

**Al Baraka Banking Group B.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 MARCH 2017 (REVIEWED)**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AL BARAKA BANKING GROUP B.S.C.**

### ***Introduction***

We have reviewed the accompanying interim consolidated statement of financial position of Al Baraka Banking Group B.S.C. (the "Bank") and its subsidiaries (together the "Group") as at 31 March 2017, and the related interim consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the three-month period then ended and explanatory notes. The Board of Directors and management are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



10 May 2017  
Manama, Kingdom of Bahrain

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017 (Reviewed)

		<i>Audited</i>
		<i>31 March 2017</i>
		<i>31 December 2016</i>
	<i>Notes</i>	<i>US\$ '000</i>
		<i>US\$ '000</i>
<b>ASSETS</b>		
Cash and balances with banks		4,808,321
Receivables	3	11,529,114
Mudaraba and Musharaka financing	4	1,383,013
Investments	5	2,907,274
Ijarah Muntahia Bittamleek		1,852,699
Property and equipment		428,895
Other assets	6	454,332
<b>TOTAL ASSETS</b>		<b>23,363,648</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		
<b>LIABILITIES</b>		
Customer current and other accounts		4,837,238
Due to banks		814,494
Long term financing	7	1,376,413
Other liabilities	8	865,371
<b>Total liabilities</b>		<b>7,893,516</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>13,444,646</b>
<b>OWNERS' EQUITY</b>		
Share capital	12	1,206,679
Treasury shares		(10,124)
Share premium		19,085
Reserves		181,051
Cumulative changes in fair values		40,719
Foreign currency translations	12	(671,124)
Retained earnings		527,356
Proposed appropriations	12	-
<b>Equity attributable to parent's shareholders</b>		<b>1,293,642</b>
Non-controlling interest		731,844
<b>Total owners' equity</b>		<b>2,025,486</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>23,363,648</b>



Saleh Abdullah Kamel  
Chairman



Adnan Ahmed Yousif  
Member of the Board and  
President and Chief Executive

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

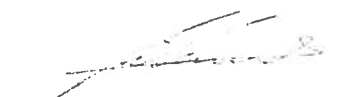
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2017 (Reviewed)

	<i>Three months ended</i>	
	<b>31 March 2017 US\$ '000</b>	<b>31 March 2016 US\$ '000</b>
<b>INCOME</b>		
Net income from jointly financed contracts and investments	<b>296,777</b>	327,809
Return on equity of investment accountholders before Group's share as a Mudarib	<b>(251,483)</b>	(276,110)
Group's share as a Mudarib	<b>92,269</b>	98,475
Return on equity of investment accountholders	<b>(159,214)</b>	(177,635)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)	<b>137,563</b>	150,174
Mudarib share for managing off-balance sheet equity of investment accountholders	<b>281</b>	638
Net income from self financed contracts and investments	<b>88,045</b>	74,712
Fees and commission income	<b>39,665</b>	47,359
Other operating income	<b>3,762</b>	22,566
	<b>269,316</b>	295,449
Profit paid on long term financing	<b>(20,445)</b>	(19,814)
<b>TOTAL OPERATING INCOME</b>	<b>248,871</b>	275,635
<b>OPERATING EXPENSES</b>		
Staff expenses	<b>85,169</b>	94,144
Depreciation and amortisation	<b>11,559</b>	15,749
Other operating expenses	<b>50,996</b>	51,469
<b>TOTAL OPERATING EXPENSES</b>	<b>147,724</b>	161,362
<b>NET INCOME FOR THE PERIOD BEFORE NET PROVISIONS AND TAXATION</b>	<b>101,147</b>	114,273
Net provisions	<b>(28,912)</b>	(16,058)
<b>NET INCOME FOR THE PERIOD BEFORE TAXATION</b>	<b>72,235</b>	98,215
Taxation	<b>(20,725)</b>	(29,379)
<b>NET INCOME FOR THE PERIOD</b>	<b>51,510</b>	68,836
Attributable to:		
Equity holders of the parent	<b>34,003</b>	37,799
Non-controlling interest	<b>17,507</b>	31,037
	<b>51,510</b>	68,836
Basic and diluted earnings per share - US cents (note 11)	<b>2.84</b>	3.15



Saleh Abdullah Kamel  
Chairman



Adnan Ahmed Yousif  
Member of the Board and  
President and Chief Executive

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2017 (Reviewed)

