1 282)**	1 792	**14**	1 714
Amount charged to profit for the year	**(13 418)**	(7 456)	**(9 388)**	(3 534)
Amount charged to welfare and charitable funds	**(1 675)**	(4 209)	**(1 675)**	(4 209)
Amount (receivable)/payable at end of year	**1 263**	1 282	**1 397**	(14)
	(15 112)	(8 591)	**(9 652)**	(6 043)
30.4 Dividends paid				
Amount outstanding at beginning of year	**(1 289)**	(1 366)	**(1 289)**	(1 366)
Amount outstanding at end of year	**1 288**	1 289	**1 288**	1 289
	(1)	(77)	**(1)**	(77)
30.5 Purchase of property and equipment				
Vehicles	**-**	-	**-**	-
Equipment and computers	**(2 699)**	(1 775)	**(2 699)**	(1 775)
Leasehold improvements	**(166)**	(59)	**(166)**	(59)
Work in progress	**(37)**	-	**(25)**	-
	(2 902)	(1 834)	**(2 890)**	(1 834)
30.6 Purchase of intangible assets				
Computer software	**(239)**	(4 629)	**(239)**	(4 629)
Capitalised project costs	**(1 237)**	(8 076)	**(1 237)**	(8 076)
Work in progress	**(17 963)**	(11 495)	**(17 963)**	(11 495)
	(19 439)	(24 200)	**(19 439)**	(24 200)

30.7 Restatement of the statement of cashflows

During the year, management corrected the company's cashflow from operating and investing activities disclosure to exclude non-cash items (management fees, rentals, utility charges, lease transactions and dividends) relating to transactions with group companies which were previously erroneously included in the statement of cashflows. Additionally, the settlement of lease liabilities included in financing activities, which were previously disclosed as a net amount, has been split between capital repayments and finance lease charges. As a result, the comparative information has been restated.

The impact of the restatement on the company's statement of cashflows is detailed below:

31 December 2020
Company

	As previously reported	Restatement	Restated
	R'000	R'000	R'000
Cash flow from operating activities			
Cash generated from operations*	28 547	14 683	43 230
Changes in working capital	(18 880)	-	(18 880)
Taxation paid	(6 043)	-	(6 043)
Dividends paid	(77)	-	(77)
Net cash inflow from operating activities	3 547	14 683	18 230
Cash flow from investing activities			
Purchase of property and equipment	(1 834)	-	(1 834)
Purchase of intangible assets	(24 200)	-	(24 200)
Purchase of investment securities	(79)	-	(79)
Dividend income**	18 139	(17 000)	1 139
(Increase)/decrease in investment in and amount due by subsidiary***	(10 917)	2 317	(8 600)
Net cash utilised in investing activities	(18 891)	(14 683)	(33 574)

* The restatment comprises inter-company management fees, rentals, utility charges and lease transactions.

** The restatement comprises inter-company dividends.

*** The restatement comprises inter-company management fees, rentals, utility charges, lease transactions and dividends.

	As previously reported	Restatement	Restated
Cash flow from financing activities			
Settlement of lease liabilities – capital and finance lease charges****	(5 807)	5 807	-
Settlement of lease liabilities – capital****	-	(4 679)	(4 679)
Settlement of lease liabilities – finance lease charges ****	-	(1 128)	(1 128)
Cash flow from financing activities	(5 807)	-	(5 807)
Net increase/(decrease) for the year	**(21 151)**	**-**	**(21 151)**
Net forex exchange difference on cash on hand	659	-	659
Cash and cash equivalents at beginning of year	**214 315**	**-**	**214 315**
Cash and cash equivalents at end of year	**193 823**	**-**	**193 823**

**** The restatement comprises the split between capital repayments and finance lease charges that impact the group and company results equally.

	31 December 2020 Company		
	As previously reported	Restatement	Restated
	R'000	R'000	R'000
30.8 Restatement of cash generated from operations			
Profit before taxation	57 610	-	57 610
Adjustment for non-cash items and investment income:			
Income earned not received	(95 801)	-	(95 801)
Profits payable to depositors	31 669	-	31 669
Depreciation of property and equipment	11 070	-	11 070
Dividend income	(18 139)	-	(18 139)
Unrealised forex losses/(gains)	(659)	-	(659)
Amortisation of intangible assets	10 394	-	10 394
Depreciation on right of use assets	9 297	-	9 297
Deemed interest on leases*	1 128	7 956	9 084
Provision for leave pay	(2 412)	-	(2 412)
Credit loss expense	21 385	-	21 385
Asset written-off	2 938	-	2 938
Fair value loss/(gain) on financial instruments	67	-	67
Net transactions with group companies**	-	6 727	6 727
	28 547	14 683	43 230

* The restatement comprises inter-company finance lease charges.
** The restatement comprises inter-company management fees, rentals and utility charges.

