Albaraka Bank Limited

Pillar III Disclosure Report

December 2021

Contents

1. BASIS OF COMPILATION

The following information is compiled in terms of Regulation 43 relating to banks, issued under Section 90 of the Banks Act, No 94 of 1990 (as amended) ("the regulations"), which incorporates the Basel Pillar III requirements on market discipline.

All disclosures are consistent with those disclosed in terms of International Financial Reporting Standards ("IFRS"), unless otherwise stated.

All amounts are disclosed in rand thousands. Where bank and consolidated figures are not materially different, only one table is disclosed.

All tables and disclosures may not be relevant and are excluded from this Pillar III report. These include:

- KM2 – Key metrics – TLAC requirements (at resolution group level)
- PV1 – Prudent valuation adjustments (PVA)
- TLAC1 – TLAC composition for G-SIBs (at resolution group level)
- TLAC2 – Material subgroup entity – creditor ranking at legal entity level
- TLAC3 – Resolution entity – creditor ranking at legal entity level
- GSIB1 – Disclosure of G-SIB indicators
- CCyB1 – Geographical distribution of credit exposures used in the countercyclical buffer
- CRE – Qualitative disclosures related to IRB models
- CR6 – IRB – Credit risk exposures by portfolio and PD range
- CR7 – IRB – Effect on RWA of credit derivatives used as CRM techniques
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- CR10 – IRB (specialized lending and equities under the simple risk weight method)
- CCRA – Qualitative disclosure related to counterparty credit risk
- CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach
- CCR2 – Credit valuation adjustment (CVA) capital charge
- CCR3 – Standardised approach of CCR exposures by regulatory portfolio and risk weights
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- MRB – Qualitative disclosures for banks using the Internal Models Approach (IMA)
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- MR3 – IMA values for trading portfolios
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- REM2 – Special payments
- REM3 – Deferred remuneration

2. SCOPE OF REPORTING

The quarterly results of Albaraka Bank Limited for the period ended 31 December 2021 is reported on. 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'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.

3. OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL METRICS AND RISK WEIGHTED ASSETS

The following section provides an overview of the key prudential regulatory metrics covering the available capital and ratios, risk weighted assets, leverage ratio, liquidity coverage ratio and net stable funding ratio of the bank's performance and trends over time on a bank solo and consolidated basis.

3.1. **KM1** – Key metrics

CONSOL						
Line No		31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
Available Capital (Amounts) R'000						
1	Common equity Tier 1 (CET1)	777 089	735 073	707 738	716 118	709 552
1a	Fully loaded expected credit loss (ECL) accounting model	777 089	735 073	707 738	716 118	709 552
2	Tier 1	777 089	735 073	707 738	716 118	709 552
2a	Fully loaded accounting model Tier 1	777 089	735 073	707 738	716 118	709 552
3	Total capital	1 095 482	1 048 729	1 026 275	1 033 200	1 033 891
3a	Fully loaded expected credit loss (ECL) accounting model total capital	1 095 482	1 048 729	1 026 275	1 033 200	1 033 891
Risk Weighted Assets (Amounts) R'000						
4	Total risk-weighted assets (RWA)	6 424 850	6 225 321	5 610 271	5 945 801	5 948 456
Risk-Based Capital Ratios as a percentage of RWA						
5	Common equity tier 1 ratio (%)	12.10%	11.81%	12.62%	12.04%	11.93%
5a	Fully loaded ECL accounting model CET1 (%)	12.10%	11.81%	12.62%	12.04%	11.93%
6	Tier 1 ratio (%)	12.10%	11.81%	12.62%	12.04%	11.93%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	12.10%	11.81%	12.62%	12.04%	11.93%
7	Total capital ratio (%)	17.05%	16.85%	18.29%	17.38%	17.38%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.05%	16.85%	18.29%	17.38%	17.38%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank D-sib additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row8 + row9 + row10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.85%	3.56%	4.37%	3.79%	3.68%
Basel III Leverage Ratio						

13	Total Basel III leverage ratio measure	8 995 674	8 898 719	9 014 407	8 936 516	8 971 808
14	Basel III leverage ratio (%) (row 2/row 13)	8.64%	8.26%	7.85%	8.01%	7.91%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	8.64%	8.26%	7.85%	8.01%	7.91%
Liquidity Coverage Ratio						
15	Total HQLA	465 022	432 841	422 361	445 445	377 351
16	Total net cash outflow	71 009	70 464	75 112	78 179	74 046
17	LCR ratio (%)	655%	614%	562%	570%	503%
Net Stable Funding Ratio						
18	Total available stable funding	6 914 799	7 446 447	7 552 430	7 498 626	7 370 449
19	Total required stable funding	5 275 149	5 039 864	4 609 477	4 645 199	4 611 897
20	NSFR ratio (%)	131%	148%	164%	161%	160%

BANK						
Line No		31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
Available Capital (Amounts) R'000						
1	Common equity Tier 1 (CET1)	765 179	754 276	720 678	724 471	714 348
1a	Fully loaded expected credit loss (ECL) accounting model	765 179	754 276	720 678	724 471	714 348
2	Tier 1	765 179	754 276	720 678	724 471	714 348
2a	Fully loaded accounting model Tier 1	765 179	754 276	720 678	724 471	714 348
3	Total capital	1 083 572	1 067 932	1 039 215	1 041 553	1 038 687
3a	Fully loaded expected credit loss (ECL) accounting model total capital	1 083 572	1 067 932	1 039 215	1 041 553	1 038 687
Risk Weighted Assets (Amounts) R'000						
4	Total risk-weighted assets (RWA)	6 476 285	6 274 285	5 663 988	6 007 849	6 014 787
Risk-Based Capital Ratios as a percentage of RWA						
5	Common equity tier 1 ratio (%)	11.82%	12.02%	12.72%	12.06%	11.88%
5a	Fully loaded ECL accounting model CET1 (%)	11.82%	12.02%	12.72%	12.06%	11.88%
6	Tier 1 ratio (%)	11.82%	12.02%	12.72%	12.06%	11.88%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	11.82%	12.02%	12.72%	12.06%	11.88%
7	Total capital ratio (%)	16.73%	17.02%	18.35%	17.34%	17.27%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.73%	17.02%	18.35%	17.34%	17.27%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank D-sib additional requirements (%)	-	-	-	-	-

11	Total of bank CET1 specific buffer requirements (%) (row8 + row9 + row10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.57%	3.77%	4.47%	3.81%	3.63%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	9 014 381	8 912 603	9 034 045	8 960 070	8 994 980
14	Basel III leverage ratio (%) (row 2/row 13)	8.49%	8.46%	7.98%	8.09%	7.94%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	8.49%	8.46%	7.98%	8.09%	7.94%
Liquidity Coverage Ratio						
15	Total HQLA	465 022	432 841	422 361	445 445	377 351
16	Total net cash outflow	71 009	70 464	75 112	78 179	74 046
17	LCR ratio (%)	655%	614%	562%	570%	503%
Net Stable Funding Ratio						
18	Total available stable funding	6 914 799	7 446 447	7 552 430	7 498 626	7 370 449
19	Total required stable funding	5 275 149	5 039 864	4 609 477	4 645 199	4 611 897
20	NSFR ratio (%)	131%	148%	164%	161%	160%

Year under review: Albaraka Bank

As at 31 December 2021, the total capital ratio decreased from 17.27% to 16.73%, largely affected by:

- Increase in risk weighted assets from R6.01billion to R6.48billion, due to the growth in the advances book
- Increase in total capital and reserves from R1,04billion to R1,08billion

The LCR increase from 503% in December 2020 to 655% in December 2021, due to increases in the bank's treasury bill and cash holdings

3.2. **OVA** – Bank risk management approach

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 programs in their specified areas. These policies and programs 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 programs 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 Albaraka Bank a culture that is risk-management orientated.

The audit committee and risk, capital management and compliance committee are responsible for monitoring compliance with the risk management policies and programs 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.

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.

Credit risk, market risk, equity risk, liquidity risk, profit rate risk, shariah risk, operational risk, reputational risk and compliance risk are the major forms of risk to which the bank is exposed. For a more detailed overview, please refer to the risk management and assessment section is the bank’s annual report.

Stress testing is conducted for any material risks facing the bank (i.e. credit, liquidity, profitability, solvency risks). Stress tests of these material risks are tied to the assets in the portfolio, as well as to prevailing economic and market conditions and probe for portfolio-specific weaknesses. The frequency of stress testing is conducted at least quarterly. However, a sudden change in the economic outlook may prompt ABL to revise the parameters of some stress tests, or if ABL has become exposed to a particular risk area, it may be necessary to carry out more stress tests.

3.3. **OV1 -** Overview of Risk weighted assets

	CONSOL	RWA	Min capital requirements*	RWA	Min capital requirements*	RWA	Min capital requirements*
		Dec 21 R’000		Sep 21 R’000		Jun 21 R’000	

1	Credit risk (excluding counterparty credit risk) (CCR)	5 743 189	603 035	5 534 841	581 158	4 923 860	517 005
2	Of which: standardised approach (SA)	5 743 189	603 035	5 534 841	581 158	4 923 860	517 005
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-	-	-	-
4	Of which: supervisory slotting approach	-	-	-	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-	-	-	-
6	Counterparty credit risk (CCR)	-	-	-	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-	-	-	-
8	Of which: Internal Model Method (IMM)	-	-	-	-	-	-
9	Of which: other CCR	-	-	-	-	-	-
10	Credit valuation adjustment (CVA)	-	-	-	-	-	-
11	Equity positions under the simple risk weight approach	29 827	3 132	27 493	2 887	27 393	2 876
12	Equity investments in funds – look-through approach	-	-	-	-	-	-
13	Equity investments in funds – mandate-based approach	-	-	-	-	-	-
14	Equity investments in funds – fall-back approach	-	-	-	-	-	-
15	Settlement risk	-	-	-	-	-	-
16	Securitisation exposures in the banking book	-	-	-	-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	-	-	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-	-	-
20	Market risk	18 800	1 974	15 242	1 600	11 273	1 184
21	Of which: standardized approach (SA)	18 800	1 974	15 242	1 600	11 273	1 184
22	Of which: internal model approaches (IMA)	-	-	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-	-	-
24	Operational risk	633 034	66 469	647 745	68 013	647 745	68 013
25	Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-	-	-	-

26	Aggregate capital floor applied	-	-	-	-	-	-
27	Floor adjustment (before application of transitional cap)	-	-	-	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-	-	-	-
29	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)	6 424 850	674 609	6 225 321	653 659	5 610 271	589 078

