

Albaraka Bank Limited
Pillar III Disclosure Report
March 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.

2. SCOPE OF REPORTING

The quarterly results of Albaraka Bank Limited for the period ended 31 March 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 Banking Group B.S.C., a company incorporated in the Kingdom of Bahrain. The address of its registered office is PO Box 1882, Manama, Kingdom of Bahrain.

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

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

3.1. KM1 - Key metrics

CONSOL						
Line No		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
Available Capital (Amounts) R'000						
1	Common equity Tier 1 (CET1)	831 219	820 301	804 823	793 700	784 785
1a	Fully loaded expected credit loss (ECL) accounting model	831 219	820 301	804 823	793 700	784 785
2	Tier 1	955 219	944 301	928 823	793 700	784 785
2a	Fully loaded accounting model Tier 1	955 219	944 301	928 823	793 700	784 785
3	Total capital	1 266 177	1 257 689	1 253 598	1 119 249	1 107 841
3a	Fully loaded expected credit loss (ECL) accounting model total capital	1 266 177	1 257 689	1 253 598	1 119 249	1 107 841
Risk Weighted Assets (Amounts) R'000						
4	Total risk-weighted assets (RWA)	7 122 357	7 003 553	6 801 509	6 712 433	6 608 837
Risk-Based Capital Ratios as a percentage of RWA						
5	Common equity tier 1 ratio (%)	11.67%	11.72%	11.83%	11.82%	11.87%
5a	Fully loaded ECL accounting model CET1 (%)	11.67%	11.72%	11.83%	11.82%	11.87%
6	Tier 1 ratio (%)	13.41%	13.48%	13.66%	11.82%	11.87%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.41%	13.48%	13.66%	11.82%	11.87%
7	Total capital ratio (%)	17.78%	17.96%	18.43%	16.67%	16.76%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.78%	17.96%	18.43%	16.67%	16.76%
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 (%)	2.92%	2.96%	3.08%	3.07%	3.12%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	8 831 193	8 751 307	8 901 835	8 927 586	8 914 045
14	Basel III leverage ratio (%) (row 2/row 13)	10.82%	10.79%	10.43%	8.89%	8.80%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	10.82%	10.79%	10.43%	8.89%	8.80%
Liquidity Coverage Ratio						
15	Total HQLA	624 864	571 899	555 659	510 429	483 145
16	Total net cash outflow	277 370	90 163	80 986	73 205	75 701
17	LCR ratio (%)	225%	634%	686%	697%	638%
Net Stable Funding Ratio						

18	Total available stable funding	6 932 218	6 884 368	6 930 180	6 924 333	6 812 622
19	Total required stable funding	5 813 975	5 886 830	6 217 749	6 258 898	5 875 528
20	NSFR ratio (%)	119%	117%	111%	111%	116%

BANK						
Line No		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
Available Capital (Amounts) R'000						
1	Common equity Tier 1 (CET1)	818 008	807 769	793 571	844 147	771 886
1a	Fully loaded expected credit loss (ECL) accounting model	818 008	807 769	793 571	844 147	771 886
2	Tier 1	942 008	931 769	917 571	844 147	771 886
2a	Fully loaded accounting model Tier 1	942 008	931 769	917 571	844 147	771 886
3	Total capital	1 252 966	1 245 157	1 242 346	1 108 777	1 094 942
3a	Fully loaded expected credit loss (ECL) accounting model total capital	1 252 966	1 245 157	1 242 346	1 108 777	1 094 942
Risk Weighted Assets (Amounts) R'000						
4	Total risk-weighted assets (RWA)	7 176 786	7 063 255	6 867 602	6 783 420	6 654 944
Risk-Based Capital Ratios as a percentage of RWA						
5	Common equity tier 1 ratio (%)	11.40%	11.44%	11.56%	11.55%	11.60%
5a	Fully loaded ECL accounting model CET1 (%)	11.40%	11.44%	11.56%	11.55%	11.60%
6	Tier 1 ratio (%)	13.13%	13.19%	13.36%	11.55%	11.60%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.13%	13.19%	13.36%	11.55%	11.60%
7	Total capital ratio (%)	17.46%	17.63%	18.09%	16.35%	16.45%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.46%	17.63%	18.09%	16.35%	16.45%
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 (%)	2.65%	2.69%	2.81%	2.80%	2.85%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	8 831 193	8 765 467	8 921 589	8 951 240	8 926 422
14	Basel III leverage ratio (%) (row 2/row 13)	10.82%	10.63%	10.28%	8.75%	8.65%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	10.82%	10.63%	10.28%	8.75%	8.65%

Liquidity Coverage Ratio						
15	Total HQLA	624 864	571 899	555 659	510 429	483 145
16	Total net cash outflow	277 370	90 163	80 986	73 205	75 701
17	LCR ratio (%)	225%	634%	686%	697%	638%
Net Stable Funding Ratio						
18	Total available stable funding	6 932 218	6 884 368	6 930 180	6 924 333	6 812 622
19	Total required stable funding	5 813 975	5 886 830	6 217 749	6 258 898	5 875 528
20	NSFR ratio (%)	119%	117%	111%	111%	116%

Period under review: Albaraka Bank

As at 31 March 2023, the total capital ratio has decreased slightly from 17.63% in December 2022 to 17.46%.

The LCR decreased from 634% in December 2022 to 225% in March 2023, as a result of the new regulations to apply a haircut to retail deposits greater than 30 days.