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	R'000	R'000	R'000
31. LETTERS OF CREDIT, GUARANTEES AND CONFIRMATIONS				
Guarantees and confirmations	**606 550**	510 902	**606 550**	510 902
Letters of credit	**1 631**	2 243	**1 631**	2 243
	608 181	513 145	**608 181**	513 145

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	**35**	19	**35**	19
	35	19	**35**	19

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**

33. FINANCIAL INSTRUMENTS

33.1 Credit risk - maximum exposure to credit risk

	2021	2020	**2021**	2020
Advances to customers (Note 10.1)	**5 773 878**	5 112 727	**5 773 878**	5 112 727
Advances and balances with banks	**2 105 223**	2 837 395	**2 105 223**	2 837 395
Advances and balances with Central Bank	**472 258**	488 631	**472 258**	488 631
Letters of credit, guarantees and confirmations	**608 181**	513 145	**608 181**	513 145
	8 959 540	8 951 898	**8 959 540**	8 951 898

33.2 Currency risk

	2021	2020	**2021**	2020
Cash and cash equivalents				
- EUR	**886**	846	**886**	846
- GBP	**578**	156	**578**	156
- SAR	**145**	465	**145**	465
- USD	**16 569**	15 550	**16 569**	15 550
- AED	**227**	15 016	**227**	15 016
- AUD	**369**	388	**369**	388
- Other	**27**	-	**27**	-
	18 801	32 421	**18 801**	32 421

Based on the bank's year end foreign currency holdings a 1% fluctuation in the exchange rate will result in a R188 000 (2020: R324 000) foreign exchange gain or loss. The bank does not speculate in currency fluctuations and, therefore, does not hold any stock for this purpose.

33.3 Liquidity risk

The table overleaf 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						
2021						
Assets						
Advances and other receivables	7 839 671	903 839	1 329 725	829 453	2 677 636	2 099 018
Investment securities	29 828	-	-	-	-	29 828
Cash and cash equivalents and regulatory balances	522 636	117 984	145 306	118 156	-	141 190
	8 392 135	1 021 823	1 475 031	947 609	2 677 636	2 270 036
Group						
2021						
Liabilities						
Deposits from customers	7 333 371	2 575 680	1 327 608	3 140 356	9 565	280 162
Sukuk	309 367	1 667	-	-	307 700	-
Accounts payable	41 745	39 636	1 406	703	-	-
Letters of credit, guarantees and confirmations	608 181	43 326	276 534	185 000	18 893	84 428
	8 292 664	2 660 309	1 605 548	3 326 059	336 158	364 590
Net liquidity gap	99 471	(1 638 486)	(130 517)	(2 378 450)	2 341 478	1 905 446
Group						
2020						
Assets						
Advances and other receivables	7 902 172	923 923	1 892 919	1 147 700	2 110 582	1 827 048
Investment securities	25 918	-	-	-	-	25 918
Cash and cash equivalents and regulatory balances	554 543	280 794	17 920	127 469	-	128 360
	8 482 633	1 204 717	1 910 839	1 275 169	2 110 582	1 981 326
Group						
2020						
Liabilities						
Deposits from customers	7 433 546	2 185 123	1 479 748	3 403 647	72 261	292 767
Sukuk	309 367	1 667	-	-	307 700	-
Accounts payable	72 005	66 741	3 509	1 755	-	-
Letters of credit, guarantees and confirmations	513 145	60 622	248 834	126 231	30 862	46 596
	8 328 063	2 314 153	1 732 091	3 531 633	410 823	339 363
Net liquidity gap	154 570	(1 109 436)	178 748	(2 256 464)	1 699 759	1 641 963

The liquidity disclosure of the Sukuk is based on the terms and conditions which were approved by the SARB.
All the amounts above are presented on a discounted basis.

33.4 Intrinsic rate risk

Loans and borrowings subject to intrinsic rate risk

	Intrinsic rate	Maturity	2021	2020
	14,3%	2024	R'000	R'000
Current portion - less than 12 months			12 189	9 364
Non-current portion - greater than 12 months			31 435	43 624
Total obligations under lease (Note 4)			43 624	52 988

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

33.5 Accounting classification

The fair value of assets in the group and company are not materially different and thus only group disclosures have been presented. Please refer to note 7 for information regarding details of balances of amounts owing between the company and the subsidiary.

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

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

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

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing market profit rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed profit bearing deposits is based on discounted cash flows using prevailing money-market profit rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current profit rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.
Set out below is a comparison, by class, of the carrying amounts and fair values of the bank's financial instruments that are not carried at fair value in the financial statements.

