

Albaraka Bank Limited
Pillar III Disclosure Report
September 2022



Contents

Contents	1
1. BASIS OF COMPILATION	1
2. SCOPE OF REPORTING	1
3. OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL METRICS AND RISK WEIGHTED ASSETS	1
3.1. KM1 - Key metrics	1
3.2. OV1 - Overview of Risk weighted assets	4
4. LEVERAGE RATIO	7
4.1. LR1 - Summarised comparison of accounting assets vs leverage ratio exposure measure	7
4.2. LR2 - Leverage ratio common disclosure template	8
5. LIQUIDITY	9
5.1. LIQ1 - Liquidity Coverage Ratio (LCR)	9
5.2. LIQ2 - Net stable funding ratio (NSFR)	11

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 30 September 2022 is reported on. Albaraka Bank Limited is a registered bank domiciled in South Africa and has as its principal objective the operation of its business according to Islamic banking precepts. The bank's parent and ultimate holding company is Al Baraka Banking Group B.S.C., a company incorporated in the Kingdom of Bahrain. The address of its registered office is PO Box 1882, Manama, Kingdom of Bahrain.

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

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

3.1. KM1 - Key metrics

CONSOL						
Line No		30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
Available Capital (Amounts) R'000						
1	Common equity Tier 1 (CET1)	804 823	793 700	784 785	777 089	735 073
1a	Fully loaded expected credit loss (ECL) accounting model	804 823	793 700	784 785	777 089	735 073
2	Tier 1	928 823	793 700	784 785	777 089	735 073
2a	Fully loaded accounting model Tier 1	928 823	793 700	784 785	777 089	735 073
3	Total capital	1 253 598	1 119 249	1 107 841	1 095 482	1 048 729
3a	Fully loaded expected credit loss (ECL) accounting model total capital	1 253 598	1 119 249	1 107 841	1 095 482	1 048 729
Risk Weighted Assets (Amounts) R'000						
4	Total risk-weighted assets (RWA)	6 801 509	6 712 433	6 608 837	6 424 850	6 225 321
Risk-Based Capital Ratios as a percentage of RWA						
5	Common equity tier 1 ratio (%)	11.83%	11.82%	11.87%	12.10%	11.81%
5a	Fully loaded ECL accounting model CET1 (%)	11.83%	11.82%	11.87%	12.10%	11.81%
6	Tier 1 ratio (%)	13.66%	11.82%	11.87%	12.10%	11.81%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.66%	11.82%	11.87%	12.10%	11.81%
7	Total capital ratio (%)	18.43%	16.67%	16.76%	17.05%	16.85%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.43%	16.67%	16.76%	17.05%	16.85%
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 (%)	3.08%	3.07%	3.12%	3.85%	3.56%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	8 901 835	8 927 586	8 914 045	8 995 674	8 898 719
14	Basel III leverage ratio (%) (row 2/row 13)	10.43%	8.89%	8.80%	8.64%	8.26%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	10.43%	8.89%	8.80%	8.64%	8.26%
Liquidity Coverage Ratio						
15	Total HQLA	555 659	510 429	483 145	465 022	432 841
16	Total net cash outflow	80 986	73 205	75 701	71 009	70 464
17	LCR ratio (%)	686%	697%	638%	655%	614%
Net Stable Funding Ratio						

18	Total available stable funding	6 930 180	6 924 333	6 812 622	6 914 799	7 446 447
19	Total required stable funding	6 217 749	6 258 898	5 875 528	5 275 149	5 039 864
20	NSFR ratio (%)	111%	111%	116%	131%	148%