3.2. OV1 - Overview of Risk weighted assets

	CONSOL	RWA	Min capital requirements*	RWA	Min capital requirements*
		Mar 23 R'000		Dec 22 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	6 454 478	742 265	6 351 153	730 383
2	Of which: standardised approach (SA)	6 454 478	742 265	6 351 153	730 383
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)	7 435	855	-	-
7	Of which: standardised approach for counterparty credit risk	7 435	855	-	-
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	17 437	2 005	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	23 759	2 732	15 995	1 839
21	Of which: standardized approach (SA)	23 759	2 732	15 995	1 839
22	Of which: internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	619 248	71 214	618 968	71 181
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)	7 122 357	819 071	7 003 553	805 408

	BANK ONLY	RWA	Min capital requirements*	RWA	Min capital requirements*
		Mar 23 R'000		Dec 22 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	6 452 954	742 090	6 354 902	730 814
2	Of which: standardised approach (SA)	6 452 954	742 090	6 354 902	730 814
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)	7 435	855	-	-
7	Of which: standardised approach for counterparty credit risk	7 435	855	-	-
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	17 437	2 005	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	23 759	2 732	15 995	1 839
21	Of which: standardized approach (SA)	23 759	2 732	15 995	1 839
22	Of which: internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	619 248	71 213	618 968	71 181

25	Amounts below thresholds for deduction (subject to 250% risk weight)	55 953	6 435	55 953	6 435
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)	7 176 786	825 330	7 063 255	812 274

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

Period under review - Albaraka Bank

Risk weighted assets increased from R7.0 billion to R7.12 billion predominantly due to an increase in credit risk RWAs. Credit risk RWAs increased by R111 million which is largely due to the growth in the advances book. Equity risk has remained constant, whilst market risk has increased by R7.76 million which is attributable to the increase in the bank's foreign cash holdings. Counterparty credit risk relates to the bank's FEC holdings for foreign notes. Operational risk is updated bi-annually and is based on a three-year rolling gross income before impairments average balance.

4. 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.

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

Line No	Item	31 Mar 2023
1	Total consolidated assets as per published financial statements	8 571 799

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	(7 435)
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)	332 098
7	Other adjustments	(55 329)
8	Leverage ratio exposure	8 841 133

4.2. LR2 - Leverage ratio common disclosure template

Line no	Item	31 Mar 2023	31 Dec 2022
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	8 556 929	8 509 527
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(55 329)	(58 302)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	8 501 600	8 451 225
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	7 435	-

10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	Total derivative exposures (sum of lines 4 to 10)	7 435	-
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)	-	-
17	Off-balance sheet exposure at gross notional amount	1 146 878	1 175 091
18	(Adjustments for conversion to credit equivalent amounts)	(814 780)	(860 849)
19	Off-balance sheet items (sum of lines 17 and 18)	332 098	314 242
20	Tier 1 capital	818 008	807 769
21	Total exposures (sum of lines 3, 11, 16 and 19)	8 841 133	8 765 467
22	Basel III leverage ratio	10.65%	10.63%

Total assets increased from R8.51 billion to R8.56 billion. This is largely due to an increase in the advances to customers and banks of R108 million whilst cash resources decreased by R15 million comprising a decrease in cash balances of R6 million and balances with the SARB of R27 million, whilst there was an increase in regulatory balances with SARB of R18 million. Off balance sheet exposure decreased from R1.18 billion to R1.15 billion with a decrease in guarantees issued.

5. LIQUIDITY

5.1. 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 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 March 2023			
Line No		Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets			
1	Total HQLA		624 563
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	5 365 394	263 034
3	Stable deposits	-	-
4	Less stable deposits	5 365 394	263 034
5	Unsecured wholesale funding, of which:	821 256	3 175
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	821 256	3 175
7	Non-operational deposits (all counterparties)	-	-
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	984 162	166 748
11	Outflows related to derivative exposures and other collateral requirements	4 133	4 133
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	843 292	25 878
14	Other contractual funding obligations	136 737	136 737
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS		432 957
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	498 347	250 376
19	Other cash inflows	113 043	4 185
20	TOTAL CASH INFLOWS	611 390	254 561
			Total adjusted value
21	Total HQLA		624 563
22	Total net cash outflows		178 396
23	Liquidity Coverage Ratio (%)		350%

5.2. 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 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 March 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:	-	-	-	1 321 190	1 321 190
2	Regulatory capital	-	-	-	1 321 190	1 321 190
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	-	3 523 493	1 311 686	60 009	4 411 670
5	Stable deposits					
6	Less stable deposits	-	1 498 395	568 314	163 999	1 197 353
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	151 790	4 010	-	2 005
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity	-	151 790	4 010	-	2 005

	not included in the above categories					
14	Total ASF	-	5 173 678	1 884 010	1 545 198	6 932 218
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets (HQLA)	-	615 596	-	-	26 613
16	Deposits held at other financial institutions for operational purposes	-	520 516	43 077	-	99 616
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:	-	574 229	155 571	-	364 900
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	-	1 408	7 960	2 263 995	1 476 280
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	-	3 096	7 196	4 410 241	3 790 255
32	Off-balance sheet items	-	1 126 230	-	-	56 311
33	Total RSF	-	2 841 075	213 804	6 674 236	5 813 975
34	Net Stable Funding Ratio (%)					119%