	Fair value through other comprehensive income	Amortised cost	Fair value through profit and loss	Carrying amount
	R'000	R'000	R'000	R'000
Group				
2021				
Assets				
Advances	-	7 808 872	-	7 808 872
Forward exchange contract	-	-	6 350	6 350
Investment securities	17 124	-	12 704	29 828
Cash and cash equivalents	-	107 987	-	107 987
Regulatory balances	-	414 649	-	414 649
	17 124	8 331 508	19 054	8 367 686

	Fair value through other comprehensive income	Amortised cost	Fair value through profit and loss	Carrying amount
	R'000	R'000	R'000	R'000
Liabilities				
Deposits from customers	-	**7 333 371**	-	**7 333 371**
Sukuk	-	**309 367**	-	**309 367**
Accounts payable	-	**35 404**	-	**35 404**
Forward exchange contract	-	-	**6 341**	**6 341**
	-	**7 678 142**	**6 341**	**7 684 483**
Group				
2020				
Assets				
Advances	-	7 873 142	-	7 873 142
Forward exchange contract	-	-	18 716	18 716
Investment securities	16 372	-	9 546	25 918
Cash and cash equivalents	-	198 828	-	198 828
Regulatory balances	-	355 715	-	355 715
	16 372	8 427 685	28 262	8 472 319
Liabilities				
Deposits from customers	-	7 433 546	-	7 433 546
Sukuk	-	309 367	-	309 367
Accounts payable	-	53 712	-	53 712
Forward exchange contract	-	-	18 293	18 293
	-	7 796 625	18 293	7 814 918

33.6 Fair Value Hierarchy

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of Kiliminjaro Investment Proprietary Limited, Earthstone Investments Proprietary Limited and Ahmed Al Kadi Private Hospital Limited were derived from observable market data, ie. 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				
2021				
Financial assets				
- Fair value through other comprehensive income	**-**	**17 124**	**-**	**17 124**
- Fair value through profit and loss	**19 054**	**-**	**-**	**19 054**
	19 054	**17 124**	**-**	**36 178**
Financial liabilities				
- Fair value through profit and loss	**6 341**	**-**	**-**	**6 341**
	6 341	**-**	**-**	**6 341**
2020				
Financial assets				
- Fair value through other comprehensive income	-	16 372	-	16 372
- Fair value through profit and loss	28 262	-	-	28 262
	28 262	16 372	-	44 634
Financial liabilities				
- Fair value through profit and loss	18 293	-	-	18 293
	18 293	-	-	18 293

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 R11,6 million (2020: R11,4 million). Executives' portion of the contribution amounted to R964 249 for the year (2020: R895 492).

35. RELATED PARTY INFORMATION

The holding company of Albaraka Bank Limited at 31 December 2021 is Al Baraka Banking Group B.S.C. which is a company registered in the Kingdom of Bahrain and which holds 64,5% (2020: 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% (2020: 12,6%) of the company's ordinary shares.

Timewest Investments Proprietary Limited, a company incorporated in South Africa, holds 7,7% (2020: 7,7%) of the company's ordinary shares.

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

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-out relief activities in order to assist qualifying Small, Medium and Micro Enterprises (SMMEs) which were negatively impacted by the pandemic. The trust appointed Albaraka Bank Limited 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 is made up of five trustees, comprising of an institutional trustee, a chartered accountant, an individual from the business community, an advocate and one of the bank's directors. The only exposure between the Albaraka Sukuk Trust and the bank currently relates to the Sukuk investment, as disclosed under note 20.

The bank's subsidiary, Albaraka Properties (Proprietary) Limited, and the related inter-company balances are identified in note 7. The bank also made lease repayments amounting to R16 156 321 (2020: R14 959 557) for the year. As the subsidiary does not maintain a physical bank account, all revenue and expenditure transactions are facilitated by Albaraka Bank Limited and are accounted for via the inter-company account. The management fee charged to the subsidiary is disclosed in note 24. A dividend of R7 000 000 (2020: R17 000 000) was declared during the year.

The directors are considered the key management personnel and the remuneration paid to the directors is disclosed in note 26.

Albaraka Bank Limited enters into financial transactions, including normal banking relationships, with companies in which the directors of the bank have a beneficial interest.

These transactions are governed by terms no less favourable than those arranged with third parties and are subject to the bank's normal credit approval policies and procedures.

Directors are required to declare their interest in such transactions and recuse themselves from participating in any meeting at which these matters are discussed. Any transactions, irrespective of size, have to be reviewed by the board.

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

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

	COMPANY	
	2021	2020
	R'000	**R'000**
Property finance - Musharaka and Murabaha		
Balance outstanding at beginning of year	**11 210**	13 569
Advances granted during the year	**11 650**	150
Repayments during the year	**(4 780)**	(3 618)
Profit earned	**1 214**	1 109
	19 294	11 210
Profit mark-up range for the year	**5%-7,5%**	5,0%-10,5%

The profit mark-up of 5% is in respect of advances to executive directors at subsidised rates which, at year end amounted to R1 013 947 (2020: R1 400 760). Balances owing by/(to) related parties, including advances to executive and non-executive directors, are disclosed below:

Instalment sale		
Balance outstanding at beginning of year	**1 012**	1 533
Advances granted during the year	**1 230**	-
Repayments during the year	**(622)**	(781)
Profit earned	**74**	260
	1 694	1 012
Profit mark-up range for the year	**7,7%-11,0%**	8,0%-13,0%

	2021 R'000	2020 R'000
Trade finance		
Balance outstanding at beginning of year	**1 521**	1 092
Advances granted during the year	**4 230**	1 949
Repayments during the year	**(3 689)**	(1 571)
Profit earned	**90**	51
	2 152	1 521
Profit mark-up range for the year	**6,5%-7,0%**	6,5%-6,5%

Iqraa Trust
During the year, the bank donated an amount of R3 000 000 (2020: R6 130 068) to the Trust.