	CONSOL	RWA	Min capital requirements*	RWA	Min capital requirements*
		Mar 21 R'000		Dec 20 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	5 250 050	551 255	5 242 372	550 449
2	Of which: standardised approach (SA)	5 250 050	551 255	5 242 372	550 449
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-	-
4	Of which: supervisory slotting approach	-	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-	-
6	Counterparty credit risk (CCR)	-	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-	-
8	Of which: Internal Model Method (IMM)	-	-	-	-
9	Of which: other CCR	-	-	-	-
10	Credit valuation adjustment (CVA)	-	-	-	-
11	Equity positions under the simple risk weight approach	27 292	2 866	25 918	2 721
12	Equity investments in funds – look-through approach	-	-	-	-
13	Equity investments in funds – mandate-based approach	-	-	-	-
14	Equity investments in funds – fall-back approach	-	-	-	-
15	Settlement risk	-	-	-	-
16	Securitisation exposures in the banking book	-	-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	-	-	-	-

19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-
20	Market risk	20 714	2 175	32 421	3 404
21	Of which: standardized approach (SA)	20 714	2 175	32 421	3 404
22	Of which: internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	647 745	68 013	647 745	68 013
25	Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-	-
26	Aggregate capital floor applied	-	-	-	-
27	Floor adjustment (before application of transitional cap)	-	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-	-
29	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)	5 945 801	624 309	5 948 456	624 588

	BANK ONLY	RWA	Min capital requirements*	RWA	Min capital requirements*	RWA	Min capital requirements*
		Dec 21 R'000		Sep 21 R'000		Jun 21 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	5 757 318	604 518	5 544 247	582 146	4 938 019	518 492
2	Of which: standardised approach (SA)	5 757 318	604 518	5 544 247	582 146	4 938 019	518 492
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-	-	-	-
4	Of which: supervisory slotting approach	-	-	-	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-	-	-	-
6	Counterparty credit risk (CCR)	-	-	-	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-	-	-	-
8	Of which: Internal Model Method (IMM)	-	-	-	-	-	-
9	Of which: other CCR	-	-	-	-	-	-
10	Credit valuation adjustment (CVA)	-	-	-	-	-	-
11	Equity positions under the simple risk weight approach	29 828	3 132	27 493	2 887	27 393	2 876
12	Equity investments in funds – look-through approach	-	-	-	-	-	-

13	Equity investments in funds – mandate-based approach	-	-	-	-	-	-
14	Equity investments in funds – fall-back approach	-	-	-	-	-	-
15	Settlement risk	-	-	-	-	-	-
16	Securitisation exposures in the banking book	-	-	-	-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	-	-	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-	-	-
20	Market risk	18 800	1 974	15 242	1 600	11 273	1 184
21	Of which: standardized approach (SA)	18 800	1 974	15 242	1 600	11 273	1 184
22	Of which: internal model approaches (IMA)	-	-	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-	-	-
24	Operational risk	633 034	66 469	647 745	68 013	647 745	68 013
25	Amounts below thresholds for deduction (subject to 250% risk weight)	37 305	3 917	39 558	4 154	39 558	4 154
26	Aggregate capital floor applied	-	-	-	-	-	-
27	Floor adjustment (before application of transitional cap)	-	-	-	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-	-	-	-
29	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)	6 476 285	680 010	6 274 285	658 800	5 663 988	594 719

	BANK ONLY	RWA	Min capital requirements*	RWA	Min capital requirements*
		Mar 21 R'000		Dec 20 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	5 265 183	552 844	5 262 085	552 519
2	Of which: standardised approach (SA)	5 265 183	552 844	5 262 085	552 519
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-	-
4	Of which: supervisory slotting approach	-	-	-	-

5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-	-
6	Counterparty credit risk (CCR)	-	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-	-
8	Of which: Internal Model Method (IMM)	-	-	-	-
9	Of which: other CCR	-	-	-	-
10	Credit valuation adjustment (CVA)	-	-	-	-
11	Equity positions under the simple risk weight approach	27 292	2 866	25 918	2 721
12	Equity investments in funds – look-through approach	-	-	-	-
13	Equity investments in funds – mandate-based approach	-	-	-	-
14	Equity investments in funds – fall-back approach	-	-	-	-
15	Settlement risk	-	-	-	-
16	Securitisation exposures in the banking book	-	-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-
20	Market risk	20 714	2 175	32 421	3 404
21	Of which: standardized approach (SA)	20 714	2 175	32 421	3 404
22	Of which: internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	647 745	68 013	647 745	68 013
25	Amounts below thresholds for deduction (subject to 250% risk weight)	46 915	4 926	46 618	4 895
26	Aggregate capital floor applied	-	-	-	-
27	Floor adjustment (before application of transitional cap)	-	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-	-
29	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)	6 007 849	630 824	6 014 787	631 553

* Minimum requirements include the base minimum and idiosyncratic requirement specified by the Registrar.

Year under review – Albaraka Bank

Risk weighted assets increased from R6.01billion to R6.48billion predominantly in credit risk RWAs. Credit risk RWAs increased by R495million or 9.4% which is largely due to the growth in the advances book. Market risk decreased by R13.6million or 42.0% which is attributable to the decrease in the bank's foreign cash holdings. Operational risk decreased by R14.7million or 2.3%. This calculation is updated bi-annually and is based on a three-year rolling gross income before impairments average balance.

4. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

4.1. **LI1** – Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories

	a	b	c	d	e	f	g
			Carrying values of items:				
Consol	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory reporting**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
At 31 December 2021 **Assets**							
Property and equipment	95 826	102 713	36 475	-	-	-	-
Right of use asset	6 887	-	-	-	-	-	-
Investment properties	10 339	10 339	-	-	-	-	-
Intangible assets	76 983	76 983	-	-	-	-	76 983

Investment in and amount due by subsidiary company	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-
Investment securities	29 828	29 828	29 828	-	-	-	-
Advances and other receivables	7 839 671	7 839 671	7 873 988	-	-	-	-
South African Revenue Service	1 259	1 259	1 259	-	-	-	-
Regulatory balances	414 649	414 649	-	-	-	-	-
Cash and cash equivalents	107 987	107 987	35 913	-	-	18 800	-
	8 583 429	**8 583 429**	**7 977 463**	**-**	**-**	**18 800**	**76 983**

At 31 December 2021 **Liabilities**							
Deferred tax liability	12 335	12 335	-	-	-	-	-
Welfare and charitable funds	25 700	25 700	-	-	-	-	-
Sukuk holders	309 367	309 367	-	-	-	-	-
Provision for leave pay	6 668	6 668	-	-	-	-	-
Lease liabilities	7 878	7 878	-	-	-	-	-
Accounts payable	41 745	41 745	-	-	-	-	-
South African Revenue Service	1 264	1 264	-	-	-	-	-
Deposits from customers	7 333 371	7 333 371	-	-	-	-	-
	7 738 328	**7 738 328**	**-**	**-**	**-**	**-**	**-**

	a	**b**	**c**	**d**	**e**	**f**	**g**
			Carrying values of items:				
Consol	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory reporting**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
At 31 December 2020 **Assets**							
Property and equipment	105 286	105 286	41 263	-	-	-	-
Right of use asset	8 631	-	8 631	-	-	-	-
Investment properties	10 339	10 339	-	-	-	-	-
Intangible assets	67 264	67 264	-	-	-	-	67 264

Investment in and amount due by subsidiary company	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-
Investment securities	25 918	25 918	25 918	-	-	-	-
Advances and other receivables	7 902 172	7 950 075	7 939 880	-	-	-	-
South African Revenue Service	-	-	-	-	-	-	-
Regulatory balances	355 715	355 715	-	-	-	-	-
Cash and cash equivalents	198 828	159 556	39 271	-	-	32 421	-
	8 674 153	**8 674 153**	**8 054 963**	**-**	**-**	**32 421**	**67 264**

At 31 December 2020 **Liabilities**							
Deferred tax liability	10 104	10 104	-	-	-	-	-
Welfare and charitable funds	21 917	21 917	-	-	-	-	-
Sukuk holders	309 367	307 700	-	-	-	-	-
Provision for leave pay	8 936	8 936	-	-	-	-	-
Lease liabilities	10 079	10 079	-	-	-	-	-
Accounts payable	72 005	72 005	-	-	-	-	-
South African Revenue Service	1 505	1 505	-	-	-	-	-
Deposits from customers	7 433 546	7 435 213	-	-	-	-	-
	7 867 459	**7 867 459**	**-**	**-**	**-**	**-**	**-**

	a	**b**	**C**	**d**	**e**	**f**	**g**
			Carrying values of items:				
Bank only	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory reporting**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
At 31 December 2021 **Assets**							
Property and equipment	17 604	36 475	36 475	-	-	-	-
Right of use asset	18 871	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-

Intangible assets	76 983	76 983	-	-	-	-	76 983
Investment in and amount due by subsidiary company	36 681	80 303	80 303	-	-	-	-
Deferred tax asset	14 922	14 922	14 922	-	-	-	-
Investment securities	29 828	29 828	29 828	-	-	-	-
Advances and other receivables	7 839 506	7 839 506	7 873 823	-	-	-	-
South African Revenue Service	1 485	1 485	1 485	-	-	-	-
Regulatory balances	414 649	414 649	-	-	-	-	-
Cash and cash equivalents	107 982	107 982	35 913	-	-	18 800	-
	8 558 511	**8 602 133**	**8 072 749**	**-**	**-**	**18 800**	**76 983**

At 31 December 2021 Liabilities							
Deferred tax liability	-	-	-	-	-	-	-
Welfare and charitable funds	25 700	25 700	-	-	-	-	-
Sukuk holders	307 700	307 700	-	-	-	-	-
Provision for leave pay	6 668	6 668	-	-	-	-	-
Lease liabilities	7 878	7 878	-	-	-	-	-
Accounts payable	42 894	86 516	-	-	-	-	-
South African Revenue Service	1 397	1 397	-	-	-	-	-
Deposits from customers	7 333 371	7 333 371	-	-	-	-	-
	7 725 608	**7 769 230**	**-**	**-**	**-**	**-**	**-**

	a	b	c	d	e	f	g
			Carrying values of items:				
Bank Only	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory reporting**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
At 31 December 2020 Assets							
Property and equipment	25 051	41 263	41 263	-	-	-	-
Right of use asset	24 845	-	8 631	-	-	-	-
Investment properties	-	-	-	-	-	-	-

Intangible assets	67 264	67 264	-	-	-	-	67 264
Investment in and amount due by subsidiary company	31 117	84 105	84 105	-	-	-	-
Deferred tax asset	18 648	18 648	18 648	-	-	-	-
Investment securities	25 918	25 918	25 918	-	-	-	-
Advances and other receivables	7 901 953	7 910 585	7 939 661	-	-	-	-
South African Revenue Service	14	14	-	-	-	-	-
Regulatory balances	355 715	355 715	-	-	-	-	-
Cash and cash equivalents	193 823	193 823	39 271	-	-	32 421	-
	8 644 348	**8 697 335**	**8 157 497**	**-**	**-**	**32 421**	**67 264**

