

## Interim Report

To the shareholders of Albaraka Bank Limited

Unaudited results for the period ended 30 June 2022

### Statement of comprehensive income

	Six months ended - 30 June		% change	Year ended - 31 Dec
	2022	2021		2021
	R'000	R'000		R'000
Income earned from advances	212 285	191 508	10,8	391 992
Income earned from equity finance	18 518	32 600	(43,2)	59 693
Income earned from mudaraba deposits	14 369	15 239	(5,7)	30 576
<b>Gross income earned</b>	<b>245 172</b>	<b>239 347</b>	<b>2,4</b>	<b>482 261</b>
Income paid to depositors	(102 205)	(112 891)	9,5	(215 867)
Income paid to sukuk holders	(10 000)	(10 000)	0,0	(20 000)
<b>Net income before impairment for credit losses</b>	<b>132 967</b>	<b>116 456</b>	<b>14,2</b>	<b>246 394</b>
Impairment for credit losses	(9 299)	10 166	(191,5)	1 719
<b>Net income after impairment for credit losses</b>	<b>123 668</b>	<b>126 622</b>	<b>(2,3)</b>	<b>248 113</b>
Net non-Islamic income	-	-	-	-
Fee and commission income	26 044	19 731	32,0	45 088
Other operating income	1 542	904	70,6	2 079
<b>Net income from operations</b>	<b>151 254</b>	<b>147 256</b>	<b>2,7</b>	<b>295 280</b>
Operating expenditure	(123 107)	(115 883)	(6,2)	(240 723)
Finance costs	(269)	(428)	37,1	(836)
<b>Profit before taxation</b>	<b>27 878</b>	<b>30 946</b>	<b>(9,9)</b>	<b>53 721</b>
Taxation	(6 415)	(9 021)	28,9	(15 600)
<b>Profit after tax for the year attributable to equity holders</b>	<b>21 463</b>	<b>21 925</b>	<b>(2,1)</b>	<b>38 121</b>
<b>Other comprehensive income</b>				
<b>Items subsequently classified to profit and loss</b>				
Fair value gains net of tax	-	(305)	(100,0)	286
<b>Total comprehensive income for the period, net of tax, attributable to equity holders</b>	<b>21 463</b>	<b>21 620</b>	<b>(0,7)</b>	<b>38 407</b>
Weighted average number of shares in issue ('000)	32 240	32 240	-	32 240
Basic and diluted earnings per share (cents)	66,6	68,0	(2,1)	118,24

### Statement of financial position

	As at June		% change	As at Dec
	2022	2021		2021
	R'000	R'000		R'000
<b>Assets</b>				
Property and equipment	91 392	99 287	(8,0)	95 826
Right of use asset	5 796	8 432	(31,3)	6 887
Investment property	10 339	10 339	0,0	10 339
Intangible assets	75 605	75 337	0,4	76 983
Investment securities	17 123	27 393	(37,5)	29 828
Advances and other receivables	6 603 444	5 180 304	27,5	5 772 353
Equity finance and mudaraba deposits	1 223 238	2 710 765	(54,9)	2 067 318
South African Revenue Service receivable	-	-	(0)	1 259
Regulatory balances	463 492	384 108	20,7	414 649
Cash and cash equivalents	80 187	142 238	(43,6)	107 987
<b>Total assets</b>	<b>8 570 616</b>	<b>8 638 202</b>	<b>(0,8)</b>	<b>8 583 429</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	322 403	322 403	0,0	322 403
Share premium	82 196	82 196	0,0	82 196
Other reserves	2 031	1 446	40,4	2 037
Retained income	459 928	422 269	8,9	438 465
Shareholders' interests	866 558	828 314	4,6	845 101
<b>Liabilities</b>				
Welfare and charitable funds	37 786	25 090	50,6	25 700
Deferred tax liability	2 389	12 234	(80,5)	12 335
Accounts payable	47 597	34 379	38,4	41 745
Lease liabilities	6 394	9 825	(34,9)	7 878
South African Revenue Service payable	4 828	580	732,4	1 264
Provision for leave pay	6 938	8 275	(16,2)	6 668
Deposits from customers	7 288 759	7 410 138	(1,6)	7 333 371
Sukuk holders	309 367	309 367	0,0	309 367
<b>Total liabilities</b>	<b>7 704 058</b>	<b>7 809 888</b>	<b>(1,4)</b>	<b>7 738 328</b>
<b>Total equity and liabilities</b>	<b>8 570 616</b>	<b>8 638 202</b>	<b>(0,8)</b>	<b>8 583 429</b>

