

## Interim Report

To the shareholders of Albaraka Bank Limited

Unaudited results for the period ended 30 June 2021

### Statement of comprehensive income

	Six months ended - 30 June			Year ended - 31 Dec
	2021	2020	% change	2020
	R'000	R'000		R'000
Income earned from advances	191 508	249 778	(23,3)	462 794
Income earned from equity finance	32 600	45 700	(28,7)	84 747
Income earned from Mudaraba deposits	15 239	4 700	224,2	16 808
<b>Gross income earned</b>	<b>239 347</b>	<b>300 178</b>	<b>(20,3)</b>	<b>564 349</b>
Income paid to depositors	(112 891)	(129 931)	13,1	(245 117)
Income paid to Sukuk holders	(10 000)	(13 847)	27,8	(24 360)
<b>Net income before impairment for credit losses</b>	<b>116 456</b>	<b>156 400</b>	<b>(25,5)</b>	<b>294 872</b>
Impairment for credit losses	10 166	(8 485)	219,8	(21 385)
<b>Net income after impairment for credit losses</b>	<b>126 622</b>	<b>147 915</b>	<b>(14,4)</b>	<b>273 487</b>
Net non-Islamic income	-	-	-	-
Fee and commission income	19 731	17 193	14,8	35 339
Other operating income	904	1 098	(17,7)	2 515
<b>Net income from operations</b>	<b>147 256</b>	<b>166 206</b>	<b>(11,4)</b>	<b>311 341</b>
Operating expenditure	(115 883)	(132 199)	12,3	(258 793)
Finance costs	(428)	(618)	30,8	(1 128)
<b>Profit before taxation</b>	<b>30 946</b>	<b>33 389</b>	<b>(7,3)</b>	<b>51 420</b>
Taxation	(9 021)	(9 705)	7,0	(15 322)
<b>Profit after tax for the year attributable to equity holders</b>	<b>21 925</b>	<b>23 684</b>	<b>(7,4)</b>	<b>36 098</b>
<b>Other comprehensive income</b>				
Items subsequently classified to profit and loss				
Fair value gains on foreign exchange contracts net of tax	(305)	-	(100,0)	(2)
<b>Total comprehensive income for the period, net of tax, attributable to equity holders</b>	<b>21 620</b>	<b>23 684</b>	<b>(8,7)</b>	<b>36 096</b>
Weighted average number of shares in issue ('000)	32 240	32 240	-	32 240
Basic and diluted earnings per share (cents)	68,0	73,5	(7,4)	111,97

### Statement of financial position

	2021	2020	% change	2020
	R'000	R'000		R'000
<b>Assets</b>				
Property and equipment	99 287	110 023	(9,8)	105 286
Right of use asset	8 432	11 165	(24,5)	8 631
Investment property	10 339	10 339	0,0	10 339
Intangible assets	75 337	64 039	17,6	67 264
Investment securities	27 393	24 678	11,0	25 918
Advances and other receivables	5 180 304	5 250 019	(1,3)	5 105 941
Equity finance	2 710 765	1 941 735	39,6	2 796 231
South African Revenue Service receivable	0	2 330	(100)	0
Regulatory balances	384 108	408 238	(5,9)	355 715
Cash and cash equivalents	142 238	151 742	(6,3)	198 828
<b>Total assets</b>	<b>8 638 202</b>	<b>7 974 308</b>	<b>8,3</b>	<b>8 674 153</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	1 446	1 084	33,4	1 751
Retained income	422 269	387 930	8,9	400 344
Shareholders' interests	828 314	793 613	4,4	806 694
<b>Liabilities</b>				
Welfare and charitable funds	25 090	33 091	(24,2)	21 917
Deferred tax liability	12 234	5 897	107,5	10 104
Accounts payable	34 379	71 412	(51,9)	72 005
Lease liabilities	9 825	12 511	(21,5)	10 079
South African Revenue Service payable	580	272	113,2	1 505
Provision for leave pay	8 275	7 646	8,2	8 936
Deposits from customers	7 410 138	6 739 986	9,9	7 433 546
Sukuk	309 367	309 880	(0,2)	309 367
<b>Total liabilities</b>	<b>7 809 888</b>	<b>7 180 695</b>	<b>8,8</b>	<b>7 867 459</b>
<b>Total equity and liabilities</b>	<b>8 638 202</b>	<b>7 974 308</b>	<b>8,3</b>	<b>8 674 153</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 2021	322 403	82 196	1 751	400 344	806 694
Total comprehensive income for the period	-	-	(305)	21 925	21 620
Balance at end of period - 30 June 2021	322 403	82 196	1 446	422 269	828 314

