alBaraka

Albaraka Bank Limited

Pillar III Disclosure Report

June 2022

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)
- OVA – Bank risk management approach
- LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories
- LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements
- LIA – Explanations of differences between accounting and regulatory exposure amounts
- 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
- LIQA – Liquidity risk management
- CRA – General information about credit risk
- CRB – Additional disclosure related to the credit quality of assets
- CRC – Qualitative disclosure requirements related to credit risk mitigation techniques
- CRD – Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk
- 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
- CR8 – RWA flow statements of credit risk exposures under IRB
- CR9 – IRB- Backtesting of probability of default (PD) per portfolio
- 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
- CCR4 – IRB – exposures by portfolio and PD scale
- CCR5 – Composition of collateral for CCR exposure
- CCR6 – Credit derivative exposures
- CCR7 – RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- CCR8 – Exposures to central counterparties
- SECA – Qualitative disclosure requirements related to securitisation exposures
- SEC1 – Securitisation exposures in the banking book
- SEC2 – Securitisation exposures in the trading book
- SEC3 – Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor
- SEC4 – Securitisation exposures in the banking book and associated capital requirements – bank acting as investor
- MRA – Qualitative disclosure requirements related to market risk
- MRB – Qualitative disclosures for banks using the Internal Models Approach (IMA)
- MRC – The structure of desks for banks using the IMA
- MR2 – RWA flow statements of market risk exposures under an IMA
- MR3 – IMA values for trading portfolios
- MR4 – Comparison of VaR estimates with gains/losses
- IRRBBA – IRRBB risk management objective and policies
- IRRBB1 – Quantitative information on IRRBB
- REMA – Remuneration policy
- REM1 – Remuneration awarded during the financial year
- REM2 – Special payments
- REM3 – Deferred remuneration

2. SCOPE OF REPORTING

The quarterly results of Albaraka Bank Limited for the period ended 30 June 2022 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		30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
Available Capital (Amounts) R'000						
1	Common equity Tier 1 (CET1)	793 700	784 785	777 089	735 073	707 738
1a	Fully loaded expected credit loss (ECL) accounting model	793 700	784 785	777 089	735 073	707 738
2	Tier 1	793 700	784 785	777 089	735 073	707 738
2a	Fully loaded accounting model Tier 1	793 700	784 785	777 089	735 073	707 738
3	Total capital	1 119 249	1 107 841	1 095 482	1 048 729	1 026 275
3a	Fully loaded expected credit loss (ECL) accounting model total capital	1 119 249	1 107 841	1 095 482	1 048 729	1 026 275
Risk Weighted Assets (Amounts) R'000						
4	Total risk-weighted assets (RWA)	6 712 433	6 608 837	6 424 850	6 225 321	5 610 271
Risk-Based Capital Ratios as a percentage of RWA						
5	Common equity tier 1 ratio (%)	11.82%	11.87%	12.10%	11.81%	12.62%
5a	Fully loaded ECL accounting model CET1 (%)	11.82%	11.87%	12.10%	11.81%	12.62%
6	Tier 1 ratio (%)	11.82%	11.87%	12.10%	11.81%	12.62%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	11.82%	11.87%	12.10%	11.81%	12.62%

7	Total capital ratio (%)	16.67%	16.76%	17.05%	16.85%	18.29%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.67%	16.76%	17.05%	16.85%	18.29%
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 (%)	3.07%	3.12%	3.85%	3.56%	4.37%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	8 927 586	8 914 045	8 995 674	8 898 719	9 014 407
14	Basel III leverage ratio (%) (row 2/row 13)	8.89%	8.80%	8.64%	8.26%	7.85%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	8.89%	8.80%	8.64%	8.26%	7.85%
Liquidity Coverage Ratio						
15	Total HQLA	510 429	483 145	465 022	432 841	422 361
16	Total net cash outflow	73 205	75 701	71 009	70 464	75 112
17	LCR ratio (%)	697%	638%	655%	614%	562%
Net Stable Funding Ratio						
18	Total available stable funding	6 924 333	6 812 622	6 914 799	7 446 447	7 552 430
19	Total required stable funding	6 258 898	5 875 528	5 275 149	5 039 864	4 609 477
20	NSFR ratio (%)	111%	116%	131%	148%	164%

