



Albaraka Bank Limited
Pillar III Disclosure Report
December 2023



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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
- 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
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- 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
- IRRBA - IRRBB risk management objective and policies
- IRRBB1 - Quantitative information on IRRBB
- REM2 - Special payments
- REM3 - Deferred remuneration

2. SCOPE OF REPORTING

The quarterly results of Albaraka Bank Limited for the period ended 31 December 2023 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 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 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
Available Capital (Amounts) R'000						
1	Common equity Tier 1 (CET1)	897 690	859 683	854 626	831 219	820 301
1a	Fully loaded expected credit loss (ECL) accounting model	897 690	859 683	854 626	831 219	820 301
2	Tier 1	1 021 690	983 683	978 626	955 219	944 301
2a	Fully loaded accounting model Tier 1	1 021 690	983 683	978 626	955 219	944 301
3	Total capital	1 303 417	1 271 774	1 278 529	1 266 177	1 257 689
3a	Fully loaded expected credit loss (ECL) accounting model total capital	1 303 417	1 271 774	1 278 529	1 266 177	1 257 689
Risk Weighted Assets (Amounts) R'000						
4	Total risk-weighted assets (RWA)	7 250 843	7 138 108	7 160 940	7 122 357	7 003 553
Risk-Based Capital Ratios as a percentage of RWA						
5	Common equity tier 1 ratio (%)	12.38%	12.04%	11.93%	11.67%	11.72%
5a	Fully loaded ECL accounting model CET1 (%)	12.38%	12.04%	11.93%	11.67%	11.72%
6	Tier 1 ratio (%)	14.09%	13.78%	13.67%	13.41%	13.48%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14.09%	13.78%	13.67%	13.41%	13.48%
7	Total capital ratio (%)	17.98%	17.82%	17.85%	17.78%	17.96%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.98%	17.82%	17.85%	17.78%	17.96%
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 (%)	3.63%	3.29%	3.18%	2.92%	2.96%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	9 388 621	9 091 541	8 854 467	8 831 193	8 751 307
14	Basel III leverage ratio (%) (row 2/row 13)	10.88%	10.82%	11.05%	10.82%	10.79%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	10.88%	10.82%	11.05%	10.82%	10.79%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	10.88%	10.82%	11.05%	10.82%	10.79%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	10.88%	10.82%	11.05%	10.82%	10.79%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	10.88%	10.82%	11.05%	10.82%	10.79%
Liquidity Coverage Ratio						
15	Total HQLA	807 804	623 323	589 865	624 864	571 899
16	Total net cash outflow	106 199	170 943	116 794	277 370	90 163
17	LCR ratio (%)	761%	365%	505%	225%	634%
Net Stable Funding Ratio						
18	Total available stable funding	7 288 251	7 072 538	6 954 431	6 932 218	6 884 368
19	Total required stable funding	6 057 226	6 008 902	5 947 989	5 813 975	5 886 830
20	NSFR ratio (%)	120%	117%	117%	119%	117%

BANK						
Line No		31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
Available Capital (Amounts) R'000						
1	Common equity Tier 1 (CET1)	882 243	864 771	840 557	818 008	807 769
1a	Fully loaded expected credit loss (ECL) accounting model	882 243	864 771	840 557	818 008	807 769
2	Tier 1	1 006 243	988 771	964 557	942 008	931 769
2a	Fully loaded accounting model Tier 1	1 006 243	988 771	964 557	942 008	931 769
3	Total capital	1 287 970	1 276 862	1 264 460	1 252 966	1 245 157
3a	Fully loaded expected credit loss (ECL) accounting model total capital	1 287 970	1 276 862	1 264 460	1 252 966	1 245 157
Risk Weighted Assets (Amounts) R'000						
4	Total risk-weighted assets (RWA)	7 299 048	7 175 596	7 204 292	7 176 786	7 063 255