At 31 December 2020 **Liabilities**							
Deferred tax liability	-	-	-	-	-	-	-
Welfare and charitable funds	21 917	21 917	-	-	-	-	-
Sukuk holders	307 700	307 700	-	-	-	-	-
Provision for leave pay	8 936	8 936	-	-	-	-	-
Lease liabilities	10 079	10 079	-	-	-	-	-
Accounts payable	68 152	121 140	-	-	-	-	-
South African Revenue Service	1	1	-	-	-	-	-
Deposits from customers	7 433 546	7 433 546	-	-	-	-	-
	7 850 331	**7 903 319**	**-**	**-**	**-**	**-**	**-**

4.2. **LI2** – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
	Consol December 2021		**Items subject to:**			
		Total	**Credit risk framework**	**Securitisation framework**	**Counterparty credit risk framework**	**Market risk framework**
1	Asset carrying value amount under scope of regulatory consolidation (as per templateLI1)	7 996 263	7 977 463	-	-	18 800

2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	7 996 263	7 977 463	-	-	18 800
4	Off-balance sheet amounts	1 410 658	1 410 658	-	-	-
5	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
6	Exposure amounts considered for regulatory purposes	9 406 921	9 388 121	-	-	18 800

	Consol December 2020	**a**	**b**	**c**	**d**	**e**
			Items subject to:			
		Total	**Credit risk framework**	**Securitisation framework**	**Counterparty credit risk framework**	**Market risk framework**
1	Asset carrying value amount under scope of regulatory consolidation (as per templateLI1)	8 087 384	8 054 963	-	-	32 421
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	8 087 384	8 054 963	-	-	32 421
4	Off-balance sheet amounts	1 134 041	1 134 041	-	-	-
5	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
6	Exposure amounts considered for regulatory purposes	9 221 425	9 189 004	-	-	32 421

	Bank December 2021	a	b	c	d	e
			Items subject to:			
		Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per templateLI1)	8 091 549	8 072 749	-	-	18 800
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	8 091 549	8 072 749	-	-	18 800
4	Off-balance sheet amounts	1 410 658	1 410 658	-	-	-
5	Differences due to different netting rules, other than those already included in row 2	(51 502)	(51 502)	-	-	-
6	Exposure amounts considered for regulatory purposes	9 450 705	9 431 905	-	-	18 800

	Bank December 2020	A	b	c	d	e
			Items subject to:			
		Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per templateLI1)	8 189 918	8 157 497	-	-	32 421

2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	8 189 918	8 157 497	-	-	32 421
4	Off-balance sheet amounts	1 134 041	1 134 041	-	-	-
5	Differences due to different netting rules, other than those already included in row 2	(63 037)	(63 037)	-	-	-
6	Exposure amounts considered for regulatory purposes	9 260 922	9 228 501	-	-	32 421

4.3. **LIA** – Explanation of differences between accounting and regulatory exposure amounts

The differences observed between accounting carrying value (as defined in LI1) and amounts considered for regulatory purposes only occur on a bank solo basis. The difference arises mainly from the balance of the lease liability which 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. For regulatory purposes, the loan account and lease liability are separately disclosed and not netted off.

5. COMPOSITION OF CAPITAL

5.1. **CC1** – Composition of regulatory capital

		CONSOL		BANK	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Common Equity Tier 1 capital: instruments and reserves				

1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	404 599	404 599	404 599	404 599
2	Retained earnings	433 682	363 239	421 772	368 035
3	Accumulated other comprehensive income (and other reserves)	2 037	1 564	2 037	1 564
4	Directly issued capital subject to phase out from CETI (only applicable to non-joint stock companies)	-	-	-	-
5	Common share capital issued by subsidiaries and held by third parties {amount allowed in group CET1)	-	-	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	840 318	769 402	828 408	774 198
	Common Equity Tier 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	-	-	-	-
8	Goodwill (net of related tax liability)	-	-	-	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(63 229)	(59 850)	(63 229)	(59 850)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
11	Cash-flow hedge reserve	-	-	-	-
12	Shortfall of provisions to expected losses	-	-	-	-
13	Securitisation gain on sale (as set out in paragraph 36 of Basel 111 securitisation framework25)	-	-	-	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
15	Defined-benefit pension fund net assets	-	-	-	-
16	Investments in own shares {if not already netted of paid-in capital on reported balance sheet)	-	-	-	-
17	Reciprocal cross-holdings in common equity	-	-	-	-

18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation(amount above 10% threshold)	-	-	-	-
20	Mortgage servicing rights (amount above 10% threshold)	-	-	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
22	Amount exceeding the 15% threshold	-	-	-	-
23	of which: significant investments in the common stock of financials	-	-	-	-
24	of which. mortgage servicing rights	-	-	-	-
25	of which: deferred tax assets arising from temporary differences	-	-	-	-
26	National specific regulatory adjustments	-	-	-	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-	-	-
28	Total regulatory adjustments to Common equity Tier 1	(63 229)	(59 850)	(63 229)	(59 850)
29	Common Equity Tier 1 capital (CET1)	777 089	709 552	765 179	714 348
	Additional Tier 1 capital: instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	-	-	-
31	Of which: classified as equity under applicable accounting standards	-	-	-	-
32	of which: classified as liabilities under applicable accounting standards	-	-	-	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-	-	-

34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-	-	-
35	of which: instruments issued by subsidiaries subject to phase out	-	-	-	-
36	Additional Tier 1 capital before regulatory adjustments	-	-	-	-
		-	-	-	-
	Additional Tier 1 capital: regulatory adjustments	-	-	-	-
37	Investments in own additional Tier 1 instruments	-	-	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	-	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	-	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
41	National specific regulatory adjustments	-	-	-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	-	-	-
44	**Additional Tier 1 capital (AT1)**	-	-	-	-
45	**Tier 1 capital (T1 = CET1 1+ AT1)**	777 089	709 552	765 179	714 348
	Tier 2 capital and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-		-	
47	Directly issued capital instruments subject to phase out from Tier 2	301 640	307 700	301 640	307 700

48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-	-	-
49	of which: instruments issued by subsidiaries subject to phase out	-	-	-	-
50	Provisions	16 753	16 639	16 753	16 639
51	**Tier 2 capital before regulatory adjustments**	318 393	324 339	318 393	324 339
	Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	-	-	-	-
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	-	-	-	-
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-	-	-
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	-	-	-	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-
56	National specific regulatory adjustments	-	-	-	-
57	Total regulatory adjustments to Tier 2 capital	-	-	-	-
58	**Tier 2 capital (T2)**	318 393	324 339	318 393	324 339
59	**Total capital (TC = T1 + T2)**	1 095 482	1 033 891	1,083,572	1 038 687
60	**Total risk weighted assets**	6 424 850	5 948 456	6 476 285	6 014 787

	Capital ratios and buffers				
61	**Common Equity Tier 1 (as a percentage of risk weighted assets)**	12.10%	11.93%	11.82%	11.88%
62	**Tier 1 (as a percentage of risk weighted assets)**	12.10%	11.93%	11.82%	11.88%
63	**Total capital (as a percentage of risk weighted assets)**	17.05%	17.38%	16.73%	17.27%
64	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirement plus higher loss absorbency requirement, expressed as a percentage of risk weighted assets)**	2.50%	2.50%	2.50%	2.50%
65	of which: capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%
66	of which: bank specific countercyclical buffer requirement	-	-	-	-
67	of which: higher loss absorbency requirement	-	-	-	-
68	Common Equity Tier 1 (as a percentage of risk weighted assets) available after meeting the bank's minimum capital requirements	3.85%	3.68%	3.57%	3.63%
	National Minima (if different from Basel lll)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel lll minimum)	4.50%	4.50%	4.50%	4.50%
70	National Tier 1 minimum ratio (if different from Basel lll minimum)	6.00%	6.00%	6.00%	6.00%
71	National total capital minimum ratio (if different from Basel lll minimum)	8.00%	8.00%	8.00%	8.00%
	Amounts, below the threshold for deductions (before risk weighting)				
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	-	-	-
73	Significant investments in the common stock of financial entities	-	-	-	-
74	Mortgage servicing rights (net of related tax liability)	-	-	-	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	14 922	18 647

	Applicable: caps on the on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	318 393	324 339	318 393	324 339
77	Cap on inclusion of provisions in Tier 2 under standardised approach	16 753	16 639	16 753	16 639
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022				
80	Current cap on CETI instruments subject to phase out arrangements	-	-	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	-	-

Risk weighted assets increased from R6.01billion to R6.48billion predominantly in credit risk RWAs. Credit risk RWAs increased by R495million or 9.4% which is largely due to the growth in the advances book. Tier II directly issued capital instruments decreased by R6,06m due to the haircut applied in line with regulation 38 (12).

5.2. **CC2** – Reconciliation of regulatory capital to balance sheet

The difference between the amount disclosed in the financial statements and the capital for regulatory purposes is due to the first tranche of the bank's tier 2 Sukuk, which reached the five-year period in September 2021. In line with regulation 38 (12), a haircut of R6.06m is applied and this is accordingly excluded from the qualifying amount of tier 2 capital.