## Commentary on the unaudited results for the period ended 30 June 2021

### Group position

#### 12-month performance

During the 12-month period ending 30 June 2021, the banking industry was significantly impacted by the COVID-19 pandemic, mainly due to reduced profit rates, lower demand for financing activities and increases in credit provisions built up to 31 December 2020, with a release in provisions in the current year. The volatile nature of the economic environment led to an increase in liquidity in the form of deposits from customers, mainly due to customers adopting a cautious approach to new investments in the market.

The encouraging growth in the deposit book, coupled with the reduced demand in our advances business, resulted in excess funds being available for investment in equity finance and mudaraba deposits. Equity finance and mudaraba deposits have, therefore, seen significant growth of R769,03 million or 39,6% during the 12-month period ending 30 June 2021. Intangible assets, which consist mainly of the new core banking system, increased by R11,3 million or 17,6% primarily due to investment in the Albaraka Mobile App. Deferred tax liability increased by R6,3 million or 107,5%, due to movements in temporary differences relating mainly to fixed assets. Accounts payable decreased by R33,0 million or 51,9%, owing to a reduction in supplier payable accounts, as well as inter-bank transactional banking clearing accounts.

#### Six-month performance

For the six months ended 30 June 2021, the advances book increased by R74,36 million or 1,5% to the end of June 2021, whilst the deposit book remained flat for the same period. The marginal improvement in advances is due to a slow recovery in economic activity. This also resulted in customers having the ability to meet repayments on scheduled COVID-19 repayment plans which resulted in a release in credit provisions for the current period.

#### Group performance

Due to the reduced profit rates, income from advances and equity finance and mudaraba deposits decreased by R60,83 million or 20,3% compared against the same period last year. There has been an improvement in credit impairments in the current year, due to changes in the economic climate surrounding the COVID-19 pandemic recovery. Credit impairments decreased by R18,7 million or 219,8% compared against the same period in 2020. Last year there was a credit provision increase of R8,5 million and this year a release of R10,2 million, hence the R18,7 million difference year-on-year.

After taking this into consideration, along with sharing with depositors, the net income from funding income activities decreased by R21,3 million or 14,4% year-on-year. In addition, the bank's non-funding income has increased by R2,54 million or 14,8% primarily due to an increase in transaction fees. A lack of travel activity affecting our foreign exchange business still remains a challenge. Initiatives implemented to reduce costs have proven successful, with operating expenditure decreasing by R16,3 million or 12,3% year-on-year, driven mainly by lower employment costs. Management is placing significant effort on identifying solutions to further reduce costs to mitigate against the reduced income. After consideration of the above, the net effect is a decrease of R2,1 million or 8,7% in total comprehensive income in 2021 compared against the same period in 2020. This has resulted in basic and diluted earnings per share decreasing by 7,4% for the same period.

Management is confident that the bank will continue to be profitable in the 2021 financial year. However, this will be largely in line with the results achieved in the 2020 financial year.

### General

It is apparent that COVID-19 has negatively impacted the bank's year-on-year results, as is the case in many other industries. Given the slight economic recovery seen in the country during the six-month period ending 30 June 2021, management was optimistic that performance may have improved over the next six months to the end of the year. However, due to the recent civil unrest that unfolded in KwaZulu-Natal and Gauteng, this may hamper the recovery based on its impact to some of our customers. The effect of the unrest is still being assessed and this may affect our provision releases for the remainder 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), when published in line with regulations.

For and on behalf of the Board  
31 July 2021



Mr SA Randeree  
VICE CHAIRMAN



Mr Shabir Chohan  
CHIEF EXECUTIVE

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