Risk-Based Capital Ratios as a percentage of RWA						
5	Common equity tier 1 ratio (%)	12.09%	12.05%	11.67%	11.40%	11.44%
5a	Fully loaded ECL accounting model CET1 (%)	12.09%	12.05%	11.67%	11.40%	11.44%
6	Tier 1 ratio (%)	13.79%	13.78%	13.39%	13.13%	13.19%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.79%	13.78%	13.39%	13.13%	13.19%
7	Total capital ratio (%)	17.65%	17.79%	17.55%	17.46%	17.63%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.65%	17.79%	17.55%	17.46%	17.63%
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 (%)	3.34%	3.29%	2.92%	2.65%	2.69%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	9 374 631	9 083 909	8 856 254	8 831 193	8 765 467
14	Basel III leverage ratio (%) (row 2/row 13)	10.73%	10.88%	10.89%	10.82%	10.63%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	10.73%	10.88%	10.89%	10.82%	10.63%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	10.73%	10.88%	10.89%	10.82%	10.63%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	10.73%	10.88%	10.89%	10.82%	10.63%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	10.73%	10.88%	10.89%	10.82%	10.63%
Liquidity Coverage Ratio						
15	Total HQLA	807 804	623 323	589 865	624 864	571 899
16	Total net cash outflow	106 199	170 943	116 794	277 370	90 163
17	LCR ratio (%)	761%	365%	505%	225%	634%
Net Stable Funding Ratio						
18	Total available stable funding	7 288 251	7 072 538	6 954 431	6 932 218	6 884 368
19	Total required stable funding	6 057 226	6 008 902	5 947 989	5 813 975	5 886 830
20	NSFR ratio (%)	120%	117%	117%	119%	117%

Year under review: Albaraka Bank

As at 31 December 2023, the total capital ratio was static, increasing marginally from 17.63% to 17.65% YoY, largely affected by:

- Increase in risk weighted assets from R7.06 billion to R7.3 billion, due to the growth in the advances book.
- Increase in qualifying capital as a result of increased profitability.

The LCR increased from 634% in December 2022 to 761% in December 2023, due to an increase in the bank's equity finance and sovereign sukuk 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 in 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*
		Dec 23 R'000		Sep 23 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	6 532 509	751 239	6 479 164	745 104
2	Of which: standardised approach (SA)	6 532 509	751 239	6 479 164	745 104
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)	-	-	5 724	658
7	Of which: standardised approach for counterparty credit risk	-	-	5 724	658
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	17 567	2 020	17 437	2 005
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	12 995	1 494	16 535	1 902
21	Of which: standardized approach (SA)	12 995	1 494	16 535	1 902
22	Of which: internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	687 773	79 094	619 248	71 214
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)	7 250 844	833 847	7 138 108	820 883

BANK ONLY		RWA	Min capital requirements*	RWA	Min capital requirements*
		Dec 23 R'000		Sep 23 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	6 520 224	749 826	6 468 654	743 895
2	Of which: standardised approach (SA)	6 520 224	749 826	6 468 654	743 895

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)	-	-	5 724	658
7	Of which: standardised approach for counterparty credit risk	-	-	5 724	658
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	17 567	2 020	17 437	2 005
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	31 912	3 670	16 535	1 902
21	Of which: standardized approach (SA)	31 912	3 670	16 535	1 902
22	Of which: internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	687 773	79 094	619 248	71 213
25	Amounts below thresholds for deduction (subject to 250% risk weight)	41 573	4 781	47 998	5 520
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)	7 299 049	839 391	7 175 596	825 193

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

Year under review - Albaraka Bank

Risk weighted assets increased from R7.18billion in September 2023 to R7.30billion in December 2023 predominantly in credit risk RWAs. Credit risk RWAs increased by R52million or 1.0% which is largely due to the growth in the advances book. Market risk increased by R15.4m or 93.0% which is attributable to the increase in the bank's foreign cash holdings. Operational risk increased by R68.5million or 11.1%. 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:				
	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
Consol							
At 31 December 2023							
Assets							
Property and equipment	90 050	97 277	24 704	-	-	-	-
Right of use asset	6 003	-	-	-	-	-	-

Investment properties	10 339	10 339	-	-	-	-	-
Intangible assets	61 798	61 798	-	-	-	-	61 798
Investment in and amount due by subsidiary company	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-
Investment securities	17 567	17 567	17 567	-	-	-	-
Advances and other receivables	8 156 059	8 154 840	8 203 472	-	-	-	-
Regulatory balances	615 432	615 432	-	-	-	-	-
Cash and cash equivalents	199 796	199 796	84 622	-	-	12 995	-
	9 157 044	9 157 049	8 330 365	-	-	12 995	61 798

