

Interim Report

To the shareholders of Albaraka Bank Limited

Unaudited results for the period ended 30 June 2020

Statement of comprehensive income

	Six months ended - 30 June			Year ended - 31 Dec
	2020	2019	% change	2019
	R'000	R'000		R'000
Income earned from advances	249 778	241 805	3,3	496 029
Income earned from equity finance	45 700	42 572	7,3	84 678
Income earned from mudaraba deposits	4 700	6 169	(23,8)	12 084
Gross income earned	300 178	290 546	3,3	592 791
Income paid to depositors	(129 931)	(133 341)	(2,6)	(272 588)
Income paid to Sukuk holders	(13 847)	(10 000)	38,5	(19 667)
Net income before impairment for credit losses	156 400	147 205	6,2	300 536
Impairment for credit losses	(8 485)	(1 088)	679,9	(2 099)
Net income after impairment for credit losses	147 915	146 117	1,2	298 437
Net non-Islamic income	-	-	-	-
Fee and commission income	17 193	21 588	(20,4)	46 252
Other operating income	1 098	2 865	(61,7)	3 914
Net income from operations	166 206	170 570	(2,6)	348 603
Operating expenditure	(132 199)	(123 587)	7,0	(245 097)
Finance costs	(618)	(691)	(10,6)	(1 366)
Profit before taxation	33 389	46 292	(27,9)	102 140
Taxation	(9 705)	(13 416)	(27,7)	(27 770)
Profit after tax for the year attributable to equity holders	23 684	32 876	(28,0)	74 370
Other comprehensive income				
Items subsequently classified to profit and loss				
Fair value gains net of tax	-	-		877
Total comprehensive income for the period, net of tax, attributable to equity holders	23 684	32 876	-	75 247
Weighted average number of shares in issue ('000)	32 240	32 240	-	32 240
Basic and diluted earnings per share (cents)	73,5	102,0	(28,0)	230,7

Statement of financial position

	2020	2019	% change	2019
	R'000	R'000		R'000
Assets				
Property and equipment	110 023	113 182	(2,8)	116 502
Right of use asset	11 165	13 556	(17,6)	13 698
Investment property	10 339	10 339	0,0	10 339
Intangible assets	64 039	35 452	80,6	56 366
Investment securities	24 678	25 151	(1,9)	25 723
Advances and other receivables	5 250 019	4 878 072	7,6	5 341 683
Equity finance and mudaraba deposits	1 941 735	1 460 786	32,9	1 180 011
South African Revenue Service receivable	2 330	-	100,0	1 792
Regulatory balances	408 238	366 648	11,3	398 883
Cash and cash equivalents	151 742	169 743	(10,6)	218 362
Total assets	7 974 308	7 072 929	12,7	7 363 359
Equity and liabilities				
Equity				
Share capital	322 403	322 403	0,0	322 403
Share premium	82 196	82 196	0,0	82 196
Other reserves	1 084	876	23,7	1 753
Retained income	387 930	340 485	13,9	364 246
Shareholders' interests	793 613	745 960	6,4	770 598
Liabilities				
Welfare and charitable funds	33 091	21 982	50,5	25 807
Deferred tax liability	5 897	2 554	130,9	2 278
Accounts payable	71 412	48 911	46,0	48 605
Lease liabilities	12 511	14 195	(11,9)	14 758
South African Revenue Service payable	272	1 404	(80,6)	383
Provision for leave pay	7 646	9 341	(18,1)	11 348
Deposits from customers	6 739 986	6 026 915	11,8	6 180 299
Sukuk	309 880	201 667	53,7	309 283
Total liabilities	7 180 695	6 326 969	13,5	6 592 761
Total equity and liabilities	7 974 308	7 072 929	12,7	7 363 359

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 2020	322 403	82 196	1 753	364 246	770 598
Total comprehensive income for the period	-	-	(669)	23 684	23 015
Balance at end of period - 30 June 2020	322 403	82 196	1 084	387 930	793 613

Commentary on the unaudited results for the period ended 30 June 2020

Group position

12-month performance

The bank continued to improve its liquidity position as growth in its deposit-taking activities over the last 12 months increased by R713,1 million or 11,8% since June 2019. With the growth in deposits, surplus cash which is invested in Shariah-compliant equity finance and mudaraba deposits has increased by R480,9 million or 32,9%. During this period, the bank's advances book also grew by R371,9 million or 7,6%.

6-month performance

The deposit book growth for the six months ended 30 June 2020 has also been favourable, with a growth of R559,7 million or 9,1% to the end of June 2020, whilst the advances book has decreased marginally for the same period, based on scheduled repayments and the lack of demand brought about by the COVID-19 pandemic and its resultant impact on economic activity. Further details regarding the effects of COVID-19 are highlighted under 'General' below. The encouraging growth in the deposit book that has taken place for the year, coupled with the lack of demand in our advances business, has resulted in excess funds being available for investment in equity finance and mudaraba deposits for the year. Equity finance and mudaraba deposits have, therefore, had a significant growth of R761,7 million or 64,6% in the current year. The additional equity finance and mudaraba deposits were funded by increases in the deposit book, repayments received from advances dealing as well as a reduction in cash holdings for 2020.

The bank continues to work towards strong management of its capital reserves. In 2019, the bank issued a further R107,7 million Sukuk, over and above the already-subscribed value of R200 million.

Group performance

Income from advances and equity finance and mudaraba deposits increased by R9,6 million or 3,3% compared against the same period last year. There has been a significant increase in credit impairments in the current year, due to changes in the economic climate, which has resulted from the current COVID-19 pandemic. Credit impairments have increased by R7,4 million or 679,9% compared against the same period in 2019. After taking this into consideration, along with sharing with depositors the net income from funding income activities has increased by R1,8 million or 1,2% year-on-year.

Income from non-financing activities, being foreign exchange, unit trust sales, electronic banking fees and other fee income, have all decreased year-on-year based on the reduced demand created by the current lockdown in the country. Operating expenditure increased by R8,6 million or 7,0% year-on-year, driven mainly by higher employment costs and additional depreciation as a result of new capital projects implemented during the preceding 12 months, especially the introduction of a new core banking system in the 2020 financial year. After consideration of the above, the net effect is a decrease of R9,1 million or 28,0% in total comprehensive income in 2020 compared against the same period in 2019. This has resulted in basic and diluted earnings per share also decreasing by 28,0% for the same period.

General

As seen from the results, COVID-19 has negatively impacted the bank's results, as is the case in many other industries. With the resultant impact on reduced market rates, the bank has also reduced its profit mark-ups in line with industry, which has affected the expected inflows from the advances business. In light of the difficulty facing clients and the potential for default, the bank has increased its provisions by 50,3% from December 2019. The bank has also granted payment deferrals to clients on a case-by-case basis in order to assist them during this period. In addition, the bank's non-funding income has dropped by 25,2% due to reduced fees, as a result of lower than expected advances transactions, a decline in the unit trust markets and a lack of travel activity affecting our foreign exchange business. Management is placing significant effort in identifying solutions to reduce costs to mitigate against the effects of the reduced income and significant increases in credit provisions that has resulted from the current situation. Management is confident that the bank will continue to be profitable in the 2020 financial year. However this will be significantly lower than the results achieved in the 2019 financial year.

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
31 July 2020



Mr Adnan Ahmed Yousif
CHAIRMAN



Mr Shabir Chohan
CHIEF EXECUTIVE

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