

## Interim Report

To the shareholders of Albaraka Bank Limited

Unaudited results for the period ended 30 June 2023

### Statement of comprehensive income

	Six months ended-30 June		%	Year ended-31 Dec
	2023	2022		2022
	R'000	R'000	change	R'000
Income earned from advances	325 785	212 285	53	475 967
Income earned from equity finance	8 968	18 518	(52)	30 701
Income earned from mudaraba deposits	3 185	14 369	(78)	24 076
<b>Gross income earned</b>	<b>337 938</b>	<b>245 172</b>	<b>38</b>	<b>530 744</b>
Credit loss expense	(5 463)	(9 299)	(41)	(2 298)
<b>Gross income after credit loss expense</b>	<b>332 475</b>	<b>235 873</b>	<b>41</b>	<b>528 446</b>
Income paid to depositors	(129 832)	(102 205)	27	(222 749)
Income paid to Tier 2 sukuk holders	(13 411)	(10 000)	34	(21 312)
<b>Net income earned</b>	<b>189 232</b>	<b>123 668</b>	<b>53</b>	<b>284 385</b>
Fee and commission income	27 501	26 044	6	54 916
Other operating income	1 119	1 542	(27)	2 588
<b>Net income from operations</b>	<b>217 852</b>	<b>151 254</b>	<b>44</b>	<b>341 889</b>
Operating expenditure	(137 184)	(123 107)	11	(263 353)
Finance costs	(128)	(269)	(52)	(458)
<b>Profit before taxation</b>	<b>80 540</b>	<b>27 878</b>	<b>189</b>	<b>78 078</b>
Taxation	(19 338)	(6 415)	201	(20 372)
<b>Profit after tax for the year attributable to equity holders</b>	<b>61 202</b>	<b>21 463</b>	<b>185</b>	<b>57 706</b>
<b>Other comprehensive income</b>				
Items subsequently classified to profit and loss				
Fair value gains net of tax	-	-	-	276
<b>Total comprehensive income for the year</b>	<b>61 202</b>	<b>21 463</b>	<b>185</b>	<b>57 982</b>
<b>Attributable to ordinary shareholders</b>	<b>51 938</b>	<b>21 463</b>	<b>142</b>	<b>51 327</b>
<b>Attributable to Additional Tier 1 Sukuk instrument holders</b>	<b>9 264</b>	<b>-</b>	<b>100</b>	<b>6 655</b>
Weighted average number of shares in issue ('000)	32 240	32 240		32 240
Basic and diluted earnings per share (cents)	161,1	66,6	142	158,35

### Statement of financial position

	Six months ended-30 June		%	Year ended-31 Dec
	2023	2022 (Restated*)		2022
	R'000	R'000	change	R'000
<b>Assets</b>				
Property and equipment	86 596	91 392	(5)	89 285
Right of use asset	2 729	5 796	(53)	3 563
Investment property	10 339	10 339	-	10 339
Intangible assets	67 290	75 605	(11)	73 390
Investment securities	17 437	17 123	2	17 437
Advances and other receivables	7 455 378	6 614 690	13	7 179 231
Equity finance and Mudaraba deposits	418 126	1 223 238	(66)	480 237
Regulatory balances	544 483	463 492	17	517 716
Cash and cash equivalents	21 540	80 187	(73)	124 382
<b>Total assets</b>	<b>8 623 918</b>	<b>8 581 862</b>	<b>1</b>	<b>8 495 580</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	322 403	322 403	-	322 403
Share premium	82 196	82 196	-	82 196
Other reserves	2 313	2 031	14	2 313
Retained Income	535 758	463 904	15	483 820
Shareholders' interests	942 670	870 534	8	890 732
Additional Tier 1 Sukuk instrument holders	124 000	-		124 000
<b>Total equity</b>	<b>1 066 670</b>	<b>870 534</b>	<b>23</b>	<b>1 014 732</b>
<b>Liabilities</b>				
Welfare and charitable funds	54 070	38 116	42	43 382
Deferred Tax Liability	3 622	637	468	1 731
Accounts payable	78 269	47 597	64	51 173
Lease liabilities	2 972	6 394	(54)	4 052
South African Revenue Service payable	4 912	7 796	(37)	2 599
Provision for leave pay	6 477	6 938	(7)	6 290
Deposits from customers	7 095 678	7 294 483	(3)	7 061 016
Sukuk Holders	311 248	309 367	1	310 605
<b>Total liabilities</b>	<b>7 557 248</b>	<b>7 711 328</b>	<b>(2)</b>	<b>7 480 848</b>
<b>Total equity and liabilities</b>	<b>8 623 918</b>	<b>8 581 862</b>	<b>1</b>	<b>8 495 580</b>

\*The amounts presented for 30 June 2022 have been restated for a correction relating to the accounting treatment of revenue recognised in terms of IFRS9, the disclosure of which is included in the 2022 annual financial statements.