	<i>Three months ended</i>	
	<b>31 March 2017 US\$ '000</b>	<b>31 March 2016 US\$ '000</b>
<b>OPERATING ACTIVITIES</b>		
Net income for the period before taxation	<b>72,235</b>	98,215
Adjustments for:		
Depreciation and amortisation	<b>11,559</b>	15,749
Depreciation on Ijarah Muntahia Bittamleek	<b>64,083</b>	35,452
Unrealised gain on equity and debt-type instruments at fair value through statement of income	<b>(414)</b>	(60)
Gain on disposal of property and equipment	<b>(1,824)</b>	(455)
Gain on disposal of investment in real estate	<b>(10)</b>	(137)
Gain on disposal of equity-type instruments at fair value through equity	<b>(952)</b>	(55)
Gain on disposal of equity and debt-type instruments at fair value through statement of income	<b>(58)</b>	(137)
Net provisions	<b>28,912</b>	16,058
Income from associates	<b>(513)</b>	(150)
Operating profit before changes in operating assets and liabilities	<b>173,018</b>	164,480
Net changes in operating assets and liabilities:		
Reserves with central banks	<b>128,242</b>	686,343
Receivables	<b>(138,177)</b>	(448,729)
Mudaraba and Musharaka financing	<b>198,252</b>	(183,039)
Ijarah Muntahia Bittamleek	<b>(86,444)</b>	(43,051)
Other assets	<b>10,378</b>	6,493
Customer current and other accounts	<b>(146,529)</b>	(18,489)
Due to banks	<b>(103,901)</b>	14,820
Other liabilities	<b>12,891</b>	95,370
Equity of investment accountholders	<b>168,361</b>	(257,181)
Taxation paid	<b>(34,725)</b>	(69,279)
Net cash from (used in) operating activities	<b>181,366</b>	(52,262)
<b>INVESTING ACTIVITIES</b>		
Net purchase of investments	<b>(277,916)</b>	331,668
Net purchase of property and equipment	<b>(18,567)</b>	(3,355)
Net movement in associates	<b>16</b>	(122)
Net disposal of investment in associates	<b>163</b>	662
Net cash (used in) from investing activities	<b>(296,304)</b>	328,853
<b>FINANCING ACTIVITIES</b>		
Net movement in treasury shares	<b>(25)</b>	(144)
Long term financing	<b>(4,843)</b>	97,047
Net change in non-controlling interest	<b>(7,036)</b>	(20,757)
Net cash (used in) from financing activities	<b>(11,904)</b>	76,146
Foreign currency translation adjustments	<b>(10,013)</b>	(12,634)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(136,855)</b>	340,103
Cash and cash equivalents at 1 January	<b>2,851,959</b>	2,292,689
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH (note 14)</b>	<b>2,715,104</b>	2,632,792

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

**Al Baraka Banking Group B.S.C.**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**  
For the three months ended 31 March 2017 (Reviewed)

	Attributable to equity holders of the parent												
	Reserves					Cumulative changes in							
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Cumulative changes in fair value of investments US\$ '000	Cumulative changes in fair value of property and equipment US\$ '000	Foreign currency translation US\$ '000	Retained earnings US\$ '000	Appropriations US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	Total owners' equity US\$ '000
At 1 January 2017	1,149,218	(9,588)	18,574	139,740	42,231	4,971	36,300	(666,719)	497,374	68,857	1,280,958	727,623	2,008,581
Dividends (note 12)	-	-	-	-	-	-	-	-	-	(11,396)	(11,396)	-	(11,396)
Bonus shares issued (note 12)	57,461	-	-	-	-	-	-	-	-	(57,461)	-	-	-
Net movement in treasury shares	-	(536)	511	-	-	-	-	-	-	-	(25)	-	(25)
Net movement in cumulative changes in fair values	-	-	-	-	-	(552)	-	-	-	-	(552)	(187)	(739)
Net movement in other reserves	-	-	-	-	(920)	-	-	-	-	-	(920)	(456)	(1,376)
Foreign currency translations	-	-	-	-	-	-	-	(4,405)	-	-	(4,405)	(5,607)	(10,012)
Net income for the period	-	-	-	-	-	-	-	34,003	34,003	-	34,003	17,507	51,510
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,971)	(5,971)
Allocation of Zakah	-	-	-	-	-	-	-	(4,021)	(4,021)	-	(4,021)	-	(4,021)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,065)	(1,065)
<b>At 31 March 2017</b>	<b>1,206,679</b>	<b>(10,124)</b>	<b>19,085</b>	<b>139,740</b>	<b>41,311</b>	<b>4,419</b>	<b>36,300</b>	<b>(671,124)</b>	<b>527,356</b>	<b>-</b>	<b>1,293,642</b>	<b>731,844</b>	<b>2,025,486</b>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three months ended 31 March 2017 (Reviewed)