At 31 December 2021 funds deposited by the Trust with the bank amounted to R24 711 439 (2020: R24 166 492).

Giving for Hope Foundation Trust
At 31 December 2021 funds deposited by the Trust with the bank amounted to R4 228 234 (2020: R68 027 000).

	2021	2020
Albaraka Sukuk Trust		
Sukuk capital	**307 700**	307 700
Total exposure	**330 840**	323 894

Staff

	2021	2020
Staff advances are conducted at subsidised profit rates.		
The total staff advances outstanding at the end of the period amounted to:	**90 507**	58 438

36. EVENTS AFTER THE REPORTING PERIOD

There are no material adjusting events after the financial period that requires reporting. The directors are aware that the effects of the Coronavirus pandemic may continue to follow through and influence the results for the 2022 financial year. Management and the board continue to consider the impact of this risk.

On 23 February 2022, the Minister of Finance announced that the corporate income tax rate will change from 28% to 27%, effective for years of assessment ending on or after 31 March 2023. This was following the initial announcement made by the Minister on 24 February 2021. The change in the corporate income tax rate is considered a non-adjusting event after the reporting period and will be applicable to the group for the 2023 financial year. Current and deferred tax balances are reflected at 28% at 31 December 2021, as this is the rate that was substantively enacted. Management expects the change in the corporate income tax rate to affect the future deferred tax liability balance and effective tax rate of the group. However, it is not considered practical to estimate the impact thereof at the date when these financial statements were authorised for issue.

AAOIFI STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**
Assets				
Cash and cash equivalents	**522 636**	554 543	**522 631**	549 538
Sales receivables	**3 269 920**	3 877 562	**3 269 920**	3 877 562
Musharaka financing	**4 484 613**	3 949 858	**4 484 613**	3 949 858
Ijarah financing	**52 002**	44 073	**52 002**	44 073
Investment securities	**29 828**	25 918	**29 828**	25 918
Investment in subsidiary company	**-**	-	**36 682**	31 117
Total investments	**8 358 999**	8 451 954	**8 395 675**	8 478 066
Other assets	**38 945**	29 030	**65 913**	63 687
Property and equipment	**95 826**	105 286	**17 604**	25 051
Investment properties	**10 339**	10 339	**-**	-
Intangible assets	**76 983**	67 264	**76 983**	67 264
Total assets	**8 581 092**	8 663 873	**8 556 174**	8 634 068
Liabilities, unrestricted investment accounts and owners' equity				
Liabilities				
Customer current accounts and other	**1 160 698**	906 683	**1 160 698**	906 683
Payables	**69 889**	92 549	**58 837**	77 089
Other liabilities	**25 700**	21 917	**25 700**	21 917
Total liabilities	**1 256 287**	1 021 149	**1 245 235**	1 005 689
Equity of unrestricted investment account holders	**6 149 871**	6 519 407	**6 149 871**	6 519 407
Sukuk	**309 367**	309 367	**307 700**	307 700
Profits distributable to depositors	**22 803**	7 456	**22 803**	7 456
Total liabilities and unrestricted investment accounts	**7 738 327**	7 857 379	**7 725 609**	7 840 252
Owners' equity	**842 765**	806 494	**830 566**	793 816
Share capital	**322 403**	322 403	**322 403**	322 403
Share premium	**82 196**	82 196	**82 196**	82 196
Other reserve	**2 037**	1 751	**2 037**	1 751
Retained income	**436 129**	400 144	**423 930**	387 466
Total liabilities, unrestricted investment accounts and owners' equity	**8 581 092**	8 663 873	**8 556 174**	8 634 068