At 31 December 2023							
Liabilities							
Deferred tax liability	4 941	4 751	-	-	-	-	-
Welfare and charitable funds	60 565	60 606	-	-	-	-	-
Sukuk holders	311 247	435 248	-	-	-	-	-
Provision for leave pay	6 968	6 968	-	-	-	-	-
Lease liabilities	6 234	6 234	-	-	-	-	-
Accounts payable	59 272	60 256	-	-	-	-	-
South African Revenue Service	6 650	6 427	-	-	-	-	-
Deposits from customers	7 597 904	7 597 905	-	-	-	-	-
	8 053 781	8 178 395	-	-	-	-	-

	a	b	c	d	e	f	g	
			Carrying values of items:					
	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	
Bank only								
At 31 December 2023								
Assets								
Property and equipment	13 952	24 704	24 704	-	-	-	-	
Right of use asset	9 527	-	-	-	-	-	-	
Investment properties	-	-	-	-	-	-	-	
Intangible assets	61 798	61 798	-	-	-	-	61 798	
Investment in and amount due by subsidiary company	43 358	59 235	59 235	-	-	-	-	
Deferred tax asset	16 439	16 629	16 629	-	-	-	-	
Investment securities	17 567	17 567	17 567	-	-	-	-	
Advances and other receivables	8 155 886	8 154 668	8 203 300	-	-	-	-	
Regulatory balances	615 432	615 432	-	-	-	-	-	
Cash and cash equivalents	193 026	193 026	84 622	-	-	12 995	-	
	9 126 985	9 143 059	8 406 057	-	-	12 995	61 798	

At 31 December 2023							
Liabilities							
Deferred tax liability	-	-	-	-	-	-	-
Welfare and charitable funds	60 565	60 606	-	-	-	-	-
Sukuk holders	307 700	431 700	-	-	-	-	-
Provision for leave pay	6 968	6 968	-	-	-	-	-
Lease liabilities	6 234	6 234	-	-	-	-	-
Accounts payable	55 411	72 009	-	-	-	-	-
South African Revenue Service	6 449	6 490	-	-	-	-	-
Deposits from customers	7 597 904	7 597 906	-	-	-	-	-
	8 041 231	8 181 913	-	-	-	-	-

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

	Consol December 2023	a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	8 352 923	8 339 928	-	-	12 995
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	8 352 923	8 339 928	-	-	12 995
4	Off-balance sheet amounts	1 231 599	1 231 599	-	-	-
5	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
6	Exposure amounts considered for regulatory purposes	9 584 522	9 571 527	-	-	12 995

	Bank December 2023	a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	8 419 052	8 406 057	-	-	12 995

2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	8 419 052	8 406 057	-	-	12 995
4	Off-balance sheet amounts	1 231 599	1 231 599	-	-	-
5	Differences due to different netting rules, other than those already included in row 2	(22 113)	(22 113)	-	-	-
6	Exposure amounts considered for regulatory purposes	9 628 538	9 615 543	-	-	12 995

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 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.

On a bank solo and consol basis, the difference arises from the additional Tier 1 sukuk which is disclosed under equity on the financial statements, but for regulatory purposes is disclosed under term debt instruments that qualify as capital.

5. COMPOSITION OF CAPITAL

5.1. CC1 - Composition of regulatory capital

		31 December 2023	
		CONSOL	BANK
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	543 547	528 100
3	Accumulated other comprehensive income (and other reserves)	2 441	2 441
4	Directly issued capital subject to phase out from CET1 (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	950 587	935 140
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	(6 487)	(6 487)
8	Goodwill (net of related tax liability)	-	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(46 410)	(46 410)
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 framework ²⁵)	-	-
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	(52 897)	(52 897)
29	Common Equity Tier 1 capital (CET1)	897 690	882 243