	Attributable to equity holders of the parent												
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Other reserves US\$ '000	Cumulative changes in fair value of investments US\$ '000	Cumulative changes in fair value of property and equipment US\$ '000	Foreign currency translation US\$ '000	Retained earnings US\$ '000	Appropriations US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	Total owners' equity US\$ '000
At 1 January 2016	1,115,746	(8,464)	17,662	124,585	40,874	2,229	36,300	(461,948)	433,631	55,787	1,356,402	738,181	2,094,583
Dividends (note 12)	-	-	-	-	-	-	-	-	172	(22,315)	(22,143)	-	(22,143)
Bonus shares issued (note 12)	33,472	-	-	-	-	-	-	-	-	(33,472)	-	-	-
Net movement in treasury shares	-	(258)	114	-	-	-	-	-	-	-	(144)	-	(144)
Net movement in cumulative changes in fair values	-	-	-	-	-	(317)	-	-	-	-	(317)	(139)	(456)
Net movement in other reserves	-	-	-	-	927	-	-	-	-	-	927	477	1,404
Foreign currency translations	-	-	-	-	-	-	-	(7,431)	-	-	(7,431)	(5,204)	(12,635)
Net income for the period	-	-	-	-	-	-	-	-	37,799	-	37,799	31,037	68,836
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(20,098)	(20,098)
Allocation of Zakah	-	-	-	-	-	-	-	-	(3,962)	-	(3,962)	-	(3,962)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(659)	(659)
At 31 March 2016	1,149,218	(8,722)	17,776	124,585	41,801	1,912	36,300	(469,379)	467,640	-	1,361,131	743,595	2,104,726

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

## Al Baraka Banking Group B.S.C.

### INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS

For the three months ended 31 March 2017 (Reviewed)

	Cash US\$ '000	Sales receivable US\$ '000	Mudaraba financing US\$ '000	Investment in real estate US\$ '000	Ijarah Muntahia Bittamleek US\$ '000	Investments US\$ '000	Others US\$ '000	Total US\$ '000
At 1 January 2017	73,558	223,323	286,201	38,150	82,962	157,672	10,177	872,043
Deposits	94,578	138,223	123,307	15	631	220	25,242	382,216
Withdrawals	(70,658)	(79,886)	(162,623)	-	(3,061)	(9,134)	(23,967)	(349,329)
Income net of expenses	-	5,649	1,925	-	1,710	1,655	(1,062)	9,877
Mudarib's share	-	(137)	(120)	-	-	(2)	(22)	(281)
Foreign exchange translation	-	3,156	-	-	-	350	-	3,506
<b>At 31 March 2017</b>	<b>97,478</b>	<b>290,328</b>	<b>248,690</b>	<b>38,165</b>	<b>82,242</b>	<b>150,761</b>	<b>10,368</b>	<b>918,032</b>
At 1 January 2016	11,579	170,139	257,719	38,277	81,173	200,535	18,537	777,959
Deposits	42,160	25,960	259,867	479	5,851	6,966	10,703	351,986
Withdrawals	(6,227)	(25,835)	(234,130)	-	(967)	(33,472)	(14,492)	(315,123)
Income net of expenses	-	43	1,068	-	-	1,375	34	2,520
Mudarib's share	-	(640)	72	-	-	(36)	(34)	(638)
Foreign exchange translation	-	693	-	-	-	-	(4,405)	(3,712)
At 31 March 2016	47,512	170,360	284,596	38,756	86,057	175,368	10,343	812,992

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

**1 ACTIVITIES**

Al Baraka Banking Group B.S.C. (the "Bank") is a joint stock company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration (CR) number 48915. The Bank is engaged in banking activities in the Middle East, Europe, North African and South African region. The address of the Bank's registered office is Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain. The Bank is listed on Bahrain Bourse and NASDAQ Dubai.