AAOIFI STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	R'000	**R'000**	**R'000**	**R'000**
Income from sales receivables	**173 214**	196 206	**173 214**	196 206
Income from Musharaka financing	**305 550**	363 888	**305 550**	363 888
Income from Ijarah financing	**20 359**	19 082	**20 359**	19 082
Return on unrestricted investment accounts before the bank's share as mudarib	**499 124**	579 176	**499 124**	579 176
Less: bank's share as mudarib	**(263 256)**	(309 699)	**(263 256)**	(309 787)
Return on unrestricted accounts	**235 868**	269 477	**235 868**	269 389
Bank's share in income from investment (as a mudarib and as a fund owner)	**263 256**	309 699	**263 256**	309 787
Bank's income from its own investments	**1 478**	1 139	**8 478**	18 139
Revenue from banking services	**30 540**	20 662	**30 540**	20 662
Other revenue	**15 149**	16 053	**15 344**	15 617
Total bank revenue	**310 423**	347 553	**317 618**	364 205
Administrative and general expenditure	**(218 236)**	(257 473)	**(229 452)**	(269 914)
Depreciation of property and equipment	**(11 884)**	(13 050)	**(9 920)**	(11 071)
Amortisation of intangible assets	**(9 721)**	(10 395)	**(9 721)**	(10 395)
Depreciation of Ijarah	**(17 551)**	(15 224)	**(17 551)**	(15 224)
Profit before taxation	**53 031**	51 411	**50 975**	57 601
Taxation	**(15 600)**	(15 322)	**(13 064)**	(12 237)
Profit for the period	**37 432**	36 089	**37 911**	45 364

LETTER TO SHAREHOLDERS, NOTICE TO SHAREHOLDERS AND PROXY FORM FOR THE YEAR ENDED 31 DECEMBER 2021

LETTER TO SHAREHOLDERS

16 May 2022

As-Salaamu-Alaikum

ALBARAKA BANK LIMITED: NOTICE OF ANNUAL GENERAL MEETING - WEDNESDAY, 22 JUNE 2022

Dear Shareholder,

As a valued shareholder, I extend an invitation to you to attend the 32nd annual general meeting (AGM) of Albaraka Bank Limited, to be held at 2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street, Durban on Wednesday, 22 June 2022 at 09h00. For those shareholders who wish to attend on a virtual basis, you are requested to please contact customerservices@albaraka.co.za for the log-in details.

The purpose of the meeting is to transact the business, as stated in the notice of the AGM, and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out in this notice. For your ease of reference, the following information is included with my letter:

- Notice to shareholders, which records the resolutions that are to be tabled at the meeting. The notice includes a summary of the bank's consolidated financial results, with the board of directors being fully supportive of the proposed resolutions;
- Explanatory notes in respect of the proposed resolutions to be tabled at the AGM; and
- Proxy form.

The Integrated Annual Report may be:

- Accessed on the internet at www.albaraka.co.za or;
- Obtained, free of charge, by requesting a copy thereof from the company secretary, by way of an email addressed to: Customerservices@albaraka.co.za

The directors, representatives of the bank's independent external auditors and senior members of management will be in attendance at the annual general meeting. As shareholders of Al Baraka Bank, you are entitled to present questions to the directors on the performance of the bank.

As part of Al Baraka Bank's commitment to conserving natural resources, the bank will in future be mailing the notice of the annual general meeting, which sets out instructions to access the annual financial statements to those shareholders who have not supplied the bank's Transfer Secretaries with an email address. Shareholders who have provided an email address will continue to receive the link to the annual report, which will be made available on the bank's website. We would, therefore, request that you please support the bank in this initiative and provide the Transfer Secretaries with an email address to expedite the receipt of electronic financial statements.

I confirm that the Zakah of the bank was calculated at 51,5 cents per share. This should be discharged personally by the shareholder, as Al Baraka Bank is not mandated to discharge this on your behalf.

Was-Salaam

Yours faithfully

....

YGH Suleman
Interim chairman
Albaraka Bank Limited

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 32nd annual general meeting of the shareholders of Albaraka Bank Limited will be held at 09h00 on Wednesday, 22 June 2022 at the offices of Al Baraka Bank, 2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street, Durban, to conduct the following business:

Ordinary Resolutions
It is proposed that the following Resolutions be considered and passed, with or without amendment, as Ordinary Resolutions:

1. **Ordinary Resolution Number 1**
   To receive and adopt the group and company annual financial statements as at 31 December 2021.
   Percentage of voting rights required to pass this resolution: 50% + 1 vote.

2. **Ordinary Resolution Number 2**
   To elect directors in the place of the following persons who, in terms of the company's Memorandum of Incorporation, are retiring by rotation and, being eligible, offer themselves for re-election. Motions for re-election will be moved individually.

Name:	YGH Suleman
Age:	64
Appointed:	2016
Occupation:	Businessman
Committee Member:	Interim chairman of the board of directors; chairman of the directors' affairs committee and member of the remuneration committee.

Name:	ZH Fakey
Age:	47
Appointed:	2019
Occupation:	Chartered Accountant and director of companies
Committee Member:	Chairman of the audit committee and the risk, capital management & compliance committee and member of the social and ethics committee.

   Percentage of voting rights required to pass this resolution: 50% + 1 vote.

3. **Ordinary Resolution Number 3**
   To confirm the appointment of the following directors who were appointed during the year:
   - Mr FA Randeree;
   - Mr MK Manna.

