

Interim Report

To the shareholders of Albaraka Bank Limited
Unaudited results for the period ended 30 June 2024

Statement of comprehensive income

	Six months ended-30 June		%	Year ended-31 Dec
	2024	2023		2023
	R'000	R'000	change	R'000
Income earned from advances	426 031	325 785	31	720 140
Income earned from interbank placements - murabaha	6 037	8 968	(33)	14 147
Income earned from interbank placements - mudarabah	22 293	3 185	600	14 340
Income from Sovereign Sukuk	25 569	-	100	4 506
Gross income earned	479 930	337 938	42	753 133
Credit loss expense	(13 203)	(5 463)	(142)	(12 441)
Gross income after credit loss expense	466 727	332 475	40	740 692
Income paid to depositors	(191 780)	(129 832)	48	(293 050)
Income paid to Tier 2 sukuk holders	(15 266)	(13 411)	14	(28 621)
Net income earned	259 681	189 232	37	419 021
Fee and commission income	23 286	27 501	(15)	52 565
Other operating income	1 393	1 119	24	2 339
Net income from operations	284 360	217 852	31	473 925
Operating expenditure	(156 609)	(137 184)	14	(301 079)
Finance costs	(299)	(128)	134	(386)
Profit before taxation	127 452	80 540	58	172 460
Taxation	(32 347)	(19 338)	67	(44 233)
Profit after tax for the year attributable to equity holders	95 105	61 202	55	128 227
Items subsequently classified to profit and loss				
Fair value gains net of tax	-	-	-	127
Total comprehensive income for the year	95 105	61 202	55	128 354
Attributable to ordinary shareholders	84 559	51 938	63	108 521
Attributable to Additional Tier 1 Sukuk instrument holders	10 546	9 264	14	19 833
Weighted average number of shares in issue ('000)	32 240	32 240	-	32 240
Basic and diluted earnings per share (cents)	262,3	161,1	63	336,6

Statement of financial position

	Six months ended-30 June		%	Year ended-31 Dec
	2024	2023		2023
	R'000	R'000	change	R'000
Assets				
Property and equipment	91 676	86 596	6	90 050
Right of use asset	4 972	2 729	82	6 003
Investment property	10 339	10 339	-	10 339
Intangible assets	57 004	67 290	(15)	61 798
Investment securities	17 567	17 437	1	17 567
Advances and other receivables	7 511 258	7 455 378	1	7 580 221
Interbank placements and Mudaraba deposits	681 123	418 126	63	575 838
Regulatory balances	842 088	544 483	55	615 432
South African Revenue Service receivable	413	-	100	-
Cash and cash equivalents	103 913	21 540	382	199 796
Total assets	9 320 352	8 623 918	8	9 157 044
Equity and liabilities				
Equity				
Share capital	322 403	322 403	-	322 403
Share premium	82 196	82 196	-	82 196
Other reserves	2 440	2 313	5	2 440
Retained Income	656 783	535 758	23	572 224
Shareholders' interests	1 063 822	942 670	13	979 263
Additional Tier 1 Sukuk instrument holders	124 000	124 000	-	124 000
Total equity	1 187 822	1 066 670	11	1 103 263
Liabilities				
Welfare and charitable funds	59 212	54 070	10	60 565
Deferred Tax Liability	8 266	3 622	128	4 941
Accounts payable	93 431	78 269	19	59 272
Lease liabilities	5 334	2 972	79	6 234
South African Revenue Service payable	-	4 912	(100)	6 650
Provision for leave pay	7 164	6 477	11	6 968
Deposits from customers	7 647 875	7 095 678	8	7 597 904
Sukuk Holders	311 248	311 248	-	311 247
Total liabilities	8 132 530	7 557 248	8	8 053 782
Total equity and liabilities	9 320 352	8 623 918	8	9 157 044

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 2024	322 403	82 196	2 440	572 224	979 263	124 000	1 013 263
Total comprehensive income for the period	-	-	-	84 559	84 559	10 546	95 105
Profit paid to Additional Tier 1 Sukuk instrument holders					-	(10 546)	(10 546)
Balance at end of period - 30 June 2024	322 403	82 196	2 440	656 783	1 063 822	124 000	1 187 822