	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	124 000	124 000
31	Of which: classified as equity under applicable accounting standards	124 000	124 000
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)	1 021 690	1 006 243
	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	252 540	252 540
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	29 187	29 187
51	Tier 2 capital before regulatory adjustments	281 727	281 727
	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)	281 727	281 727
59	Total capital (TC = T1 + T2)	1 303 417	1 287 970
60	Total risk weighted assets	7 250 843	7 299 048
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.38%	12.09%
62	Tier 1 (as a percentage of risk weighted assets)	14.09%	13.79%
63	Total capital (as a percentage of risk weighted assets)	17.98%	17.65%
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	3.63%	3.34%
	National Minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	4.50%	4.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	6.00%	6.00%
71	National total capital minimum ratio (if different from Basel III 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)	-	41 573
	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)	281 727	281 727
77	Cap on inclusion of provisions in Tier 2 under standardised approach	29 187	29 187
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 CET1 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 R7.06billion in December 2022 to R7.30billion in December 2023 predominantly in credit risk RWAs. Credit risk RWAs increased by R165million or 2.6% which is largely due to the growth in the advances book. Tier II directly issued capital instruments decreased by R40m 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 tranches of the bank's tier 2 Sukuk, which have reached the five-year period. In line with regulation 38 (12), a haircut of R55m 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 2023				
Property and equipment	90 050	97 277	13 952	24 704
Right of use asset	6 003	-	9 527	-
Investment properties	10 339	10 339	-	-
Intangible assets	61 798	61 798	61 798	61 798
Investment in and amount due by subsidiary company	-	-	43 358	59 235
Deferred tax asset	-	-	16 439	16 629
Investment securities	17 567	17 567	17 567	17 567
Advances and other receivables	8 156 059	8 154 840	8 155 886	8 154 668
Regulatory balances	615 432	615 432	615 432	615 432
Cash and cash equivalents	199 796	199 796	193 026	193 026
Total Assets	9 157 044	9 157 049	9 126 985	9 143 059
Liabilities				
Deferred tax liability	4 941	4 751	-	-
Welfare and charitable funds	60 565	60 565	60 565	60 565
Sukuk holders	311 247	376 540	307 700	376 540
Tier 2 instruments phased out	-	55 160	-	55 160
Provision for leave pay	6 968	-	6 968	-
Lease liabilities	6 234	-	6 234	-
Accounts payable	59 272	73 499	55 411	85 252
South African Revenue Service	6 650	6 427	6 449	6 490
Deposits from customers	7 597 904	7 601 453	7 597 904	7 597 906
Total Liabilities	8 053 781	8 178 395	8 041 231	8 181 913
Equity				
Share capital	322 403	322 403	322 403	322 403
Share premium	82 196	82 196	82 196	82 196

Other reserves	2 440	2 441	2 440	2 441
Retained income	572 224	571 614	554 715	554 106
Additional Tier 1 Sukuk instruments	124 000	-	124 000	-
Total equity	1 103 263	978 654	1 085 754	961 146

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 2023
1	Total consolidated assets as per published financial statements	9 113 872
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)	307 169
7	Other adjustments	(46 410)
8	Leverage ratio exposure	9 374 631

Total assets increased from R8.51 billion to R9.11 billion YoY. This is largely due to the increase in the advances to customers of R418 million. Advances to banks increased by R95.6 million. Cash resources increased by R173.1 million comprising an increase in cash holdings and balances with the SARB of R75.4 million, and an increase in regulatory balances with SARB of R97.7 million.

6.2. LR2 - Leverage ratio common disclosure template

Line no	Item	31 Dec 2023	30 Sep 2023
On Balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	9 113 872	8 833 399
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Basel III Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Basel III Tier 1 capital)	(46 410)	(49 497)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 6)	9 067 462	8 783 902
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add-on amounts for potential future exposure associated with all derivatives transactions	-	-
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	5 724
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures (sum of lines 8 to 12)	-	5 724
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of lines 14 to 18)	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	1 231 599	1 196 261
20	(Adjustments for conversion to credit equivalent amounts)	(924 430)	(901 978)

21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet items (sum of lines 19 and 21)	307 169	294 283
Capital and total exposures			
23	Tier 1 capital	1 006 243	988 771
24	Total exposures (sum of rows 7, 13, 18 and 22)	9 374 631	9 083 909
Leverage ratio			
25	Basel III leverage ratio	10.73%	10.89%
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.73%	10.89%
26	National minimum leverage ratio requirement	-	-
27	Applicable leverage buffers	-	-
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9 374 631	9 083 909
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9 374 631	9 083 909
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10.73%	10.89%
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	10.73%	10.89%

Total assets increased from R8.51 billion in December 2022 to R9.11 billion in December 2023. This is largely due to the increase in the advances to customers of R405 million. Advances to banks increased by R96.5 million. Cash resources increased by R173 million comprising an increase in cash holdings and balances with the SARB of R75.4 million, and an increase in regulatory balances with SARB of R97 million. Off balance sheet exposure increased from R1.18 billion to R1.23 billion.