BANK						
Line No		30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
Available Capital (Amounts) R'000						
1	Common equity Tier 1 (CET1)	793 571	844 147	771 886	765 179	754 276
1a	Fully loaded expected credit loss (ECL) accounting model	793 571	844 147	771 886	765 179	754 276
2	Tier 1	917 571	844 147	771 886	765 179	754 276
2a	Fully loaded accounting model Tier 1	917 571	844 147	771 886	765 179	754 276
3	Total capital	1 242 346	1 108 777	1 094 942	1 083 572	1 067 932
3a	Fully loaded expected credit loss (ECL) accounting model total capital	1 242 346	1 108 777	1 094 942	1 083 572	1 067 932
Risk Weighted Assets (Amounts) R'000						
4	Total risk-weighted assets (RWA)	6 867 602	6 783 420	6 654 944	6 476 285	6 274 285
Risk-Based Capital Ratios as a percentage of RWA						
5	Common equity tier 1 ratio (%)	11.56%	11.55%	11.60%	11.82%	12.02%
5a	Fully loaded ECL accounting model CET1 (%)	11.56%	11.55%	11.60%	11.82%	12.02%
6	Tier 1 ratio (%)	13.36%	11.55%	11.60%	11.82%	12.02%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.36%	11.55%	11.60%	11.82%	12.02%
7	Total capital ratio (%)	18.09%	16.35%	16.45%	16.73%	17.02%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.09%	16.35%	16.45%	16.73%	17.02%
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 (%)	2.81%	2.80%	2.85%	3.57%	3.77%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	8 921 589	8 951 240	8 926 422	9 014 381	8 912 603
14	Basel III leverage ratio (%) (row 2/row 13)	10.28%	8.75%	8.65%	8.49%	8.46%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	10.28%	8.75%	8.65%	8.49%	8.46%

Liquidity Coverage Ratio						
15	Total HQLA	555 659	510 429	483 145	465 022	432 841
16	Total net cash outflow	80 986	73 205	75 701	71 009	70 464
17	LCR ratio (%)	686%	697%	638%	655%	614%
Net Stable Funding Ratio						
18	Total available stable funding	6 930 180	6 924 333	6 812 622	6 914 799	7 446 447
19	Total required stable funding	6 217 749	6 258 898	5 875 528	5 275 149	5 039 864
20	NSFR ratio (%)	111%	111%	116%	131%	148%

Period under review: Albaraka Bank

As at 30 September 2022, the total capital ratio increased from 16.35% in June 2022 to 18.09%, largely affected by:

- Increase in Tier 1 capital from the issuance of the Tier 1 sukuk of R124m in August 2022

The LCR increase from 614% in September 2021 to 686% in September 2022, due to increases in the bank's treasury bill and cash holdings.

3.2. OV1 - Overview of Risk weighted assets

	CONSOL	RWA	Min capital requirements*	RWA	Min capital requirements*
		Sep 22 R'000		Jun 22 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	6 135 059	705 532	6 046 444	695 341
2	Of which: standardised approach (SA)	6 135 059	705 532	6 046 444	695 341
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-	-
4	Of which: supervisory slotting approach	-	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-	-
6	Counterparty credit risk (CCR)	-	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-	-
8	Of which: Internal Model Method (IMM)	-	-	-	-
9	Of which: other CCR	-	-	-	-

10	Credit valuation adjustment (CVA)	-	-	-	-
11	Equity positions under the simple risk weight approach	17 123	1 969	17 123	1 969
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	16 293	1 874	15 832	1 821
21	Of which: standardized approach (SA)	16 293	1 874	15 832	1 821
22	Of which: internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	633 034	72 799	633 034	72 799
25	Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-	-
26	Aggregate capital floor applied	-	-	-	-
27	Floor adjustment (before application of transitional cap)	-	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-	-
29	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)	6 801 509	782 174	6 712 433	771 930

	BANK ONLY	RWA	Min capital requirements*	RWA	Min capital requirements*
		Sep 22 R'000		Jun 22 R'000	
1	Credit risk (excluding counterparty credit risk) (CCR)	6 141 504	706 273	6 057 783	696 645
2	Of which: standardised approach (SA)	6 141 504	706 273	6 057 783	696 645
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-	-
4	Of which: supervisory slotting approach	-	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-	-
6	Counterparty credit risk (CCR)	-	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-	-
8	Of which: Internal Model Method (IMM)	-	-	-	-
9	Of which: other CCR	-	-	-	-
10	Credit valuation adjustment (CVA)	-	-	-	-
11	Equity positions under the simple risk weight approach	17 123	1 969	17 123	1 969
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	16 923	1 874	15 832	1 821
21	Of which: standardized approach (SA)	16 923	1 874	15 832	1 821
22	Of which: internal model approaches (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	633 034	72 799	633 034	72 799