BANK						
Line No		30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
Available Capital (Amounts) R'000						
1	Common equity Tier 1 (CET1)	844 147	771 886	765 179	754 276	720 678
1a	Fully loaded expected credit loss (ECL) accounting model	844 147	771 886	765 179	754 276	720 678
2	Tier 1	844 147	771 886	765 179	754 276	720 678
2a	Fully loaded accounting model Tier 1	844 147	771 886	765 179	754 276	720 678
3	Total capital	1 108 777	1 094 942	1 083 572	1 067 932	1 039 215
3a	Fully loaded expected credit loss (ECL) accounting model total capital	1 108 777	1 094 942	1 083 572	1 067 932	1 039 215
Risk Weighted Assets (Amounts) R'000						
4	Total risk-weighted assets (RWA)	6 783 420	6 654 944	6 476 285	6 274 285	5 663 988

Risk-Based Capital Ratios as a percentage of RWA						
5	Common equity tier 1 ratio (%)	11.55%	11.60%	11.82%	12.02%	12.72%
5a	Fully loaded ECL accounting model CET1 (%)	11.55%	11.60%	11.82%	12.02%	12.72%
6	Tier 1 ratio (%)	11.55%	11.60%	11.82%	12.02%	12.72%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	11.55%	11.60%	11.82%	12.02%	12.72%
7	Total capital ratio (%)	16.35%	16.45%	16.73%	17.02%	18.35%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.35%	16.45%	16.73%	17.02%	18.35%
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 (%)	2.80%	2.85%	3.57%	3.77%	4.47%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	8 951 240	8 926 422	9 014 381	8 912 603	9 034 045
14	Basel III leverage ratio (%) (row 2/row 13)	8.75%	8.65%	8.49%	8.46%	7.98%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	8.75%	8.65%	8.49%	8.46%	7.98%
Liquidity Coverage Ratio						
15	Total HQLA	510 429	483 145	465 022	432 841	422 361
16	Total net cash outflow	73 205	75 701	71 009	70 464	75 112
17	LCR ratio (%)	697%	638%	655%	614%	562%
Net Stable Funding Ratio						
18	Total available stable funding	6 924 333	6 812 622	6 914 799	7 446 447	7 552 430
19	Total required stable funding	6 258 898	5 875 528	5 275 149	5 039 864	4 609 477
20	NSFR ratio (%)	111%	116%	131%	148%	164%

Period under review: Albaraka Bank

As at 30 June 2022, the total capital ratio decreased from 18.35% to 16.35%, largely affected by:

- Increase in risk weighted assets from R5.66billion to R6.78billion, due to the growth in the advances book
- Increase in total capital and reserves from R1,04billion to R1,11billion

The LCR increased from 562% in June 2021 to 697% in June 2022, due to increases in the bank's treasury bill and cash holdings

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

	CONSOL	RWA	Min capital requirements*	RWA	Min capital requirements*
		Jun 22 R'000		Mar 22 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	6 046 444	695 341	5 791 124	665 979
2	Of which: standardised approach (SA)	6 046 444	695 341	5 791 124	665 979
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	17 123	1 969	175 229	20 151
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	15 832	1 821	9 450	1 087
21	Of which: standardized approach (SA)	15 832	1 821	9 450	1 087
22	Of which: internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	633 034	72 799	633 034	72 799
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)	6 712 433	771 930	6 608 837	760 016

	BANK ONLY	RWA	Min capital requirements*	RWA	Min capital requirements*
		Jun 22 R'000		Mar 22 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	6 057 783	696 645	5 799 921	666 991
2	Of which: standardised approach (SA)	6 057 783	696 645	5 799 921	666 991
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	17 123	1 969	175 229	20 151
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	15 832	1 821	9 450	1 087
21	Of which: standardized approach (SA)	15 832	1 821	9 450	1 087
22	Of which: internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	633 034	72 799	633 034	72 799
25	Amounts below thresholds for deduction (subject to 250% risk weight)	59 648	6 859	37 310	4 291
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)	6 783 420	780 093	6 654 944	765 319

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

Period under review – Albaraka Bank

Risk weighted assets increased from R6.65billion to R6.78billion predominantly in credit risk RWAs. Credit risk RWAs increased by R258million or 4.5% which is largely due to the growth in the advances book. Market risk increased by R6.4million or 67.5% which is attributable to the increase in the bank's foreign cash holdings. Operational risk is updated bi-annually and is based on a three-year rolling gross income before impairments average balance.