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 (historically in the form of Treasury Bills and currently as at December 2023 in the form of sovereign sukuk 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 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 2023			
Line No		Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets			
1	Total HQLA	805 645	805 645
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	5 245 053	247 384
3	Stable deposits		
4	Less stable deposits	5 245 053	247 384
5	Unsecured wholesale funding, of which:	1 346 360	4 555
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1 346 360	4 555
7	Non-operational deposits (all counterparties)		
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which:	1 089 774	224 864
11	Outflows related to derivative exposures and other collateral requirements	7 572	7 572
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	896 504	31 594
14	Other contractual funding obligations	185 698	185 698
15	Other contingent funding obligations		
16	TOTAL CASH OUTFLOWS		476 803
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	628 513	359 997
19	Other cash inflows	144 645	7 388
20	TOTAL CASH INFLOWS	773 158	367 385
			Total adjusted value
21	Total HQLA		805 645
22	Total net cash outflows		119 201
23	Liquidity Coverage Ratio (%)		676%

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 2023						
Line No	Available Stable Funding (ASF) Item	Unweighted value by residual maturity				Weighted value
		No Maturity	< 6 months	6 months to < 1 year	≥ 1 year	
1	Capital:	-	-	-	1 392 846	1 392 846
2	Regulatory capital	-	-	-	1 392 846	1 392 846
3	Other capital instruments					
4	Retail deposits and deposits from small business customers	-	3 591 873	1 307 981	103 556	4 513 425
5	Stable deposits					
6	Less stable deposits	-	1 447 700	980 814	165 981	1 380 238
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	148 824	3 484	-	1 742
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	148 824	3 484	-	1 742
14	Total ASF	-	5 188 397	2 292 279	1 662 383	7 288 251

	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets (HQLA)	-	375 749	-	424 506	30 772
16	Deposits held at other financial institutions for operational purposes	-	575 838	-	-	86 376
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:	-	647 189	154 739	-	400 964
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	-	1 907	6 470	2 314 051	1 508 322
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	-	4 676	6 742	4 631 192	3 969 218
32	Off-balance sheet items	-	1 231 498	-	-	61 575
33	Total RSF	-	2 836 857	167 951	7 369 749	6 057 227
34	Net Stable Funding Ratio (%)					120%