25	Amounts below thresholds for deduction (subject to 250% risk weight)	59 648	6 859	59 648	6 859
26	Aggregate capital floor applied	-	-	-	-
27	Floor adjustment (before application of transitional cap)	-	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-	-
29	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)	6 867 602	789 774	6 783 420	780 093

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

Period under review - Albaraka Bank

Risk weighted assets increased from R6.78billion to R6.87billion predominantly in credit risk RWAs. Credit risk RWAs increased by R84million which is largely due to the growth in the advances book. Equity risk has remained constant, whilst market risk has increased marginally by R1.1million which is attributable to the increase in the bank's foreign cash holdings. Operational risk is updated bi-annually and is based on a three-year rolling gross income before impairments average balance.

4. 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	30 Sep 2022
1	Total consolidated assets as per published financial statements	8 620 325
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)	360 232
7	Other adjustments	(58 968)
8	Leverage ratio exposure	8 921 589

4.2. LR2 - Leverage ratio common disclosure template

Line no	Item	30 Sep 2022	30 Jun 2022
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	8 620 325	8 593 721
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(58 968)	(60 919)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	8 561 357	8 532 802
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with all derivatives transactions	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	Total derivative exposures (sum of lines 4 to 10)	-	-
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	1 235 042	1 356 121
18	(Adjustments for conversion to credit equivalent amounts)	(874 810)	(937 683)
19	Off-balance sheet items (sum of lines 17 and 18)	360 232	418 438
20	Tier 1 capital	917 571	783 228
21	Total exposures (sum of lines 3, 11, 16 and 19)	8 921 589	8 951 240
22	Basel III leverage ratio	10.28%	8.75%

Total assets increased from R8.59billion to R8.62billion. This is largely due to the decrease in the advances to customers and banks of R90million. Cash resources increased by R110.2 million comprising an increase in cash holdings and balances with the SARB of R64.8 million, and an increase in regulatory balances with SARB of R50.1 million or 10.8%. Off balance sheet exposure decreased from R1.36billion to R1.24 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 30 September 2022			
Line No		Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets			
1	Total HQLA		544 686
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	3 588 411	69 461
3	Stable deposits	-	-
4	Less stable deposits	3 588 411	69 461
5	Unsecured wholesale funding, of which:	2 645 714	69 242
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	2 645 714	69 242
7	Non-operational deposits (all counterparties)	-	-
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	1 033 955	171 479
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	886 513	24 037
14	Other contractual funding obligations	147 442	147 442
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS		310 183
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	730 129	506 026
19	Other cash inflows	198 376	
20	TOTAL CASH INFLOWS	928 505	506 026
			Total adjusted value
21	Total HQLA		544 686
22	Total net cash outflows		77 546
23	Liquidity Coverage Ratio (%)		702%

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 30 September 2022						
Line No		Unweighted value by residual maturity				Weighted value
		No Maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available Stable Funding (ASF) Item					
1	Capital:	-	-	-	1 300 804	1 300 804
2	Regulatory capital	-	-	-	1 300 804	1 300 804
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	-	3 429 767	1 337 107	105 835	4 396 021
5	Stable deposits					
6	Less stable deposits	-	1 425 357	621 032	206 131	1 229 325
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	186 223	8 059	-	4 030
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	186 223	8 059	-	4 030
14	Total ASF	-	5 041 357	1 966 198	1 612 770	6 930 180
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets (HQLA)	-	652 524	-	-	25 679

16	Deposits held at other financial institutions for operational purposes	-	473 130	414 678	-	278 309
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:	-	649 318	115 676	-	382 497
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	-	1 173	1 766	752 411	490 537
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	-	3 557	6 672	5 549 422	4 978 976
32	Off-balance sheet items	-	1 235 042	-	-	61 752
33	Total RSF	-	3 014 744	538 792	6 301 833	6 217 749
34	Net Stable Funding Ratio (%)					111%