4. COMPOSITION OF CAPITAL

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

		CONSOL	BANK
		30 June 2022	30 June 2022
	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
2	Retained earnings	447 989	437 517
3	Accumulated other comprehensive income (and other reserves)	2 031	2 031
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	854 619	844 147
	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)	(60 919)	(60 919)
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	(60 919)	(60 919)
29	Common Equity Tier 1 capital (CET1)	793 700	783 228

	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)**	793 700	783 228
	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	299 740	299 740
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	25 809	25 809
51	**Tier 2 capital before regulatory adjustments**	325 549	325 549
	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)**	325 549	325 549
59	**Total capital (TC = T1 + T2)**	1 119 249	1 108 777
60	**Total risk weighted assets**	6 712 433	6 783 420
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk weighted assets)**	11.82%	11.55%
62	**Tier 1 (as a percentage of risk weighted assets)**	11.82%	11.55%
63	**Total capital (as a percentage of risk weighted assets)**	16.67%	16.35%
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%
65	of which: capital conservation buffer requirement	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	3.07%	2.80%
	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%
70	National Tier 1 minimum ratio (if different from Basel lll minimum)	6.00%	6.00%
71	National total capital minimum ratio (if different from Basel lll minimum)	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)	-	59 648
	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)	325 549	325 549
77	Cap on inclusion of provisions in Tier 2 under standardised approach	25 809	25 809
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 R6.65billion to R6.78billion predominantly in credit risk RWAs. Credit risk RWAs increased by R258million or 4.5% which is largely due to the growth in the advances book.

4.2. **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 and second tranches of the bank's tier 2 Sukuk, which reached the five-year period in September 2021 and April 2022 respectively. In line with regulation 38 (12), a haircut of R6.06m and R1.90m respectively 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 30 June 2022				
Property and equipment	91 392	97 188	23 691	29 487
Right of use asset	5 796	-	5 796	-
Investment properties	10 339	10 339	-	-
Intangible assets	75 605	75 605	75 605	75 605
Investment in and amount due by subsidiary company	-	-	35 054	79 306
Deferred tax asset	-	-	23 859	23 859
Investment securities	17 123	17 123	17 123	17 123
Advances and other receivables	7 826 682	7 826 133	7 826 415	7 825 866
South African Revenue Service	-	-	-	-
Regulatory balances	463 492	463 492	463 492	463 492
Cash and cash equivalents	80 187	80 187	78 982	78 982
Total Assets	**8 570 616**	**8 570 067**	**8 550 017**	**8 593 720**
Liabilities				
Deferred tax liability	2 389	2 389	-	-
Welfare and charitable funds	37 786	37 786	37 786	37 786
Sukuk holders	309 367	307 700	307 700	307 700
Tier 2 instruments phased out	-	-	-	-
Provision for leave pay	6 938	-	6 938	-
Lease liabilities	6 394	-	6 394	-
Accounts payable	47 597	61 363	41 111	98 900
South African Revenue Service	4 828	4 394	4 815	4 610
Deposits from customers	7 288 759	7 289 877	7 288 759	7 288 210

Total Liabilities	**7 704 058**	**7 703 509**	**7 693 503**	**7 737 206**
Equity				
Share capital	322 403	322 403	322 403	322 403
Share premium	82 196	82 196	82 196	82 196
Other reserves	2 031	2 031	2 031	2 031
Retained income	459 928	459 928	449 884	449 884
Total equity	**866 558**	**866 558**	**856 514**	**856 514**

4.3. **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.

5. 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.

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

Line No	Item	30 Jun 2022
1	Total consolidated assets as per published financial statements	8 593 720
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)	418 439

7	Other adjustments	(60 919)
8	Leverage ratio exposure	8 951 240

Total assets decreased from R8.60billion in December 2021 to R8.59billion in June 2022. There has been a decrease in the advances to customers and banks of R13.6million. Cash resources increased by R48.8 million comprising a reduction in cash holdings and balances with the SARB of R29.0 million or 26.9%, offset by an increase in regulatory balances with SARB of R48.8 million or 11.8%.