	CONSOL		BANK	
	Balance sheet as in published financial statements	**Under regulatory scope of consolidation**	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**
As at 31 December 2021				
Property and equipment	95 826	102 713	17 604	36 475
Right of use asset	6 887	-	18 871	-
Investment properties	10 339	10 339	-	-
Intangible assets	76 983	76 983	76 983	76 983
Investment in and amount due by subsidiary company	-	-	36 681	80 303
Deferred tax asset	-	-	14 922	14 922
Investment securities	29 828	29 828	29 828	29 828
Advances and other receivables	7 839 671	7 839 671	7 839 506	7 839 506
South African Revenue Service (VAT)	1 259	1 259	1 485	1 485
Regulatory balances	414 649	414 649	414 649	414 649
Cash and cash equivalents	107 987	107 987	107 982	107 982
Total Assets	**8 583 429**	**8 583 429**	**8 558 511**	**8 602 133**
Liabilities				
Deferred tax liability	12 335	12 335	-	-
Welfare and charitable funds	25 700	25 700	25 700	25 700
Sukuk holders	309 367	301 640	307 700	301 640
Tier 2 instruments phased out	-	6 060	-	6 060
Provision for leave pay	6 668	-	6 668	-
Lease liabilities	7 878	-	7 878	-
Accounts payable	41 745	56 291	42 894	101 062
South African Revenue Service	1 264	1 264	1 397	1 397
Deposits from customers	7 333 371	7 335 038	7 333 371	7 333 371
Total Liabilities	**7 738 328**	**7 738 328**	**7 725 608**	**7 769 230**
Equity				
Share capital	322 403	322 403	322 403	322 403
Share premium	82 196	82 196	82 196	82 196
Other reserves	2 037	2 037	2 037	2 037
Retained income	438 465	438 465	426 267	426 267
Total equity	**845 101**	**845 101**	**832 903**	**832 903**

	CONSOL		BANK	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Balance sheet as in published financial statements	Under regulatory scope of consolidation
As at 31 December 2020				
Property and equipment	105 286	105 286	25 051	41 263
Right of use asset	8 631	-	24 845	-
Investment properties	10 339	10 339	-	-
Intangible assets	67 264	67 264	67 264	67 264
Investment in and amount due by subsidiary company	-	-	31 117	84 105
Deferred tax asset	-	-	18 648	18 648
Investment securities	25 918	25 918	25 918	25 918
Advances and other receivables	7 902 172	7 950 075	7 901 953	7 910 585
South African Revenue Service	-	-	14	14
Regulatory balances	355 715	355 715	355 715	355 715
Cash and cash equivalents	198 828	159 556	193 823	193 823
Total Assets	**8 674 153**	**8 674 153**	**8 644 348**	**8 697 335**
Liabilities				
Deferred tax liability	10 104	10 104	-	-
Welfare and charitable funds	21 917	21 917	21 917	21 917
Sukuk holders	309 367	307 700	307 700	307 700
Tier 2 instruments phased out	-	-	-	-
Provision for leave pay	8 936	-	8 936	-
Lease liabilities	10 079	-	10 079	-
Accounts payable	72 005	91 020	68 152	140 154
South African Revenue Service	1 505	1 505	1	1
Deposits from customers	7 433 546	7 435 213	7 433 546	7 433 546
Total Liabilities	**7 867 459**	**7 867 459**	**7 850 331**	**7 903 318**
Equity				
Share capital	322 403	322 403	322 403	322 403
Share premium	82 196	82 196	82 196	82 196
Other reserves	1 751	1 751	1 751	1 751
Retained income	400 344	400 344	387 667	387 667
Total equity	**806 694**	**806 694**	**794 017**	**794 017**

5.3. **CCA** – Main features of regulatory capital instruments and of other TLAC- eligible instruments

The main features of the group's regulatory capital instruments are disclosed on our website under Financial highlights, Basel disclosures.

6. LEVERAGE RATIO

In terms of Regulation 43(1)(e)(iii)(G), the Bank is required to provide a summarised comparison of the accounting assets and the regulatory leverage ratio differences, as well as the leverage ratio positions of the bank.

6.1. **LR1 -** Summarised comparison of accounting assets vs leverage ratio exposure measure

Line No	Item	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
1	Total consolidated assets as per published financial statements	8 602 136	8 515 184	8 675 423	8 659 072	8 697 321
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-	-	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-	-	-
4	Adjustments for derivative financial instruments	-	-	-	-	-
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-	-	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off- balance sheet exposures)	538 703	521 416	490 129	420 620	417 358
7	Other adjustments	(126 458)	(123 998)	(131 506)	(119 622)	(119 700)
8	Leverage ratio exposure	9 014 381	8 912 602	9 034 046	8 960 070	8 994 979

Total assets decreased from R8.70billion to R8.60billion. This is largely due to the decrease in the advances to customers and banks of R64million. Cash resources decreased by R 31.91 million comprising a reduction in cash holdings and balances with the SARB of R 90.84 million or 45.7%, offset by an increase in regulatory balances with SARB of R 58.93 million or 16.6%.

6.2. **LR2** - Leverage ratio common disclosure template

Line no	Item	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
On Balance sheet exposures						
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	8 602 136	8 515 184	8 675 423	8 659 072	8 697 321
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(126 458)	(123 998)	(131 506)	(119 622)	(119 700)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	8 475 678	8 391 186	8 543 917	8 539 450	8 577 621
Derivative exposures						
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-	-	-	-
5	Add-on amounts for PFE associated with all derivatives transactions	-	-	-	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-	-	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-	-	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-	-
11	Total derivative exposures (sum of lines 4 to 10)	-	-	-	-	-
Securities financing transaction exposures						
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-	-	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-	-
14	CCR exposure for SFT assets	-	-	-	-	-
15	Agent transaction exposures	-	-	-	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-	-	-	-
Other off-balance sheet exposures						
17	Off-balance sheet exposure at gross notional amount	1 410 658	1 344 098	1 365 110	1 213 621	1 134 041
18	(Adjustments for conversion to credit equivalent amounts)	(871 955)	(822 682)	(874 981)	(793 001)	(716 683)

19	Off-balance sheet items (sum of lines 17 and 18)	538 703	521 416	490 129	420 620	417 358
Capital and total exposures						
20	Tier 1 capital	765 179	754 276	720 678	724 471	714 348
21	Total exposures (sum of lines 3, 11, 16 and 19)	9 014 381	8 912 602	9 034 046	8 960 070	8 994 979
Leverage ratio						
22	Basel III leverage ratio	8.49%	8.46%	7.98%	8.09%	7.94%

Total assets decreased from R8.70billion to R8.60billion. This is largely due to the decrease in the advances to customers and banks of R64million. Cash resources decreased by R 31.91 million comprising a reduction in cash holdings and balances with the SARB of R 90.84 million or 45.7%, offset by an increase in regulatory balances with SARB of R 58.93 million or 16.6%. Off balance sheet exposure increased from R1.13million to R1.41 million with an increase in guarantees issued.

7. LIQUIDITY

7.1. **LIQA** – Liquidity risk management

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.

The Bank complies with Basel III principles relating to liquidity risk management, specifically the liquidity coverage ratio and the net stable funding ratio. In terms of Regulation 43(1)(e)(iii)(F) of the Regulations relating to Banks, minimum disclosure on the Liquidity Coverage Ratio of the Bank is required on a quarterly basis. This announcement meets the on-going reporting requirement for quarterly disclosure in terms of Pillar 3 of the Basel III capital accord.

7.2. **LIQ1 -** Liquidity Coverage Ratio (LCR)

The objective of the LCR is to promote the short term resilience of the liquidity risk profile of banks by ensuring that they have sufficient high quality liquid assets to survive a significant stress scenario lasting 30 calendar days. The values in the table are calculated as the simple average of the 3 month values over the period.

The minimum LCR requirement, while normally 100%, was lowered to 80% as a temporary measure during the COVID-19 pandemic.

The average LCR increased by 71% due to a decrease in total cash inflows of R223million or 22%. The structure and nature of deposits inside the 30 day window is the key driver of both the level and the volatility of the LCR. This weighted outflow is determined by the customer type of liabilities falling into the 30 day contractual bucket.

The HQLA comprises primarily South African sovereign and central bank Rand denominated securities, all of which are eligible for South African Reserve Bank (SARB) repo.

As at 31 December 2021			
Line No		**Total Unweighted Value**	**Total Weighted Value**
High Quality Liquid Assets			
1	Total HQLA	449 985	449 985
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	5 552 203	130 377
3	Stable deposits	-	-
4	Less stable deposits	5 552 203	130 377
5	Unsecured wholesale funding, of which:	904 567	9 212
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	904 567	9 212

7	Non-operational deposits (all counterparties)	-	-
8	Unsecured debt	-	--
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	966 192	152 476
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	838 152	24 437
14	Other contractual funding obligations	128 039	128 039
15	Other contingent funding obligations	-	
16	TOTAL CASH OUTFLOWS		292 065
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	990 340	801 053
19	Other cash inflows	196 826	-
20	TOTAL CASH INFLOWS	1 187 167	801 053
			Total adjusted value
21	Total HQLA		449 985
22	Total net cash outflows		73 016
23	**Liquidity Coverage Ratio (%)**		**616%**

As at 30 September 2021			
Line No		**Total Unweighted Value**	**Total Weighted Value**
High Quality Liquid Assets			
1	Total HQLA	428 084	428 084
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	5 533 314	128 826
3	Stable deposits	-	-
4	Less stable deposits	5 533 314	128 826
5	Unsecured wholesale funding, of which:	1 090 911	13 477
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1 090 911	13 477
7	Non-operational deposits (all counterparties)	-	-
8	Unsecured debt	-	--
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	990 463	154 727

11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	862 845	27 108
14	Other contractual funding obligations	127 619	127 619
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS		297 030
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	1 254 475	1 067 483
19	Other cash inflows	176 952	-
20	TOTAL CASH INFLOWS	1 431 427	1 067 483
			Total adjusted value
21	Total HQLA		428 084
22	Total net cash outflows		74 257
23	**Liquidity Coverage Ratio (%)**		**576%**

As at 30 June 2021			
Line No		**Total Unweighted Value**	**Total Weighted Value**
High Quality Liquid Assets			
1	Total HQLA	436 619	436 619
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	5 531 324	134 700
3	Stable deposits	-	-
4	Less stable deposits	5 531 324	134 700
5	Unsecured wholesale funding, of which:	1 098 734	14 698
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1 098 734	14 698
7	Non-operational deposits (all counterparties)	-	-
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	925 424	149 593
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	798 445	22 614
14	Other contractual funding obligations	126 979	126 979

15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS		298 991
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	1 165 657	1 004 085
19	Other cash inflows	192 631	-
20	TOTAL CASH INFLOWS	1 358 288	1 004 085
			Total adjusted value
21	Total HQLA		436 619
22	Total net cash outflows		74 748
23	**Liquidity Coverage Ratio (%)**		**584%**

As at 31 March 2021			
Line No		**Total Unweighted Value**	**Total Weighted Value**
High Quality Liquid Assets			
1	Total HQLA	452 217	452 217
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	5 464 891	133 860
3	Stable deposits	-	-
4	Less stable deposits	5 464 891	133 860
5	Unsecured wholesale funding, of which:	1 195 475	15 106
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1 195 475	15 106
7	Non-operational deposits (all counterparties)	-	-
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	992 085	182 921
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	840 176	31 012
14	Other contractual funding obligations	151 909	151 909
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS		331 887
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)		

18	Inflows from fully performing exposures	1 211 258	1 024 015
19	Other cash inflows	179 866	-
20	TOTAL CASH INFLOWS	1 391 124	1 024 015
			Total adjusted value
21	Total HQLA		452 217
22	Total net cash outflows		82 972
23	**Liquidity Coverage Ratio (%)**		**545%**

7.3. **LIQ2** – Net stable funding ratio (NSFR)

The objective of the Net Stable Funding Ratio (NSFR¤ is to promote the resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of their assets and off¤balance sheet activities on an ongoing structural basis. By ensuring that banks do not embark on excessive maturity transformation that is not sustainable, the NSFR is intended to reduce the likelihood that disruptions to a bank's funding sources would erode its liquidity position, increasing its risk of failure and potentially lead to broader systemic risk. The minimum NSFR requirement is 100%.