## Statement of changes in shareholders' equity

	Share capital	Share premium	Other reserves	Retained income	Shareholders' interest
	R'000	R'000	R'000	R'000	R'000
Balance at beginning of year - 1 Jan 2022	322 403	82 196	2 037	438 465	845 101
Total comprehensive income for the period	-	-	(6)	21 463	21 457
Balance at end of period - 30 June 2022	322 403	82 196	2 031	459 928	866 558

## Commentary on the unaudited results for the period ended 30 June 2022

### Group position

#### 12-month performance

During the 12-month period ending 30 June 2022, the Bank saw a recovery from the adverse effects of the COVID-19 pandemic, mainly in the form of a greater demand for financing activities, which resulted in a growth of R1,42 billion, or 27,5%, in advances and other receivables. The growth in the deposit book stabilised in 2022 and, coupled with the increased demand in our advances business, resulted in less funding being available for investment in equity finance and mudaraba deposits. Equity finance and mudaraba deposits have, therefore, seen a decline of R1,49 billion, or 54,9%, during the 12-month period ending 30 June 2022. While the Bank's deposits remain flat, the reducing equity balance, resulted in higher regulatory balances.

Aligned to capital management initiatives, the Bank disposed of an investment which resulted in investment securities reducing by R10,20 million, or 37,5%, during the 12-month period ending 30 June 2022. Deferred tax liability decreased by R9,85 million, or 80,5%, due to movements in temporary differences relating mainly to fixed assets, impairments, disposal of investments and Ijarah financing. In December 2021, the Bank closed the Rosebank branch, which has resulted in a decrease in the lease liability and corresponding decrease in the right of use asset.

#### Six-month performance

For the six months ended 30 June 2022, the advances book increased by R831,10 million, or 14,4%, whilst the deposit book remained relatively flat for the corresponding period.

The significant improvement in advances is due the recovery in economic activity, as well as the Bank's efforts to grow the advances book.

### Group performance

With an increase in profit rates and growth in the advances book, income from advances increased by R20,78 million, or 10,8%, compared to the same period last year. However, with the decrease in equity finance investments and mudaraba placements, the respective income decreased by R14,95 million, or 31,3%. There has been an increase in credit impairments in the current year of R9,30 million, due to changes in the economic climate and the growth of the advances book which, when compared to the release of impairments in the prior period of R10,17 million, resulted in a R19,47 million, or 191,5%, increase compared to the same period in 2021.

After taking this into consideration, along with sharing with depositors, net income from funding activities decreased by R2,95 million, or 2,3%, year-on-year. In addition, the Bank's non-funding income has increased by R6,95 million, or 33,7%, primarily due to an increase in transaction fees, an improvement in the unit trust markets that generated improved income compared to the previous period and the lifting of travel restrictions, which resulted in an increase in forex business. Operating expenditure increased by R7,22 million, or 6,2%, year-on-year. Management is applying significant effort in identifying solutions to further reduce costs. After consideration of the above, the net effect is a decrease of R0,16 million, or 0,7%, in total comprehensive income in 2022, compared against the same period in 2021. This has resulted in basic and diluted earnings per share decreasing by 2,1% for the same period.

Management is confident that the Bank will continue to be profitable in the 2022 financial year.

### General

It can be seen from the easing of the COVID-19 regulations and the recovery of the economy before accounting for the change in credit impairment, that there is a positive impact on the Bank's year-on-year results. Given the recovery seen during the six-month period ending June 2022 management remains optimistic that performance will improve during the next six months, to the end of the year.

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

For and on behalf of the Board  
31 July 2022



Mr YGH Suleman  
INTERIM CHAIRMAN



Mr Shabir Chohan  
CHIEF EXECUTIVE

Directors: YGH Suleman (Interim Chairman), SAE Chohan (Chief Executive), M Kaka (Chief Operating Officer), A Ameen (Financial Director), JMA Cane SC, MJD Courtiade (French), ZH Fakey, SM Nyasulu, FA Randeree (British), MK Manna (Jordanian)  
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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