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

Line no	Item	30 Jun 2022	31 Mar 2022
On Balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	8 593 721	8 506 217
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(60 919)	(61 609)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	8 532 802	8 444 608
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	1 356 121	1 371 009
18	(Adjustments for conversion to credit equivalent amounts)	(937 683)	(889 195)
19	Off-balance sheet items (sum of lines 17 and 18)	418 438	481 814
Capital and total exposures			
20	Tier 1 capital	783 228	771 886
21	Total exposures (sum of lines 3, 11, 16 and 19)	8 951 240	8 926 422
Leverage ratio			
22	Basel III leverage ratio	8.75%	8.65%

Total assets decreased from R8.60billion in December 2021 to R8.59billion in June 2022. There has been a decrease in the advances to customers and banks of R13.6million. Cash resources increased by R48.8 million comprising a reduction in cash holdings and balances with the SARB of R29.0 million or 26.9%, offset by an increase in regulatory balances with SARB of R48.8 million or 11.8%. Off balance sheet exposure decreased from R1.37million to R1.36 million with a decrease in guarantees issued.

6. LIQUIDITY

6.1. **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 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 30 June 2022			
Line No		**Total Unweighted Value**	**Total Weighted Value**
High Quality Liquid Assets			
1	Total HQLA	504 395	504 395
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	5 427 150	137 665
3	Stable deposits	-	-
4	Less stable deposits	5 427 150	137 665
5	Unsecured wholesale funding, of which:	871 632	5 859
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	871 632	5 859
7	Non-operational deposits (all counterparties)	-	-
8	Unsecured debt	-	--
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	1 071 451	159 032
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	939 963	27 544
14	Other contractual funding obligations	131 488	131 488
15	Other contingent funding obligations	-	
16	TOTAL CASH OUTFLOWS		302 556
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	760 711	536 084
19	Other cash inflows	150 166	-
20	TOTAL CASH INFLOWS	910 877	536 084
			Total adjusted value
21	Total HQLA		504 395
22	Total net cash outflows		75 639
23	**Liquidity Coverage Ratio (%)**		**667%**

6.2. **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 30 June 2022						
		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:	-	-	-	1 164 214	1 164 214
2	Regulatory capital	-	-	-	1 164 214	1 164 214
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	-	3 286 065	1 553 631	149 508	4 505 234
5	Stable deposits					
6	Less stable deposits	-	1 477 256	617 091	204 660	1 251 834
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	135 194	6 102	-	3 051
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	135 194	6 102	-	3 051
14	Total ASF	-	4 898 515	2 176 824	1 518 382	6 924 333
	Required Stable Funding (RSF) Item					

15	Total NSFR high-quality liquid assets (HQLA)	-	542 474	-	-	23 170
16	Deposits held at other financial institutions for operational purposes	-	813 811	-	409 428	531 500
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:	-	615 494	138 306	-	376 900
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	-	661	2 769	727 928	474 868
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	-	3 900	6 158	5 332 793	4 784 420
32	Off-balance sheet items	-	1 360 741	-	-	68 037
33	Total RSF	-	3 337 081	147 233	6 470 149	6 258 898
34	**Net Stable Funding Ratio (%)**					**111%**

7. CREDIT RISK

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

30th June 2022

Albaraka Bank Limited & Albaraka Consolidation

		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]	149 146	6 461 089	37 970	17 988	19 982	-	6 572 266
2	Debt Securities [2]	-	1 566 496	2 449	-	2 449	-	1 564 047
3	Off-balance sheet exposures [3]	-	1 356 121	3 378	-	3 378	-	1 352 743
4	**Total**	**149 146**	**9 383 706**	**43 797**	**17 988**	**25 809**	**-**	**9 489 055**

(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

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

Albaraka Bank Limited & Albaraka Consolidation

		30 Jun 22
1	**Defaulted loans and debt securities at end of the previous reporting period**	228 540
2	Loans and debt securities that have defaulted since the last reporting period	38 956
3	Returned to non-defaulted status	(118 346)
4	Amounts written off	(3)
5	Other changes	-
6	**Defaulted loans and debt securities at end of the reporting period** (1+2-3-4+5)	**149 146**

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

30th June 2022

Albaraka Bank Limited & Albaraka Consolidation

		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]	24 876	7 792 334	5 356 214	-	-	-	-
2	Debt Securities [2]	-	1 566 496	1 566 496	-	-	-	-

4	Of which defaulted	**-**	**149 146**	**132 704**	**-**	**-**	**-**	**-**
3	Total	24 876	9 507 976	7 055 414	-	-	-	-

(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.