The residual maturity of deposits are the key drivers of available stable funding, in particular those from either retail and small business customers or with maturity longer than a year. Capital issued is also a significant contributor. The residual maturity of deposits are the key drivers of available stable funding, in particular those from either retail and small business customers or with maturity longer than a year. The residual maturity of loans, as well as holdings in securities eligible as HQLA, are the key drivers of required stable funding. Lower weightings apply to mortgages, shorter term loans and HQLA.

As at 31 December 2021						
		Unweighted value by residual maturity				
Line No		**No Maturity**	**< 6 months**	**6 months to < 1 year**	**≥ 1 year**	**Weighted value**
	Available Stable Funding (ASF) Item					
1	Capital:	-	-	-	1 140 603	1 140 603
2	Regulatory capital	-	-	-	1 140 603	1 140 603
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	-	3 575 137	1 327 307	69 695	4 481 895
5	Stable deposits					
6	Less stable deposits	-	1 581 082	560 117	220 034	1 290 634

7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	124 828	3 333	-	1 667
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	124 828	3 333	-	1 667
14	Total ASF	-	5 281 047	1 890 757	1 430 332	6 914 799
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets (HQLA)	-	522 631	-	-	20 733
16	Deposits held at other financial institutions for operational purposes	-	1 670 212	-	399 098	649 630
17	Performing loans and securities:	-	-	-	-	-
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	478 153	143 635	-	310 895
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		1 633	6 406	1 923 901	1 254 554
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	-	-	-	-
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-

31	All other assets not included in the above categories	-	5 407	8 599	3 442 459	2 968 804
32	Off-balance sheet items	-	1 410 657	-	-	70 533
33	Total RSF	-	4 088 693	158 640	5 765 458	5 275 149
34	**Net Stable Funding Ratio (%)**					**131%**

As at 30 September 2021						
		Unweighted value by residual maturity				
Line No		**No Maturity**	**< 6 months**	**6 months to < 1 year**	**≥ 1 year**	**Weighted value**
	Available Stable Funding (ASF) Item					
1	Capital:	-	-	-	1 124 199	1 124 199
2	Regulatory capital	-	-	-	1 124 199	1 124 199
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	-	4 482 886	1 962 731	(94 328)	5 706 727
5	Stable deposits					
6	Less stable deposits	-	350 429	211 560	330 410	611 404
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	139 066	8 229	2	4 117
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	139 066	8 229	2	4 117
14	Total ASF	-	4 972 381	2 182 520	1 360 283	7 446 447
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets (HQLA)	-	448 223	-	-	19 847
16	Deposits held at other financial institutions for operational purposes	-	1 979 369	-	393 848	690 753
17	Performing loans and securities:	-	-	-	-	-
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-

20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	496 566	127 654	-	312 110
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		1 498	6 353	1 909 986	1 245 416
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	-	-	-	-
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	4 740	10 734	3 136 214	2 704 533
32	Off-balance sheet items	-	1 344 098	-	-	67 205
33	Total RSF	-	4 274 494	144 741	5 440 048	5 039 864
34	**Net Stable Funding Ratio (%)**					**148%**

As at 30 June 2021						
		Unweighted value by residual maturity				
Line No		**No Maturity**	**< 6 months**	**6 months to < 1 year**	**≥ 1 year**	**Weighted Value**
	Available Stable Funding (ASF) Item					
1	Capital:	-	-	-	1 119 940	1 119 940
2	Regulatory capital	-	-	-	1 119 940	1 119 940
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	-	4 803 966	1 824 393	(314 992)	5 650 531
5	Stable deposits					
6	Less stable deposits	-	332 724	303 667	460 378	778 573
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-

9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	138 575	6 772	-	3 386
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	138 575	6 772	-	3 386
14	Total ASF	-	5 275 265	2 134 832	1 265 326	7 552 430
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets (HQLA)	-	526 341	-	-	19 205
16	Deposits held at other financial institutions for operational purposes	-	2 589 948	120 817	-	448 901
17	Performing loans and securities:	-	-	-	-	-
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	463 351	105 199	-	284 275
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	1 676	5 115	1 895 202	1 235 277
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	-	-	-	-
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	5 414	8 466	2 953 894	2 553 690
32	Off-balance sheet items	-	1 362 574	-	-	68 129

33	Total RSF	-	4 949 304	239 597	4 849 096	4 609 477
34	**Net Stable Funding Ratio (%)**					**164%**

As at 31 March 2021						
		Unweighted value by residual maturity				
Line No		**No Maturity**	**< 6 months**	**6 months to < 1 year**	**≥ 1 year**	**Weighted value**
	Available Stable Funding (ASF) Item					
1	Capital:	-	-	-	1 116 715	1 116 715
2	Regulatory capital	-	-	-	1 116 715	1 116 715
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	-	4 489 064	1 746 595	(23 352)	5 588 741
5	Stable deposits					
6	Less stable deposits	-	378 076	389 008	406 871	790 413
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	150 583	5 511	1	2 757
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	150 583	5 511	1	2 757
14	Total ASF	-	5 017 723	2 141 114	1 500 235	7 498 626
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets (HQLA)	-	489 739	-	-	20 043
16	Deposits held at other financial institutions for operational purposes	-	2 627 200	118 876	-	453 518
17	Performing loans and securities:	-	-	-	-	-
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	367 601	117 415	-	242 508

21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	949	4 377	1 871 213	1 218 952
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	-	-	-	-
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	6 308	6 720	3 048 673	2 648 449
32	Off-balance sheet items	-	1 234 600	-	-	61 730
33	Total RSF	-	4 726 397	247 388	4 919 886	4 645 200
34	**Net Stable Funding Ratio (%)**					**161%**

8. CREDIT RISK

8.1. **CRA** - General qualitative information about credit risk

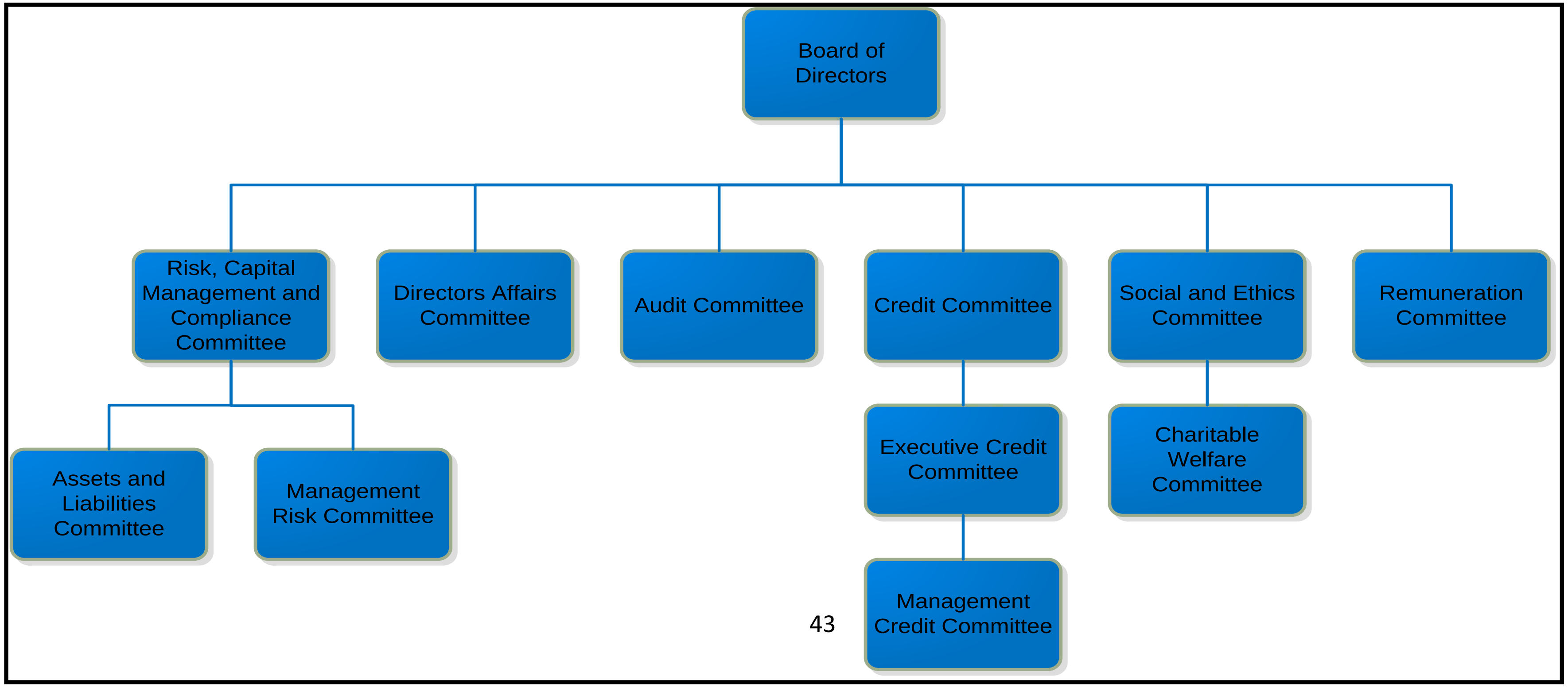
Albaraka Bank Limited & Albaraka Consolidation

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 analyze 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 Albaraka Bank a culture that is risk-management orientated.

The structure and organization 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.

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 authorization 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 categorize 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 realizable 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 realization 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.

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 realizing security (if held); and
- The obligor is past due more than 90 days on any material credit obligation to the bank.

8.2. **CR1** - Credit quality of assets

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		a	b	c	d	e	f	g
		Gross carrying values of		**Allowances / impairments** [4]	**Of which ECL accounting provisions for credit losses on SA exposures**		**Of which ECL accounting provisions for credit losses on IRB exposures**	**Net values**
		Defaulted exposures [5]	**Non-defaulted exposures**		**Allocated in regulatory category of Specific**	**Allocated in regulatory category of General**		**(a+b-c)**
1	Loans [1]	228 540	5 854 572	30 059	17 563	12 495	-	6 053 053
2	Debt Securities [2]	-	2 069 311	1 871	-	1 871	-	2 067 440
3	Off-balance sheet exposures [3]	-	1 410 656	2 387	-	2 387	-	1 408 269
4	**Total**	**228 540**	**9 334 539**	**34 317**	**17 563**	**16 754**	**-**	**9 528 762**

(1) Loans represent core debtor advances which form part of Banks on balance sheet exposures (Products include: Equipment, Motor Vehicle, Property, Trade, Profit Free Loans etc.)