Commentary on the unaudited results for the period ended 30 June 2024

Group position

12-month position

During the 12-month period as at 30 June 2024, the bank experienced moderate growth in its financing activities resulting in advances and other receivables increasing by R56 million or 1%. Interbank placements have increased markedly by R263 million or 63%, cash & cash equivalents have increased by R82 million or 382% and regulatory balances have increased by R298 million or 55% during the 12-month period ending 30 June 2024, primarily as a result of improved liquidity from deposit balances. The growth in regulatory balances is due to the bank participating in the sovereign sukuk programme, issued through National Treasury in November 2023, where the bank replaced its treasury bill holdings with sukuk investments for the purpose of earning shariah compliant income, while complying with regulatory requirements.

Deposits from customers increased significantly by R552 million or 8% during this time, largely due to improved profit rates. Welfare and Charitable funds increased by R5 million or 10%, as a result of impermissible income and increases in unallocated receipts. Future levels of impermissible income are expected to be significantly lower, due to the bank relinquishing its treasury bills in favour of the sovereign sukuk.

6-month position

For the six months as at 30 June 2024, the advances book decreased by R69 million or 1% due to active management of liquidity and product concentration targets. The deposit book grew by R50 million or 1% for the corresponding period.

Interbank placements increased by R105 million or 18% whilst regulatory balances increased by R227 million or 37%, on the back of the increase in deposit balances and slight reduction of advances balances. Cash and cash equivalents decreased by R96 million or 48%, largely due to the funding of interbank and sovereign sukuk placements in the last six months.

Group performance - six months ended 30 June 2024

The banking industry, buoyed by favourable monetary policy, has performed significantly well over the past year whilst the local economy continues to recover as a result of the recent national election and associated boost to investor sentiment.

Income from advances increased by R100 million or 31% compared to the same period last year. This growth is attributed to the expansion of the advances book, higher profit rates and continued repricing.

As mentioned above, in November 2023, the bank participated in the National Treasury sukuk issuance and replaced its treasury bill holdings with these instruments. This resulted in permissible income of R25 million being recognised as at June 2024, which replaces the historical impermissible income (interest) generated on treasury bills.

With the increase in interbank placements, the related income surged by R16 million or 133%. Additional credit provisions of R8 million were raised for the period, owing to the increase in customer advances year on year, interbank placements and sovereign sukuk exposure, as well as a refinement of the calculation methodology. Non-funding income from fees and commissions decreased by R4 million or 15%, year on year, primarily as a result of the contraction of the advances book for the six months, which impacted the related service fees.

After accounting for profits shared with depositors, net income from operations increased significantly by R67 million or 31% year-on-year.

Operating expenditure increased by R19 million or 14% year-on-year, primarily due to increases in staff and technology-related costs. With heightened customer engagements and events, there was an uptick in marketing and travel costs. The Bank's owned properties incurred higher repairs and maintenance costs, and rates and taxes have increased due to municipal hikes in the areas where the Bank holds these properties. While the Bank faces inflationary pressures across most expenses, management remains focused on implementing cost-reducing initiatives where possible and continues to closely manage expenses.

With the improvement in market profit rates over the corresponding period and continued repricing of the advances book, net profit before tax has increased year on year by R47 million to close at R127 million for the six months ended June 2024.

After accounting for the above factors, total comprehensive income amounted to R95 million, with R11 million being attributed to Additional Tier 1 Sukuk holders and R84 million being attributed to ordinary shareholders which represents an increase of R33 million or 63% in 2024 compared to the corresponding prior period. Consequently, basic and diluted earnings per share rose by 63% for the period.

Management is expecting that the following six months will yield similar levels of performance. However, uncertainties that pose a downside risk to the economy, which include monetary policy changes, the political landscape and general economic growth, will be monitored.

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, when published in line with regulations.

For and on behalf of the Board
30 August 2024



Mr YGH Suleman
CHAIRMAN



Mr Shabir Chohan
CHIEF EXECUTIVE

Directors: YGH Suleman (Chairman), SAE Chohan (Chief Executive), A Ameer (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, FSP No. 4652, NCR No. NCRCP14

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

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