## Statement of changes in shareholders' equity

	Share capital R'000	Share premium R'000	Other reserves R'000	Retained income R'000	Shareholders' interest R'000	AT1 Sukuk instrument holders R'000	Total Equity R'000
Balance at beginning of year - 1 Jan 2023	322 403	82 196	2 313	483 820	890 732	124 000	1 014 732
Total comprehensive income for the period	-	-	-	51 938	51 938	9 264	61 202
Profit paid to Additional Tier 1 Sukuk instrument holders					-	(9 264)	(9 264)
Balance at end of period - 30 June 2023	322 403	82 196	2 313	535 758	942 670	124 000	1 066 670

## Commentary on the unaudited results for the period ended 30 June 2023

### Group position

#### 12-month position

During the 12-month period as at 30 June 2023, the bank experienced excellent growth in its financing activities resulting in advances and other receivables increasing by a substantial R841 million or 13%. With the deposit book contracting marginally during this time, the growth in customer advances was funded largely from equity finance and mudaraba deposits leading to a decline of R805 million or 66% in these balances during the 12-month period ending 30 June 2023. Aligned to capital management initiatives, the bank successfully issued an Additional Tier 1 Sukuk instrument in August 2022 for a subscription value of R124 million, being oversubscribed by 24%. Welfare and Charitable funds increased by R16 million or 42%, which resulted from increases in unallocated receipts and impermissible income, largely from interest on treasury bills.

#### 6-month position

For the six months as at 30 June 2023, the advances book continued to grow, increasing by R276 million or 4%, whilst the deposit book grew by R35 million or 1% for the corresponding period.

The decrease in property, plant and equipment and intangible assets is a result of the amortisation on these assets exceeding the acquisition of new assets. The decrease in cash and cash equivalents is due to the utilisation of these resources to fund the growth in customer advances.

### Group performance

The banking industry and local economy have seen improvements over the past year, stemming from the upliftment of Covid-19 restrictions as well as monetary policy changes that saw financing rates increase significantly over the past year. With the marked increase in profit rates and the exceptional growth in the advances book, income from advances increased significantly by R114 million or 53% compared to the same period last year.

With the decrease in equity finance and mudaraba deposit balance, the respective income decreased by R21 million or 63%. Initiatives aimed at improving the quality of the debtors' book through lower-risk exposures has limited the increase in credit loss expense in the current year to R5 million, which is R4 million or 41% lower than impairments raised in the corresponding prior period. Non funding income generated by fees, commissions and other operating income grew marginally by R1 million or 4% year on year.

After accounting for profits shared with depositors, net income from operations increased significantly by R67 million or 44% year-on-year.

Operating expenditure increased by R14 million or 11% year-on-year, mainly driven by increases in staff and consultant costs and technology-related costs including software, communications and licencing. Amortization and depreciation have increased based on the digitalization projects brought online within the period. With the increase in customer engagements, marketing, entertainment and travel costs have accordingly increased. The Bank's owned properties attracted higher repairs and maintenance costs and rates and taxes have increased based on sharp increases from the municipalities where the Bank holds these properties. Post covid, international travel has also resumed between the Bank and its holding company, Al Baraka Group. In general, while the Bank deals with inflationary pressures across most expenses, Management continues to place focus on cost-reducing initiatives where achievable.

After consideration of the above, total comprehensive income totalled R61 million of which R9 million is attributed to Additional Tier1 Sukuk holders, resulting in an increase in profits attributable to ordinary shareholders of R30 million or 142% in 2023 when compared to the corresponding prior period. This resulted in basic and diluted earnings per share increasing by 142% for the period.

With the increase in market profit rates and the repricing of the growing advances book, net profit before tax has been significantly improved in the 6 months to June 2023 with an increasing monthly upward trend.

While remaining confident, Management continues to monitor the uncertainties that pose downside risk to the economic outlook, which include the conflict in Ukraine and the continued energy crisis locally.

### Additional Disclosures

Additional disclosure requirements in terms of regulation 43 of the Banks Act may be accessed via the bank's website, being: [www.albaraka.co.za](http://www.albaraka.co.za), when published in line with regulations.

For and on behalf of the Board  
16 August 2023



Mr YGH Suleman  
INTERIM CHAIRMAN



Mr Shabir Chohan  
CHIEF EXECUTIVE

Directors: YGH Suleman (Interim Chairman), SAE Chohan (Chief Executive), A Ameen (Financial Director), JMA Cane SC, MJD Courtiade (French), ZH Fakey, SM Nyasulu, FA Randeree (British), H Ben Haj Amor (Tunisian), Dr MM Khemira (Canadian).

Company Secretary: CT Breeds

Business address and registered office

Albaraka Bank Limited: Reg No. 1989/003295/06

Albaraka Bank Limited is an Authorised Financial Services and Credit Provider and subscribes to the Code of Banking Practice

Albaraka Bank Limited is an Authorised Dealer in foreign exchange

FSP No. 4652, NCR No. NCRCP14

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