(2) Debt Securities relate to Murabaha Equity Placements with other Banks.

(3) Off Balance Sheet Exposures include: Letter of Guarantees (LG), Letter of Credit (LC), Unutilized Portion of Approved Asset & Trade Facilities etc.)

(4) Allowances / Impairments raised for both On & Off balance sheet exposures in with the IFRS 9 methodology i.e Portfolio and Specific credit impairments

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

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		a	b	c	d	e	f	g
		Gross carrying values of		**Allowances / impairments [4]**	**Of which ECL accounting provisions for credit losses on SA exposures**		**Of which ECL accounting provisions for credit losses on IRB exposures**	**Net values**
		Defaulted exposures [5]	**Non-defaulted exposures**		**Allocated in regulatory category of Specific**	**Allocated in regulatory category of General**		**(a+b-c)**
1	Loans [1]	201 246	5 274 575	23 555	17 312	6 243	-	5 452 267
2	Debt Securities [2]	-	2 710 765	1 386	-	1 386	-	2 709 378
3	Off-balance sheet exposures [3]	-	1 365 109	3 208	-	3 208	-	1 361 901
4	**Total**	**201 246**	**9 350 449**	**28 149**	**17 312**	**10 837**	**-**	**9 523 546**

(1) Loans represent core debtor advances which form part of Banks on balance sheet exposures (Products include: Equipment, Motor Vehicle, Property, Trade, Profit Free Loans etc.)

(2) Debt Securities relate to Murabaha Equity Placements with other Banks.

(3) Off Balance Sheet Exposures include: Letter of Guarantees (LG), Letter of Credit (LC), Unutilized Portion of Approved Asset & Trade Facilities etc.)

(4) Allowances / Impairments raised for both On & Off balance sheet exposures in with the IFRS 9 methodology i.e Portfolio and Specific credit impairments

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

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		a	b	c	d	e	f	g
		Gross carrying values of		**Allowances / impairments [4]**	**Of which ECL accounting provisions for credit losses on SA exposures**		**Of which ECL accounting provisions for credit losses on IRB exposures**	**Net values**
		Defaulted exposures [5]	**Non-defaulted exposures**		**Allocated in regulatory category of Specific**	**Allocated in regulatory category of General**		**(a+b-c)**
1	Loans [1]	195 942	5 182 216	31 322	21 068	10 254	-	5 346 836
2	Debt Securities [2]	-	2 798 123	1 892	-	1 892	-	2 796 232
3	Off-balance sheet exposures [3]	-	1 134 041	4 494	-	4 494	-	1 129 547
4	**Total**	**195 942**	**9 114 380**	**37 708**	**21 068**	**16 640**	**-**	**9 272 614**

(1) Loans represent core debtor advances which form part of Banks on balance sheet exposures (Products include: Equipment, Motor Vehicle, Property, Trade, Profit Free Loans etc.)

(2) Debt Securities are not applicable.

(3) Off Balance Sheet Exposures include: Letter of Guarantees (LG), Letter of Credit (LC), Unutilized Portion of Approved Asset & Trade Facilities etc.)

(4) Allowances / Impairments raised for both On & Off balance sheet exposures in with the IFRS 9 methodology i.e Portfolio and Specific credit impairments

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

8.3. **CR2 -** Changes in stock of defaulted loans and debt securities

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		31 Dec 21	30 Jun 21	31 Dec 20
1	**Defaulted loans and debt securities at end of the previous reporting period**	201 246	195 942	240 542
2	Loans and debt securities that have defaulted since the last reporting period	193 045	49 755	-
3	Returned to non-defaulted status	(163 203)	(44 451)	(43 274)
4	Amounts written off	(2 548)	-	(1 326)
5	Other changes	-	-	-
6	**Defaulted loans and debt securities at end of the reporting period** (1+2-3-4+5)	**228 540**	**201 246**	**195 942**

8.4. **CRB** - Additional disclosure related to the credit quality of assets

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Qualitative disclosures

Past dues relate to any exposure that are 1 day & over in arrears. These are reported for accounting and regulatory purposes. Past dues but not impaired account for 2.1% (4.3% - 2020) of the total book. These exposures have not been impaired due to sufficient collateral held.

Impairments are only determined using the bank's IFRS 9 model which takes into account external ratings, past dues, historical and forward-looking information.

A restructured Exposure Includes any loan, advance or facility in respect of which the bank granted a concession to the obligor owing to a deterioration in the obligor's financial condition, that is, owing to a financial distressed situation of the relevant obligor, which financial distressed situation results or is likely to result in the relevant obligor no longer being able to meet the terms or conditions originally agreed.

Quantitative disclosures

Breakdown of exposures by;

a) Geographical areas;

Region	31 Dec 21	30 Jun 21	31 Dec 20
Gauteng	3 796 193	3 812 554	3 807 897
Kwa-Zulu Natal	4 698 675	4 666 326	4 430 920
Western Cape	1 068 211	1 072 815	1 071 505
Grand Total	**9 563 079**	**9 551 695**	**9 310 322**

b) Industry.

Industry	31 Dec 21	30 Jun 21	31 Dec 20
Agriculture, hunting, forestry and fishing	1 679	56	146
Mining and quarrying	10 926	791	815
Manufacturing	659 523	590 741	544 935
Electricity, gas and water supply	-	-	-
Construction	50 186	41 796	38 851
Wholesale and retail trade, repair of specified items, hotels and restaurants	1 174 889	1 055 485	1 021 728
Transport, storage and communication	271 076	293 432	257 529
Financial intermediation and insurance	2 462 936	3 045 404	3 111 267
Real estate	3 116 355	2 717 797	2 524 032
Business services	-	-	-
Community, social and personal services	-	-	-

Private households	1 392 529	1 414 265	1 403 833
Other	433 906	398 745	417 667
Grand Total	**9 574 005**	**9 558 512**	**9 320 803**

8.5. **CRC** - Qualitative disclosure related to credit risk mitigation techniques

Collateral is an effective means of reducing risk and improving credit quality. ABL encourages extensions of credit with tangible collateral underlying the transaction.

Although collateral is always desirable to enhance credit quality, it should never be seen as the reason for granting credit and must be viewed as a secondary source of repayment or an alternative in the event the customer is unable to repay ABL from cash flows.

Additionally, collateral should not be a substitute for a comprehensive assessment of the borrower nor can it compensate for insufficient information provided.

Collateral held by ABL is divided into the following three grades:

A. Cash; Property & Irrevocable Bank Guarantee/s in favour of Albaraka Bank Limited issued by a rated registered financial institution

B. All other forms of collateral where a security value can be ascribed to the underlying collateral e.g. General or Special Notarial bonds

C. All forms of collateral where no security value is ascribed e.g. Personal Suretys

Perfection of all securities is required prior to any advancement of funds. Where there is a bond registered as a means of collateral for property finance or any other finance, a valuation of such property is required. Where the collateral is a Commercial property, this is required to be re-valued every 3 years. Residential property re-valuation is required if held as collateral for Trade or where the collateral is taken for new finances.

8.6. **CR3** - Credit risk mitigation techniques – overview

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		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	**Exposures secured by collateral**	**Exposures secured by collateral, of which: secured amount**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which: secured amount**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which: secured amount**
1	Loans [1]	24 926	7 468 842	5 849 517	-	-	-	-
2	Debt Securities [2]	-	2 069 311	2 069 311	-	-	-	-
4	**Total**	**24 926**	**9 538 153**	**7 918 828**	**-**	**-**	**-**	**-**
3	Of which defaulted	-	228 540	210 440	-	-	-	-

(1) Loans represent core debtor advances which form part of Banks on balance sheet exposures (Products include: Equipment, Motor Vehicle, Property, Trade, Profit Free Loans etc.)

(2) Debt Securities relate to Murabaha Equity Placements with other Banks.

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		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	**Exposures secured by collateral**	**Exposures secured by collateral, of which: secured amount**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which: secured amount**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which: secured amount**
1	Loans [1]	17 264	6 830 484	4 542 061	-	-	-	-
2	Debt Securities [2]	-	2 710 765	2 710 765	-	-	-	-
3	Of which defaulted	-	201 246	184 103	-	-	-	-
4	**Total**	**17 264**	**9 742 495**	**7 436 929**	**-**	**-**	**-**	**-**

(1) Loans represent core debtor advances which form part of Banks on balance sheet exposures (Products include: Equipment, Motor Vehicle, Property, Trade, Profit Free Loans etc.)

(2) Debt Securities relate to Murabaha Equity Placements with other Banks.

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		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans [1]	16 834	6 495 365	4 409 305	-	-	-	-
2	Debt Securities [2]	-	2 798 123	2 798 123	-	-	-	-
4	**Total**	**16 834**	**9 293 488**	**7 207 428**	**-**	**-**	**-**	**-**
3	Of which defaulted	-	195 942	174 789	-	-	-	-

(1) Loans represent core debtor advances which form part of Banks on balance sheet exposures (Products include: Equipment, Motor Vehicle, Property, Trade, Profit Free Loans etc.)

(2) Debt Securities relate to Murabaha Equity Placements with other Banks.