   Percentage of voting rights required to pass this resolution: 50% + 1 vote.

4. **Ordinary Resolution Number 4 - Re-appointment and remuneration of the external auditors**
   (a) To approve the auditors' remuneration for the year ended 31 December 2021;
   (b) To authorise the board of directors to determine the auditors' remuneration for the financial year ending 31 December 2022;
   (c) To re-appoint Ernst & Young Inc. as the external auditors of the company and Farouk Ebrahim as the designated auditor, until the conclusion of the next annual general meeting.
   Percentage of voting rights required to pass this resolution: 50% + 1 vote.

5. **Ordinary Resolution Number 5**
   To renew the directors authority to allot the unissued shares, if any, of the company at their discretion until the next annual general meeting in the numbers and on the terms and conditions and times, as well as at the prices as they deem fit, subject to the provisions of the Companies Act, 71 of 2008, as amended, and the Bank's Act, 94 of 1990, as amended.
   Percentage of voting rights required to pass this resolution: 50% + 1 vote.

6. **Ordinary Resolution Number 6**
   To confirm and approve the remuneration paid to the directors of the company, as set out in the annual financial statements, for the year ended 31 December 2021.
   Percentage of voting rights required to pass this resolution: 50% + 1 vote.

7. **Ordinary Resolution Number 7**
   To confirm and approve the remuneration paid to the members of the Shariah Supervisory Board, as set out in the annual financial statements for the year ended 31 December 2021.
   Percentage of voting rights required to pass this resolution: 50% + 1 vote.

8. **Ordinary Resolution Number 8**
   To elect the Shariah Supervisory Board of the bank, with the following members being eligible for re-election. Motions for re-election will be moved individually.
   - Shaykh Mahomed Shoaib Omar;
   - Mufti Shafique Ahmed Jakhura;
   - Mufti Zubair Bayat;
   - Shaykh Yousef Hassan Khalawi.

   Percentage of voting rights required to pass this resolution: 50% + 1 vote.

9. **Ordinary Resolution Number 9 - Non-binding advisory endorsement of the company's remuneration policy**
   To consider and endorse, by way of a non-binding advisory vote, the company's remuneration policy.
   Percentage of voting rights required to pass this resolution: 50% + 1 vote.

Special Resolutions
It is proposed that the following Resolutions be considered and passed, with or without amendment, as Special Resolutions:

10. Special Resolution Number 1 - To approve the fees payable to the non-executive directors for the year 01 July 2022 to 30 June 2023, as set out below:

	Present (R) 01/07/2021-30/06/2022	Proposed (R) 01/07/2022-30/06/2023
Board (per meeting)		
Chairman	14 300	15 100
Director/Member	6 600	7 000
Directors' affairs committee, remuneration committee, the social and ethics committee and any other ad hoc committee of the board (per meeting)		
Chairman	9 600	10 100
Director/Member	6 600	7 000
Risk, capital management & compliance committee (per meeting)		
Chairman	11 500	12 100
Director/Member	7 600	8 000
Audit committee and board credit committee (per meeting)		
Chairman	13 700	14 500
Director/Member	8 900	9 400
Retainer (per annum)		
Chairman	416 000	440 000
Vice chairman	306 800	324 300
Director/Member	250 000	264 000
Ad hoc work	R2 600 per hour, subject to a maximum of R6 700 per day.	R2 750 per hour, subject to a maximum of R7 100 per day.

* Fees exclude Value Added Tax (VAT). For clarity, and to the extent that VAT is applicable, the company is authorised to pay the VAT thereon in addition to the proposed remuneration.
Percentage of voting rights required to pass this resolution: 75%.

11. Special Resolution Number 2
To approve the provision of any financial assistance by the company, subject to the provisions of the Companies Act, 2008, to any company or corporation which is related or inter-related to the company, as defined in the Companies Act, 2008, on the terms and conditions which the directors of the company may determine.
Percentage of voting rights required to pass this resolution: 75%.

12. Other Business
To consider such other business as may be transacted at the annual general meeting.

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, to speak and, on a poll, vote in his/her stead. A proxy need not be a shareholder of the company.

Meeting participants will be required to provide satisfactory identification before being permitted to participate in the meeting.

A proxy form is on a separate page included in this annual report.

By order of the board

Colin Breeds
……………………………..
CT Breeds
Company secretary
Albaraka Bank Limited

16 May 2022

EXPLANATION OF RESOLUTIONS

Section 65 (4) of the Companies Act, 71 of 2008, as amended, requires proposed resolutions, ordinary or special, to be accompanied by explanatory material regarding the resolutions to be adopted. The explanatory material in respect of the proposed resolutions is as follows:

Ordinary Resolutions:

1. **Ordinary Resolution Number 1 - Adoption of annual financial statements**
   The directors are required to present the audited financial statements for the year ended 31 December 2021, as approved by the board of directors, to the annual general meeting for adoption. The full annual financial statements are available on the company's website: www.albaraka.co.za

2. **Ordinary Resolution Number 2 - Re-election of directors**
   This resolution provides for the re-election of retiring directors, in accordance with the requirements of the company's Memorandum of Incorporation. The directors' affairs committee conducted an assessment of the retiring directors, the findings of which were supported by the board. The board therefore recommends the re-election of the retiring directors to the shareholders.