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

30th June 2022

Albaraka Bank Limited

		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)	542 474	-	306 345	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	1 260 150	-	1 260 150	-	579 572	46%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	1 275 920	1 158 070	1 275 920	1 158 070	1 249 416	98%
7	Regulatory Retail Portfolio	269 463	-	269 463	-	237 078	88%
8	Secured by Residential Property	2 201 724	71 273	2 201 724	71 273	852 521	39%
9	Secured by Commercial Real Estate	2 863 129	126 778	2 863 129	126 778	2 994 298	105%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	149 146	-	131 158	-	148 892	100%
12	Higher Risk Categories	-	-	-	-	-	0%

13	Other Assets	144 898	-	144 898	-	144 898	100%
14	**Total**	**8 557 758**	**1 356 121**	**8 321 629**	**1 356 121**	**6 057 782**	**71%**

30th June 2022

Albaraka Consolidation

		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)	542 474	-	306 345	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	1 260 150	-	1 260 150	-	579 572	46%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	1 275 920	1 158 070	1 275 920	1 158 070	1 249 416	98%
7	Regulatory Retail Portfolio	269 463	-	269 463	-	237 078	88%
8	Secured by Residential Property	2 201 724	71 273	2 201 724	71 273	852 521	39%
9	Secured by Commercial Real Estate	2 863 129	126 778	2 863 129	126 778	2 994 298	105%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	149 146	-	131 158	-	148 892	100%
12	Higher Risk Categories	-	-	-	-	-	0%
13	Other Assets	65 858	-	65 858	-	65 858	100%
14	**Total**	**8 478 718**	**1 356 121**	**8 242 589**	**1 356 121**	**5 978 742**	**71%**

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

30th June 2022

Albaraka Bank Limited

		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)	542 474	-	-	-	-	-	-	-	-	**542 474**
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	**-**
4	Banks	-	-	850 723	-	-	-	409 428	-	-	**1 260 150**
5	Securities Firms	-	-	-	-	-	-	-	-	-	**-**
6	Corporates (excluding corporate real estate as per line 9)	1 154 063	-	2 326	-	6 959	-	1 254 437	15 884	-	**2 433 669**
7	Regulatory Retail Portfolio	-	-	-	-	937	127 455	140 968	424	-	**269 784**
8	Secured by Residential Property	4 165	-	-	2 156 890	5 297	37 906	68 740	-	-	**2 272 997**
9	Secured by Commercial Real Estate	4 871	-	-	-	-	-	2 955 273	29 762	-	**2 989 906**
10	Equity	-	-	-	-	-	-	-	-	-	**-**
11	Past Dues Loans	-	-	-	-	11 512	-	91 564	46 070	-	**149 146**
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	**-**
13	Other assets	-	-	-	-	-	-	144 898	-	-	**144 898**
14	**Total**	**1 705 574**	**-**	**853 049**	**2 156 890**	**13 193**	**165 360**	**4 973 744**	**46 070**	**-**	**9 913 880**

30th June 2022

Albaraka Consolidation

		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)	542 474	-	-	-	-	-	-	-	-	**542 474**
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	**-**
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	**-**
4	Banks	-	-	850 723	-	-	-	409 428	-	-	**1 260 150**
5	Securities Firms	-	-	-	-	-	-	-	-	-	**-**
6	Corporates (excluding corporate real estate as per line 9)	1 154 063	-	2 326	-	6 959	-	1 254 437	15 884	-	**2 433 669**
7	Regulatory Retail Portfolio	-	-	-	-	937	127 455	140 968	424	-	**269 784**
8	Secured by Residential Property	4 165	-	-	2 156 890	5 297	37 906	68 740	-	-	**2 272 997**
9	Secured by Commercial Real Estate	4 871	-	-	-	-	-	2 955 273	29 762	-	**2 989 906**
10	Equity	-	-	-	-	-	-	-	-	-	**-**
11	Past Dues Loans	-	-	-	-	11 512	-	91 564	46 070	-	**149 146**
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	**-**
13	Other assets	-	-	-	-	-	-	65 858	-	-	**65 858**
14	**Total**	**1 705 574**	**-**	**853 049**	**2 156 890**	**13 193**	**165 360**	**4 894 704**	**46 070**	**-**	**9 834 840**

8. MARKET RISK

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

		Jun 22
		RWA
	General interest rate risk	-
2	Equity risk	-
3	Commodity risk	
4	Foreign exchange risk	15 832
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**	**15 832**