8.7. **CRD** - Qualitative disclosure on banks' use of external credit ratings under the standardised approach for credit risk

The Bank obtains credit scores from Experian credit bureau for input into its IFRS 9 model to obtain the Expected Credit Loss. External credit ratings are not used for the credit risk weight calculations

8.8. **CR4** - Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects

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		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
Line	**Asset classes**	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereign (including central government and central bank)	522 631	-	522 631	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	2 105 223	-	2 105 223	-	840 117	40%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	1 035 198	1 058 887	1 035 198	1 058 887	1 035 981	49%
7	Regulatory Retail Portfolio	212 203	42 062	212 203	42 062	186 610	73%
8	Secured by Residential Property	1 963 301	90 440	1 963 301	90 440	730 828	36%
9	Secured by Commercial Real Estate	2 334 498	219 266	2 334 498	219 266	2 546 116	100%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	228 540	-	228 540	-	268 765	118%
12	Higher Risk Categories	-	-	-	-	-	0%
13	Other Assets	148 900	-	148 900	-	148 900	100%
14	**Total**	**8 550 494**	**1 410 656**	**8 550 494**	**1 410 656**	**5 757 317**	**58%**

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		a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post-CCF and post-CRM**		**RWA and RWA density**	
Line	**Asset classes**	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereign (including central government and central bank)	522 636	-	522 636	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	2 105 223	-	2 105 223	-	840 117	40%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	1 035 198	1 058 887	1 035 198	1 058 887	1 035 981	49%
7	Regulatory Retail Portfolio	212 203	42 062	212 203	42 062	186 610	73%
8	Secured by Residential Property	1 963 301	90 440	1 963 301	90 440	730 828	36%
9	Secured by Commercial Real Estate	2 334 498	219 266	2 334 498	219 266	2 546 116	100%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	228 540	-	228 540	-	268 765	118%
12	Higher Risk Categories	-	-	-	-	-	0%
13	Other Assets	68 532	-	68 532	-	68 532	100%
14	**Total**	**8 470 131**	**1 410 656**	**8 470 131**	**1 410 656**	**5 676 949**	**57%**

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		a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post-CCF and post-CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereign (including central government and central bank)	526 341	-	526 341	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	2 739 198	-	2 739 198	-	653 658	24%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	909 801	1 108 821	894 658	1 108 821	899 069	99%
7	Regulatory Retail Portfolio	207 295	-	206 480	-	179 888	87%
8	Secured by Residential Property	2 000 516	61 592	1 999 044	61 592	774 331	39%
9	Secured by Commercial Real Estate	2 083 095	194 697	2 081 220	194 697	2 275 291	109%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	201 246	-	201 246	-	198 618	99%
12	Higher Risk Exposures	-	-	-	-	-	0%
13	Other Assets	155 457	-	155 457	-	155 457	100%
	Total	**8 822 949**	**1 365 110**	**8 803 644**	**1 365 110**	**5 136 312**	**50%**

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		a	b	c	d	E	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign (including central government and central bank)	526 341	-	526 341	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	2 739 198	-	2 739 198	-	653 658	31%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	909 801	1 108 821	894 658	1 108 821	899 069	45%
7	Regulatory Retail Portfolio	207 295	-	206 480	-	179 888	87%
8	Secured by Residential Property	2 000 516	61 592	1 999 044	61 592	774 331	38%
9	Secured by Commercial Real Estate	2 083 095	194 697	2 081 220	194 697	2 275 291	92%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	201 246	-	183 934	-	198 618	108%
12	Higher Risk Exposures	-	-	-	-	-	108%
13	Other Assets	76 178	-	76 178	-	76 178	108%
	Total	**8 743 670**	**1 365 110**	**8 707 053**	**1 365 110**	**5 057 033**	**50%**

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		a	b	c	d	E	f
		Exposures before CCF and CRM		**Exposures post-CCF and post-CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereign (including central government and central bank)	510 267	-	510 267	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	2 837 395	-	2 837 395	-	1 032 232	36%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	972 686	935 302	954 569	935 302	1 034 392	55%
7	Regulatory Retail Portfolio	192 553	-	191 824	-	165 369	86%
8	Secured by Residential Property	1 912 550	51 347	1 910 572	51 347	736 388	38%
9	Secured by Commercial Real Estate	2 048 629	147 393	2 046 032	147 393	2 131 047	97%
10	Equity						0%
11	Past Dues Loans	195 942	-	195 942	-	221 528	113%
12	Higher-risk categories	-	-	-	-	-	0%
13	Other assets	162 658	-	162 658	-	162 658	100%
14	**Total**	**8 832 680**	**1 134 041**	**8 809 258**	**1 134 041**	**5 483 614**	**55%**

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		a	b	c	d	E	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereign (including central government and central bank)	510 267	-	510 267	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	2 837 395	-	2 837 395	-	1 032 232	36%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	972 686	935 302	954 569	935 302	1 034 392	55%
7	Regulatory Retail Portfolio	192 553	-	191 824	-	165 369	86%
8	Secured by Residential Property	1 912 550	51 347	1 910 572	51 347	736 388	38%
9	Secured by Commercial Real Estate	2 048 629	147 393	2 046 032	147 393	2 131 047	97%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	195 942	-	195 942	-	221 528	113%
12	Higher-risk categories	-	-	-	-	-	0%
13	Other assets	78 926	-	78 926	-	78 926	100%
14	**Total**	**8 748 948**	**1 134 041**	**8 725 526**	**1 134 041**	**5 399 882**	**55%**

8.9. **CR5** - Standardised approach – exposures by asset classes and risk weights

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		a	b	c	d	e	f	g	h	i	j
Line	**Asset classes \ Risk Weights**	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereign (including central government and central bank)	522 631	-	-	-	-	-	-	-	-	**522 631**
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	**-**
4	Banks	-	-	1 581 383	-	-	-	523 841	-	-	**2 105 223**
5	Securities Firms	-	-	-	-	-	-	-	-	-	**-**
6	Corporates (excluding corporate real estate as per line 9)	1 056 345	-	1 631	-	913		1 035 197	-	-	**2 094 085**
7	Regulatory Retail Portfolio	42 051	-	-	-	11	102 391	109 811	-	-	**254 265**
8	Secured by Residential Property	1 180	-	-	2 021 200	-	31 361		-	-	**2 053 741**
9	Secured by Commercial Real Estate	7 649	-	-	-	-	-	2 546 116	-	-	**2 553 765**
10	Equity	-	-	-	-	-	-	-	-	-	**-**
11	Past Dues Loans	-	-	-	-	12 877		91 808	123 854	-	**228 540**
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	**-**
13	Other assets	-	-	-	-	-	-	148 900	-	-	**148 900**
14	**Total**	**1 629 856**	**-**	**1 583 013**	**2 021 200**	**13 801**	**133 752**	**4 455 673**	**123 854**	**-**	**9 961 150**

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		A	b	c	d	e	f	g	h	i	J
Line	**Asset classes \ Risk Weights**	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereign (including central government and central bank)	522 636	-	-	-	-	-	-	-	-	**522 636**
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	**-**
4	Banks	-	-	1 581 383	-	-	-	523 841	-	-	**2 105 223**
5	Securities Firms	-	-	-	-	-	-	-	-	-	**-**
6	Corporates (excluding corporate real estate as per line 9)	1 056 345	-	1 631	-	913		1 035 197	-	-	**2 094 085**
7	Regulatory Retail Portfolio	42 051	-	-	-	11	102 391	109 811	-	-	**254 265**
8	Secured by Residential Property	1 180	-	-	2 021 200	-	31 361		-	-	**2 053 741**
9	Secured by Commercial Real Estate	7 649	-	-	-	-	-	2 546 116	-	-	**2 553 765**
10	Equity	-	-	-	-	-	-	-	-	-	**-**
11	Past Dues Loans	-	-	-	-	12 877		91 808	123 854	-	**228 540**
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	**-**
13	Other assets	-	-	-	-	-	-	134 772	-	-	**134 772**
14	**Total**	**1 629 861**	**-**	**1 583 01**	**2 021 200**	**13 801**	**133 752**	**4 441 545**	**123 854**	**-**	**9 947 027**

30th June 2021

Albaraka Bank Limited

		A	b	c	d	e	f	g	h	i	J
	Asset classes \ Risk Weights	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereign (including central government and central bank)	510 267	-	-	-	-	-	-	-	-	**510 267**
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	**-**
4	Banks	-	-	2 252 050	-	-	-	585 345	-	-	**2 837 395**
5	Securities Firms	-	-	-	-	-	-	-	-	-	**-**
6	Corporates (excluding corporate real estate as per line 9)	932 083	-	449	-	8 672	-	948 667	-	-	**1 889 870**
7	Regulatory Retail Portfolio	-	-			-	107 617	83 280	927	-	**191 824**
8	Secured by Residential Property	2 995	-	-	1 867 983	3 530	24 578	62 833	-	-	**1 961 919**
9	Secured by Commercial Real Estate	35 867	-	-	-	-	-	2 066 000	91 557	-	**2 193 424**
10	Equity	-	-	-	-	-	-	-	-	-	**-**
11	Past Dues Loans	-	-	-	-	15 100	-	81 478	99 364	-	**195 942**
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	**-**
13	Other assets	-	-	-	-	-	-	162 658	-	-	**162 658**
14	**Total**	**1 481 212**	**-**	**2 252 499**	**1 867 983**	**27 302**	**132 195**	**3 990 261**	**191 848**	**-**	**9 943 300**

30th June 2021

Albaraka Consolidation

		a	b	c	d	e	f	g	h	i	J
	Asset classes \ Risk Weights	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereign (including central government and central bank)	526 341	-	-	-	-	-	-	-	-	526 341
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	2 606 925	-	-	-	132 273	-	-	2 739 198
5	Securities Firms	-	-	-	-	-	-	-	-	-	-
6	Corporates (excluding corporate real estate as per line 9)	800 204	-	1 631	-	306 989	-	891 558	3 096	-	2 003 479
7	Regulatory Retail Portfolio	-	-	-	-	-	107 228	98 819	432	-	206 480
8	Secured by Residential Property	-	-	-	1 963 585	-	29 007	126 172	-	-	2 118 764
9	Secured by Commercial Real Estate	-	-	-	-	-	-	2 221 965	53 951	-	2 275 917
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past Dues Loans	-	-	-	19 041	7 034	806	116 250	58 114	-	201 246
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	-	-	-	-	-	-	76 178	-	-	76 178
14	**Total**	**1 326 545**	**-**	**2 608 556**	**1 982 626**	**314 023**	**137 042**	**3 663 216**	**115 594**	**-**	**10 147 603**

31st December 2020

Albaraka Bank Limited

		a	b	c	d	e	f	g	h	i	J
	Asset classes \ Risk Weights	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereign (including central government and central bank)	510 267	-	-	-	-	-	-	-	-	**510 267**
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	**-**
4	Banks	-	-	2 252 050	-	-	-	585 345	-	-	**2 837 395**
5	Securities Firms	-	-	-	-	-	-	-	-	-	**-**
6	Corporates (excluding corporate real estate as per line 9)	932 083	-	449	-	8 672	-	948 667	-	-	**1 889 870**
7	Regulatory Retail Portfolio	-	-			-	107 617	83 280	927	-	**191 824**
8	Secured by Residential Property	2 995	-	-	1 867 983	3 530	24 578	62 833	-	-	**1 961 919**
9	Secured by Commercial Real Estate	35 867	-	-	-	-	-	2 066 000	91 557	-	**2 193 424**
10	Equity	-	-	-	-	-	-	-	-	-	**-**
11	Past Dues Loans	-	-	-	-	15 100	-	81 478	99 364	-	**195 942**
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	**-**
13	Other assets	-	-	-	-	-	-	162 658	-	-	**162 658**
14	**Total**	**1 481 212**	**-**	**2 252 499**	**1 867 983**	**27 302**	**132 195**	**3 990 261**	**191 848**	**-**	**9 943 300**