8. CREDIT RISK

8.1. CRA - General qualitative information about credit risk

Albaraka Bank Limited & Albaraka Consolidation

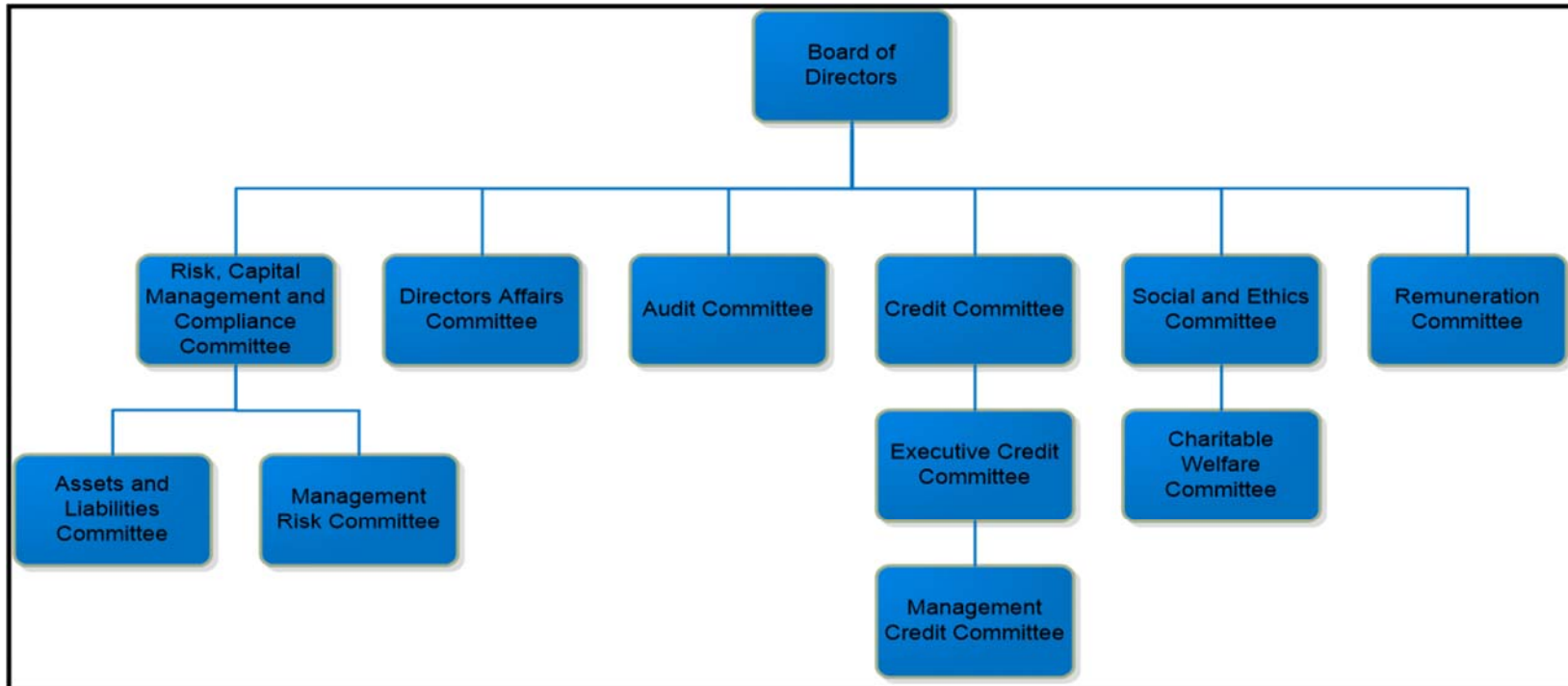
Risk Management and Assessment

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 authorization 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 a stage credit risk allocation basis, which are Stages 1, 2 and 3.

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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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
		Defaulted exposures ⁵	Non- defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		(a+b-c)
1	Loans ¹	129 338	7 886 954	46 329	19 448	26 880	-	7 969 963
2	Debt Securities ²	-	670 022	529	-	529	-	669 493
3	Off-balance sheet exposures ³	-	1 231 498	1 777	-	1 777	-	1 229 720
4	Total	129 338	9 788 474	48 635	19 448	29 187	-	9 869 176

(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

31st December 2022

		a	b	c	d	e	f	g
		Gross carrying values of			Of which ECL accounting provisions for credit losses	Of which ECL accounting		Net

		Defaulted exposures ⁵	Non-defaulted exposures	Allowances / impairments ⁴	on SA exposures		provisions for credit losses on IRB exposures	values
					Allocated in regulatory category of Specific	Allocated in regulatory category of General		(a+b-c)
1	Loans ¹	151 924	7 350 524	33 545	15 748	17 798	-	7 468 903
2	Debt Securities ²	-	525 079	864	-	864	-	524 215
3	Off-balance sheet exposures ³	-	1 175 091	2 187	-	2 187	-	1 172 904
4	Total	151 924	9 050 694	36 596	15 748	20 849	-	9 166 022

(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

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

Albaraka Bank Limited & Albaraka Consolidation

		31 Dec 23	31 Dec 22
1	Defaulted loans and debt securities at end of the previous reporting period	151 924	149 146
2	Loans and debt securities that have defaulted since the last reporting period	13 484	33 547
3	Returned to non-defaulted status	(17 628)	(29 945)
4	Amounts written off	(843)	(825)
5	Other changes	(17 598)	33 547
6	Defaulted loans and debt securities at end of the reporting period	129 338	151 924

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

Albaraka Bank Limited & Albaraka Consolidation

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 0.73% (0.64% - 2022) 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 23	31 Dec 22
Gauteng	2 778 159	2 617 285
Kwa-Zulu Natal	5 489 536	5 116 945
Western Cape	1 650 116	1 468 389
Grand Total	9 917 812	9 202 619

b) Industry;

Industry	31 Dec 23	31 Dec 22
Agriculture, hunting, forestry and fishing	1 812	1 291
Mining and quarrying	19 481	10 152
Manufacturing	686 187	618 883
Electricity, gas and water supply	-	-
Construction	44 323	74 928
Wholesale and retail trade, repair of specified items, hotels and restaurants	2 119 294	1 720 677
Transport, storage and communication	451 240	399 651
Financial intermediation and insurance	1 125 363	38 773
Real estate	3 528 256	3 501 675
Business services	39 685	18 478
Community, social and personal services	-	-
Private households	1 420 115	1 502 725
Other	482 056	1 315 387
Grand Total	9 917 812	9 202 619

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	42 500	9 205 290	5 881 202	-	-	-	-
2	Debt Securities ²	-	670 022	670 022	-	-	-	-
4	Total	42 500	9 875 312	6 551 224	-	-	-	-
3	Of which defaulted	-	129 338	102 514	-	-	-	-

(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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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	42 692	8 634 847	6 014 277	-	-	-	-
2	Debt Securities ²	-	525 079	525 079	-	-	-	-
4	Total	42 692	9 159 926	6 539 356	-	-	-	-
3	Of which defaulted	-	151 924	123 647	-	-	-	-

(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 standardized 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 - Standardized approach - credit risk exposure and credit risk mitigation (CRM) effects