3. **Ordinary Resolution Number 3 - Confirmation of appointment of directors**
   The appointment by the board of directors of any persons as directors of the company requires confirmation by shareholders at the annual general meeting of the company. Mr FA Randeree and Mr MK Manna were appointed by the directors during the year after the last AGM, with the board of directors recommending to shareholders that their appointments be confirmed.

4. **Ordinary Resolution Number 4 - Re-appointment and remuneration of independent external auditors**
   (a) The purpose of this resolution is to approve the auditors' remuneration for the year ended 31 December 2021;
   (b) The purpose of this resolution is to authorise the board to agree to the auditors' remuneration for the year ending 31 December 2022;
   (c) The Companies Act requires the shareholders, at each annual general meeting, to appoint auditors who will continue in office until the following annual general meeting. The directors propose that Ernst & Young Inc. be appointed as the external auditors of Al Baraka Bank, with Mr F Ebrahim as the designated auditor, until the conclusion of the next annual general meeting.

5. **Ordinary Resolution Number 5 - Directors' authority to allot unissued shares**
   The effect of this resolution is to place the unissued ordinary shares of the company under the control of the directors until the next annual general meeting.

6. **Ordinary Resolution Number 6 - Confirmation and approval of directors' remuneration for the year ended 31 December 2021**
   The effect of this resolution is to approve the remuneration of the directors for the year ended 31 December 2021, as set out more fully in the annual financial statements.

7. **Ordinary Resolution Number 7 - Confirmation and approval of remuneration paid to members of the Shariah Supervisory Board for the year ended 31 December 2021**
   The effect of this resolution is to approve the remuneration of the members of the Shariah Supervisory Board for the year ended 31 December 2021, as set out more fully in the annual financial statements, in line with the Shariah Governance Framework published by the Central Bank of Bahrain.

8. **Ordinary Resolution Number 8 - Appointment of the Shariah Supervisory Board**
   The purpose of this resolution is to provide for the appointment of Shaykh Mahomed Shoaib Omar, Mufti Shafique Ahmed Jakhura, Mufti Zubair Bayat and Shaykh Yousef Hassan Khalawi to the Shariah Supervisory Board of Al Baraka Bank.

9. **Ordinary Resolution Number 9 - Non-binding advisory endorsement of the remuneration policy**
   The reason for proposing this resolution is to request shareholders to signify their approval of the company's remuneration policy by way of a non-binding advisory resolution as provided for in King IV. As this resolution is of an advisory nature, failure to pass it will not have any legal consequences in respect of existing arrangements. However, the board will consider the outcome of the vote when considering the company's remuneration policy. The policy is outlined below:

   The board of directors, through the remuneration committee, ensures that a correct balance exists between the interests of employees and those of shareholders so that the bank attracts and retains the expertise required to achieve the bank's strategy. The committee also ensures that all the company's directors, executive and senior management are fairly rewarded for their individual contributions to the company. This is essential in strengthening the relationship between the remuneration of directors and executives and the value it places on its staff and performances, thereby enhancing the profitability of Albaraka Bank Limited.

   The overall philosophy of the remuneration policy is to:
   - Create value for Al Baraka Bank in the long-term;
   - Remunerate employees in the form of fixed pay, fringe benefits and variable pay;
   - Balance total remuneration between a fixed and variable content;
   - Link variable remuneration to factors that represent real growth to Al Baraka Bank and create wealth to shareholders;
   - Measure the performance of executives on a multiple of performance matrixes, which will include both financial and non-financial elements, of which the latter will form a significant portion;
   - Link a significant portion of the remuneration to the performance of an executive's business unit, the risk of decision-making and the effects thereof by the respective executive in the context of the bank's operations and the overall performance of Al Baraka Bank;
   - Disclose, at least annually in its annual report, the amount of the remuneration paid or awarded to each of its executive directors;
   - Disclose in its annual report, the aggregate amount of the remuneration paid or awarded to members of the executive management team and to other members of the bank's management team, as may be prescribed; and
   - Stipulate the aggregate amount of sign-on and severance payments made and awarded during the financial year, as well as the total number of beneficiaries of such payments.

Special Resolutions:

1. **Reason for and effect of Special Resolution Number 1: Directors' Fees**
   The reason for special resolution 1 is that section 66 (9) of the Companies Act provides that the remuneration of directors may be paid only in accordance with a Special Resolution approved by the shareholders within the previous two years. In giving effect to the requirements of section 66 (9) of the Companies Act, Special Resolution 1 approves the fees payable to the non-executive directors for the year 01 July 2022 to 30 June 2023.