31st December 2020

Albaraka Consolidation

		a	b	c	d	e	f	g	h	i	j
	Asset classes \ Risk Weights	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereign (including central government and central bank)	510 267	-	-	-	-	-	-	-	-	**510 267**
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	**-**
4	Banks	-	-	2 252 050	-	-	-	585 345	-	-	**2 837 395**
5	Securities Firms	-	-	-	-	-	-	-	-	-	**-**
6	Corporates (excluding corporate real estate as per line 9)	932 083	-	449	-	8 672	-	948 667	-	-	**1 889 870**
7	Regulatory Retail Portfolio	-	-			-	107 617	83 280	927	-	**191 824**
8	Secured by Residential Property	2 995	-	-	1 867 983	3 530	24 578	62 833	-	-	**1 961 919**
9	Secured by Commercial Real Estate	35 867	-	-	-	-	-	2 066 000	91 557	-	**2 193 424**
10	Equity	-	-	-	-	-	-	-	-	-	**-**
11	Past Dues Loans	-	-	-	-	15 100	-	81 478	99 364	-	**195 942**
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	**-**
13	Other assets	-	-	-	-	-	-	78 926	-	-	**78 926**
14	**Total**	**1 481 212**	**-**	**2 252 499**	**1 867 983**	**27 302**	**132 195**	**3 906 529**	**191 848**	**-**	**9 859 568**

9. MARKET RISK

9.1. **MRA** – Qualitative disclosure requirements related to market risk

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

9.2. **MR1** – Market risk under standardized approach

		Dec 21	**Jun 21**
		RWA	**RWA**
	General interest rate risk	-	-
2	Equity risk	-	-
3	Commodity risk		
4	Foreign exchange risk	18 800	11 273
5	Credit spread risk - non-securitisations	-	-
6	Credit spread risk - securitisations (non-correlation trading portfolio)	-	-
7	Credit spread risk - securitisations (non-correlation trading portfolio)	-	-
8	Default risk - non-securitisations	-	-
9	Default risk - securitisations (non-correlation trading portfolio)		
10	Default risk - securitisations (non-correlation trading portfolio)		
11	Residual risk add-on		
12	**Total**	**18 800**	**11 273**

10. REMUNERATION

PILLAR 3 REMUNERATION DISCLOSURES – 2021

10.1 **REMA** – Remuneration policy

Albaraka Bank Limited is required to make certain quantitative and qualitative remuneration disclosures on an annual basis in terms of the South African Prudential Authority's Basel Pillar III disclosure requirements.

The qualitative remuneration disclosures are provided below.

The Remuneration Committee (REMCO) and the Board of Directors are the main bodies that oversee remuneration. The Banks REMCO and Board of directors are mandated with the responsibility to review and approve the Banks remuneration structures including but not limited to annual increases, management incentives and commission structures. External consultants, Willis Towers Watson, were used to provides a remuneration increase trends report for the purposes of motivating remuneration increases for 2021. This was commissioned by REMCO.

Remuneration and benefits are one of the key principles of Al Baraka Bank's Human Resources strategy which is aligned to the Banks strategic objective of employee satisfaction and retention.

Al Baraka Bank Limited (ABL) is committed to ensuring that remuneration and benefits practices are in keeping with good corporate governance and industry best practice.

The organisations remuneration philosophy is to recruit, recognise and reward exceptional employees who resonate with the organisation's values, while ensuring the fair treatment of clients and sustainability of the organisation.

The purpose of the Remuneration policy is to serve as a set of guidelines to Management and staff regarding the implementation and review of remuneration and benefits practices at the Bank.

The scope of the policy is: -

- All Executives, Management and Employees.

- The latest amendment of the Remuneration policy was effective from 1 March 2020.
- With effect from 1 March 2020, the Remuneration Committee was required to approve all commission and incentive schemes implemented by the Bank.

PRINCIPLES OF THE REMUNERATION POLICY

In order to ensure that remuneration is practiced through an explicit governance process, all remuneration, benefits and incentive reward schemes, including any amendments thereto are approved by the Remuneration Committee and the Board so as to ensure compatibility and fairness across the Bank.

All positions in ABL will be evaluated in terms of the job grading system adopted by the Bank and a job grade will be determined. ABL will establish salary scales in terms of these job grades.

It is the intention of ABL to remunerate all employees within the approved internal salary scales of their job grade, unless specifically approved by the Chief Executive.

Remuneration of employees will be reviewed once a year, based on their performance and the remuneration increase trends in the market, subject to the approval of the Remuneration Committee and the final approval of the Board. At the discretion of the Remuneration Committee other factors may be used to determine the review of remuneration structures.

Employee’s remuneration will be established by having due regard to the organisation’s profitability, budget, cash flow and regulatory requirements.

ABL seeks to reward and incentivise employees while making a concerted effort to align the best interests of its employees with that of the organisation, shareholders, and other stakeholders.

In keeping with the principle of ensuring the best interests of all stakeholders, the Bank strives to ensure that the remuneration incentives are structured in a manner that does not increase the risk or unfair treatment of the customer.

The intention is to promote the achievement of strategic business objectives while treating customers fairly and remunerating employees fairly.

To promote an ethical culture and ensure that the organisations remuneration structures do not contribute to conflicts of interests.

The Remuneration and benefits policy seeks to ensure that all employees are remunerated fairly in keeping with the peer group market related trends, while taking into account the complexity, size and nature of the business. The Bank undertakes to conduct a remuneration benchmarking survey every three years to five years.

Incentive schemes are aimed at rewarding employees who perform above the required standard and are not aimed at replacing the normal remuneration of employees.

The Remuneration Committee has in principle agreed to the introduction of a share incentive scheme; however, this needs to be further explored so as to establish a scheme, in conjunction with the Remuneration Scheme that aligns the interests of both shareholders and management.

DEFINITION OF SENIOR MANAGEMENT AND MATERIAL RISK TAKERS

The Banks Executive Committee (EXCO) are regarded as senior management. The material risk takers form part of the Executive Committee.

DESIGN AND STRUCTURE OF REMUNERATION PROCESSES

The annual remuneration increases, and any management incentives are overseen independently by Remuneration committee and the Board which includes those for Risk and compliance employees.

Management commissions and incentive scheme structures are reviewed and approved by REMCO and the board prior to implementation of any such remuneration programmes at the Bank.

The Bank did not award remuneration increases in 2020 due to the financial constraints experienced as a result of the COVID 19 pandemic. Therefore, when remuneration increases were implemented in 2021, the Bank applied a uniform remuneration increase of 4.5% for all employees in keeping with CPI as approved by REMCO.

The Bank had adopted an inhouse pay for performance model that has been used in previous years. Each employee's performance is measured using a Performance development plan and is reviewed biannually through a formal performance appraisal process. The performance rating of each employee is moderated according to their individual and departmental performance. Should the employee achieve a below average performance rating, the employee's annual remuneration increase will be adjusted to a lower percentage as opposed to the approved annual remuneration increase amount.

The Bank does not have a long-term performance incentive programme.

REMUNERATION PACKAGES

1. **Cost to Company Packages:**

- Remuneration levels will be based on the cost to company "CTC" for all management employees and certain C band employees as determined by the Bank.

- For employees earning a cost to company package, all Company benefits including the Company's contribution towards the provident fund, medical aid and 13th cheque is included in the cost to company package.

2. **Basic Salary packages:**

- For employees earning a basic salary package, the Bank will contribute the approved Company contributions towards the provident fund, medical aid, and 13th cheque.

FIXED AND VARIABLE REMUNERATION

a) 13th Cheque

The Bank undertakes to pay annually in December to all permanent employees on a basic salary package who are fully employed during the month, a 13th cheque equal to the employee's salary payable for that month, provided that those employees have completed at least one calendar year service.

A pro rata payment will be made to employees with less than one year service.

Employees who leave the service of the Bank prior to 1 December of any year will not be entitled to any bonus in respect of that year.

Employees who are in the employ of the Bank as at 1 December but have given notice for termination of service prior to or during December of any year will not be entitled to any bonus in respect of that year.

b) Medical Aid

Membership on the Company medical aid scheme as approved by the Company is compulsory for all permanent staff, unless the employee can prove that they are a dependant on their spouses or parents medical. Proof of membership on another medical aid must be provided to the HR Department.

c) Provident Fund

Membership on the Company provident fund scheme as approved by the Company is compulsory for all permanent staff.

d) Maternity Leave Benefits

Female employees are entitled to four (4) months maternity leave at 33.3% of their salary. Should an employee resign after receiving this benefit without returning to work post the maternity leave period, this amount will have to be refunded to the Bank.

e) Long Service Awards

The following long service awards are approved by REMCO and the Board:

Years of service	Long Service Awards
10 years	R5 000
15 years	R10 000
20 years	R15 000
25 years	R20 000
30 years	R25 000
35 years	R30 000

The above long service awards are discretionary and are subject to change.

The employee must be in the employ of the Bank on their anniversary date of the years of service as indicated in the table above, in order to qualify for the long service award.

f) Incentive Schemes

Incentives schemes include, commission, management incentives, employee performance or special circumstances allowances, long service awards or any other form of discretionary incentives.

Incentives will be determined with respect to performance of three levels, namely the Bank, division and individual. Different weightings may apply depending on factors such as seniority of the position.

Different incentive schemes may be established in order to accommodate the different requirements of divisions or categories of employees.

To ensure compatibility across ABL, all incentives schemes are approved by the Remuneration Committee and the Board of Directors.

All incentive schemes must be approved annually by the Remuneration Committee and the Board of Directors in advance of the financial year in which they will apply.

Details of the incentive scheme must be documented before their application and the targets communicated to the incumbents.

Incentive schemes are discretionary. It does not form part of the guaranteed remuneration package.

Incentive schemes may change or may be discontinued depending on internal and external factors such as, but not limited to Company profitability and affordability and employee performance.

10.2 **REM1** - Remuneration awarded during the financial year

	Remuneration amount		a Senior management	b Other material risk-takers
1	**Fixed Remuneration**	Number of employees	18	
2		Total fixed remuneration (rows 3 + 5+ 7)	24,060,782	
3		Of which: cash-based	24,060,782	
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		Of which: other forms		
8		Of which: deferred		
9	**Variable Remuneration**	Number of employees		
10		Total variable remuneration (rows 11 + 13+ 15)		
11		Of which: cash-based		
12		Of which: deferred		
13		Of which: shares or other share-linked instruments		
14		Of which: deferred		
15		Of which: other forms		
16		Of which: deferred		
17	**Total remuneration (rows 2 + 10)**		24,060,782	

The Bank has not awarded any guaranteed bonuses, sign on awards and severance payments during the last financial year.

The Bank does not have any deferred or retained forms of remuneration.

Discretionary management incentive bonuses, which falls under the category of variable remuneration, has not been paid for the years 2020 and 2021, due to the negative impact that the COVID-19 pandemic and resulting lockdown has had on profitability.