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Albaraka Bank Limited

Line	Asset classes	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		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)	424 506	-	424 506	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	670 022	-	670 022	-	305 619	46%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	1 689 185	1 085 952	1 689 185	1 085 952	1 641 622	59%
7	Regulatory Retail Portfolio	321 258	37 466	321 258	37 466	283 255	79%
8	Secured by Residential Property	2 361 196	26 380	2 361 196	26 380	850 696	36%
9	Secured by Commercial Real Estate	3 090 808	81 700	3 090 808	81 700	3 166 102	100%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	129 338	-	129 338	-	138 412	107%
12	Higher Risk Categories	-	-	-	-	-	0%
13	Other Assets	134 518	-	134 518	-	134 518	100%
14	Total	8 820 832	1 231 498	8 820 832	1 231 498	6 520 224	65%

31st December 2023

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)	424 506	-	424 506	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	670 022	-	670 022	-	305 619	46%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	1 689 185	1 085 952	1 689 185	1 085 952	1 641 622	59%
7	Regulatory Retail Portfolio	321 258	37 466	321 258	37 466	283 255	79%
8	Secured by Residential Property	2 361 196	26 380	2 361 196	26 380	850 696	36%
9	Secured by Commercial Real Estate	3 090 808	81 700	3 090 808	81 700	3 166 102	100%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	129 338	-	129 338	-	138 412	107%
12	Higher Risk Categories	-	-	-	-	-	0%
13	Other Assets	75 455	-	75 455	-	75 455	100%
14	Total	8 761 769	1 231 498	8 761 769	1 231 498	6 461 161	65%

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Albaraka Bank Limited

Line	Asset classes	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		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)	342 639	-	342 639	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	525 079	-	525 079	-	440 958	84%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	1 400 050	1 006 132	1 400 050	1 006 132	1 358 297	56%
7	Regulatory Retail Portfolio	318 778	33 148	318 778	33 148	331 824	94%
8	Secured by Residential Property	2 297 800	67 089	2 297 800	67 089	862 115	36%
9	Secured by Commercial Real Estate	2 991 260	68 722	2 991 260	68 722	3 057 381	100%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	151 924	-	151 924	-	151 924	100%
12	Higher Risk Categories	-	-	-	-	-	0%
13	Other Assets	147 368	-	147 368	-	147 368	100%
14	Total	8 174 896	1 175 091	8 174 896	1 175 091	6 349 868	68%

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Albaraka Consolidation

Line	Asset classes	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		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)	342 639	-	342 639	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	525 079	-	525 079	-	440 958	84%
5	Securities Firms	-	-	-	-	-	0%
6	Corporates (excluding corporate real estate as per line 9)	1 400 050	1 006 132	1 400 050	1 006 132	1 358 297	56%
7	Regulatory Retail Portfolio	318 778	33 148	318 778	33 148	331 824	94%
8	Secured by Residential Property	2 297 800	67 089	2 297 800	67 089	862 115	36%
9	Secured by Commercial Real Estate	2 991 260	68 722	2 991 260	68 722	3 057 381	100%
10	Equity	-	-	-	-	-	0%
11	Past Dues Loans	151 924	-	151 924	-	151 924	100%
12	Higher Risk Categories	-	-	-	-	-	0%
13	Other Assets	74 727	-	74 727	-	74 727	100%
14	Total	8 102 255	1 175 091	8 102 255	1 175 091	6 277 227	68%

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

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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)	424 506	-	-	-	-	-	-	-	-	424 506
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	455 504	-	-	-	214 518	-	-	670 022
5	Securities Firms	-	-	-	-	-	-	-	-	-	-
6	Corporates (excluding corporate real estate as per line 9)	1 082 413	-	1 668	-	1 871	-	1 689 185	-	-	2 775 137
7	Regulatory Retail Portfolio	37 455	-	-	-	11	150 696	170 562	-	-	358 724
8	Secured by Residential Property	1 170	-	-	2 347 638	-	38 768	-	-	-	2 387 576
9	Secured by Commercial Real Estate	-	-	-	-	-	-	3 172 508	-	-	3 172 508
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past Dues Loans	-	-	-	-	14 350	-	53 454	61 534	-	129 338
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	-	-	-	-	-	-	134 518	-	-	134 518
14	Total	1 545 544	-	457 172	2 347 638	16 232	189 464	5 434 745	61 534	-	10 052 330