2. **Reason for and effect of Special Resolution Number 2: Financial assistance to related or inter-related companies**
   The reason for this special resolution is to grant the directors of the company the authority to provide financial assistance to any company or corporation which is related or inter-related to the company.

PROXY FORM

Albaraka Bank Limited
(Registration Number:
1989/003295/06)

For use at the 32nd annual general meeting of the company to be held at 09h00 on Wednesday, 22 June 2022.

To: Albaraka Bank Limited
2 Kingsmead Boulevard, Kingsmead Office Park
Stalwart Simelane Street, Durban, 4001

or post to: PO Box 4395
Durban
4000

I/We……

of ……

being the holder/s of …………………… shares in the company do hereby appoint (see note 1)

1 ……………………………………………………………………………………………… or failing him/her

2 ……………………………………………………………………………………………… or failing him/her

the chairman of the annual general meeting, as my/our proxy to act for me/us at the 32nd annual general meeting of the company, which will be held in Durban, South Africa, at the offices of Al Baraka Bank, 2 Kingsmead Boulevard, Kingsmead Office Park, Stalwart Simelane Street, Durban, 4001 and at any adjournment thereof, and to vote for me/us on my/our behalf or to abstain from voting as indicated below:

	IN FAVOUR OF RESOLUTION	AGAINST RESOLUTION	ABSTAIN FROM VOTING
Ordinary Resolutions			
1. Adoption of annual financial statements			
2. Re-election of retiring directors:			
YGH Suleman			
ZH Fakey			
3. Confirm the appointment of new directors appointed after the last AGM:			
FA Randeree			
MK Manna			
4. 4.1 Approval of the auditors' remuneration for the year ended 31 December 2021			
4.2 Authority to the board of directors to determine the auditors' remuneration for the year ending 31 December 2022			
4.3 To re-appoint the company's auditors, Ernst & Young Inc. with Mr F Ebrahim as the designated auditor			
5. Control over unissued shares			
6. Approval of directors' remuneration for the year ended 31 December 2021			
7. Approval of remuneration of members of the Shariah Supervisory Board for the year ended 31 December 2021			
8. Election of the Shariah Supervisory Board members (separate voting):			
Shaykh Mahomed Shoaib Omar			
Mufti Shafique Ahmed Jakhura			
Mufti Zubair Bayat			
Shaykh Yousef Hassan Khalawi			
9. Non-binding advisory resolution - approval of remuneration policy			
Special Resolutions			
1. Approve the fees payable to non-executive directors from 01 July 2022 to 30 June 2023			
2. Financial assistance to related or inter-related companies			

Signed at ……………………………………………… this …………………… day of ………………………………… 2022

Signature ……………………………………………… assisted by me ……………………………………………………………
(where applicable)

Please see notes on reverse

NOTES

1. A shareholder entitled to attend and vote may insert the name/s of one or more proxy/ies or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting 'the chairman of the annual general meeting.' Any such proxy, who need not be a shareholder of the company, is entitled to attend, speak and, on a poll, vote in his/her stead. Should this space be left blank, the proxy will be exercised by the chairman of the meeting.

2. The person whose name appears first on the proxy form and is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

3. A shareholder's instructions to the proxy must be indicated by the insertion of an 'X' in the appropriate box.

4. If a shareholder does not indicate on this instruction that his/her proxy is to vote in favour of or against any resolution or to abstain from voting or give contradictory instructions, or should any further resolution/s or any amendment/s which be properly put before the general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.

5. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

6. Documentary evidence establishing the authority of the person signing the proxy form in a representative capacity must be attached hereto, unless previously recorded by the company or waived by the chairman of the general meeting.

7. The completion and lodging of this form will not preclude a shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy/ies appointed in terms hereof, should such shareholder wish to do so.

8. It is recommended that forms of proxy be lodged with or posted to Albaraka Bank Limited by no later than 48 hours before the meeting, for administrative purposes. However, should the form of proxy not be returned by the aforesaid time, it may be handed to the chairman of the annual general meeting before the meeting is due to commence.

9. The chairman of the meeting may accept or reject any proxy form which is completed and/or received other than in accordance with these instructions.

AL BARAKA BANKING GROUP GLOBAL NETWORK

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

Web: www.albaraka.com

Al Baraka Banking Group has operations in:

Jordan;	Algeria;	**Al Baraka Banking Group also has:** Two branches in Iraq; and Representative offices in Indonesia* and Libya
Egypt;	Lebanon;	
Tunisia;	Saudi Arabia;	
Bahrain;	Syria;	
Sudan;	Pakistan;	* The Al Baraka Banking Group's Board of Directors has resolved to withdraw its presence in Indonesia, subject to the approval of the local regulators and other authorities
Turkey;	Morocco;	
South Africa;	Germany	

Contact details for the subsidiary units of Al Baraka Banking 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'

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