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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)	424 506	-	-	-	-	-	-	-	-	424 506
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	455 504	-	-	-	214 518	-	-	670 022
5	Securities Firms	-	-	-	-	-	-	-	-	-	-
6	Corporates (excluding corporate real estate as per line 9)	1 082 413	-	1 668	-	1 871	-	1 689 185	-	-	2 775 137
7	Regulatory Retail Portfolio	37 455	-	-	-	11	150 696	170 562	-	-	358 724
8	Secured by Residential Property	1 170	-	-	2 347 638	-	38 768	-	-	-	2 387 576
9	Secured by Commercial Real Estate	-	-	-	-	-	-	3 172 508	-	-	3 172 508
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past Dues Loans	-	-	-	-	14 350	-	53 454	61 534	-	129 338
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	-	-	-	-	-	-	75 455	-	-	75 455
14	Total	1 545 544	-	457 172	2 347 638	16 232	189 464	5 375 682	61 534	-	9 993 267

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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)	342 639	-	-	-	-	-	-	-	-	342 639
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	105 151	-	-	-	419 928	-	-	525 079
5	Securities Firms	-	-	-	-	-	-	-	-	-	-
6	Corporates (excluding corporate real estate as per line 9)	1 003 411	-	1 668	-	1 053	-	1 400 050	-	-	2 406 182
7	Regulatory Retail Portfolio	33 137	-	-	-	11	155 261	163 517	-	-	351 926
8	Secured by Residential Property	3 772	-	-	2 289 123	-	44 038	27 954	-	-	2 364 888
9	Secured by Commercial Real Estate	2 385	-	-	-	-	-	3 057 597	-	-	3 059 982
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past Dues Loans	-	-	-	-	7 327	125	-	144 472	-	151 924
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	-	-	-	-	-	-	147 368	-	-	147 368
14	Total	1 385 345	-	106 818	2 289 123	8 391	199 424	5 216 413	144 472	-	9 349 987

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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)	342 639	-	-	-	-	-	-	-	-	342 639
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	105 151	-	-	-	419 928	-	-	525 079
5	Securities Firms	-	-	-	-	-	-	-	-	-	-
6	Corporates (excluding corporate real estate as per line 9)	1 003 411	-	1 668	-	1 053	-	1 400 050	-	-	2 406 182
7	Regulatory Retail Portfolio	33 137	-	-	-	11	155 261	163 517	-	-	351 926
8	Secured by Residential Property	3 772	-	-	2 289 123	-	44 038	27 954	-	-	2 364 888
9	Secured by Commercial Real Estate	2 385	-	-	-	-	-	3 057 597	-	-	3 059 982
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past Dues Loans	-	-	-	-	7 327	125	-	144 472	-	151 924
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	-	-	-	-	-	-	74 727	-	-	74 727
14	Total	1 385 345	-	106 818	2 289 123	8 391	199 424	5 143 772	144 472	-	9 277 346

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 23 RWA
	General interest rate risk	-
2	Equity risk	-
3	Commodity risk	
4	Foreign exchange risk	12 995
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	12 995

10. REMUNERATION

PILLAR 3 REMUNERATION DISCLOSURES - 2023

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 Group, were used to provide a remuneration increase trends report for the purposes of motivating remuneration increases for 2023. REMCO and the Board of Directors approved the Remuneration increases for 2023.

Remuneration and benefits are one of the key components 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 Employee Remuneration Policy was effective from 1 February 2024.
- The Bank also has an approved Executive Remuneration Policy.

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.

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 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 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.

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 has an inhouse pay for performance model. 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.

REMUNERATION PACKAGES

1. Cost to Company Packages:

- Remuneration levels will be based on the cost to company "CTC" for all management employees and certain 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.

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 parent's medical aid. 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 incentive schemes may be established in order to accommodate the different requirements of divisions or categories of employees.

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.

In 2023, the Bank has introduced sales and transactional banking incentives as well as an incentives for Executives and management. The Management incentives are aligned to strategic objectives as well as individual and department performance objectives.

10.2 REM1 - Remuneration awarded during the financial year

		a	b
Remuneration amount		Senior management	Other material risk-takers
1	Fixed Remuneration	Number of employees	19
2		Total fixed remuneration (rows 3 + 5+ 7)	R29,059,856
3		Of which: cash-based	R29,059,856
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)	R29,059,856	

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 and executive incentive bonuses for 2023, which falls under the category of variable remuneration, was not paid out in the 2023 year. The management incentive bonuses will be paid out in 2024 for the 2023 year, as the Bank has met the incentive targets and criteria as agreed by REMCO and the Board.