The Bank operates under an Islamic wholesale banking license issued by the Central Bank of Bahrain (the "CBB").

The principal activities of the Bank and its subsidiaries (the "Group") comprise of international and commercial banking, financing, treasury and investment activities. The Bank is supervised and regulated by the CBB.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**Basis of Preparation**

These interim condensed consolidated financial statements for the three months period ended 31 March 2017 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "*Interim Financial Reporting*". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2016. In addition, results for the three month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, equity and debt-type instruments through statement of income, equity-type instruments through equity and land occupied by the Group (classified as property and equipment) that have been measured at fair value. The interim condensed consolidated financial statements are presented in United States Dollars ('US\$') being the functional and reporting currency of the Group. All values are rounded to the nearest US\$ thousand ('US\$ '000') unless otherwise indicated.

**Statement of compliance**

The annual consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law and the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions and rules and procedures of the Bahrain Bourse. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standards exist including "Interim Financial Reporting," the Group uses the relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), given it does not contradict with Shari'a Rules and Principles and the conceptual framework of AAOIFI.

**Basis of consolidation**

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the period ended 31 March 2017. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

**Significant accounting policies**

These interim condensed consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**Approval of the Interim Condensed Consolidated Financial Statements**

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 10 May 2017.

**3 RECEIVABLES**

	<b>31 March 2017 US\$ '000</b>	<i>Audited</i> <b>31 December 2016 US\$ '000</b>
Sales (Murabaha) receivables	11,213,818	11,119,981
Ijarah receivables	53,530	57,086
Salam receivables	164,216	154,649
Istisna'a receivables	97,550	91,732
	<b>11,529,114</b>	<b>11,423,448</b>

**4 MUDARABA AND MUSHARAKA FINANCING**

	<b>31 March 2017 US\$ '000</b>	<i>Audited</i> <b>31 December 2016 US\$ '000</b>
Mudaraba financing	615,556	821,729
Musharaka financing	767,457	760,667
	<b>1,383,013</b>	<b>1,582,396</b>

**5 INVESTMENTS**

	<b>31 March 2017 US\$ '000</b>	<i>Audited</i> <b>31 December 2016 US\$ '000</b>
Equity and debt-type instruments at fair value through statement of income (5.1)	12,409	27,842
Equity-type instruments at fair value through equity (5.2)	113,761	107,225
Debt-type instruments at amortised cost (5.3)	2,370,376	2,250,764
	<b>2,496,546</b>	<b>2,385,831</b>
Investment in real estate (5.4)	358,723	191,565
Investment in associates	52,005	51,735
	<b>2,907,274</b>	<b>2,629,131</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

## 5 INVESTMENTS (continued)

## 5.1 Equity and debt-type instruments at fair value through statement of income

	<b>31 March 2017 US\$ '000</b>	<i>Audited</i> 31 December 2016 US\$ '000
<b>Quoted investments</b>		
Debts	10,321	8,369
Equities	1,955	928
<b>Unquoted investments</b>		
Equities	133	18,545
	<b>12,409</b>	<b>27,842</b>

## 5.2 Equity-type instruments at fair value through equity

	<b>31 March 2017 US\$ '000</b>	<i>Audited</i> 31 December 2016 US\$ '000
<b>Quoted investments</b>		
Equities	50,889	46,476
Managed funds	20,155	18,478
	<b>71,044</b>	<b>64,954</b>
<b>Unquoted investments</b>		
Equities	35,833	34,766
Managed funds	9,828	10,403
	<b>45,661</b>	<b>45,169</b>
Provisions	<b>(2,944)</b>	<b>(2,898)</b>
	<b>113,761</b>	<b>107,225</b>

## 5.3 Debt-type instruments at amortised cost

	<b>31 March 2017 US\$ '000</b>	<i>Audited</i> 31 December 2016 US\$ '000
<b>Quoted investments</b>		
Sukuk and similar items	1,261,683	1,212,230
	<b>1,261,683</b>	<b>1,212,230</b>
<b>Unquoted investments</b>		
Sukuk and similar items	1,115,441	1,042,796
	<b>1,115,441</b>	<b>1,042,796</b>
Provisions	<b>(6,748)</b>	<b>(4,262)</b>
	<b>2,370,376</b>	<b>2,250,764</b>

Quoted equity type instruments are investments which are fair valued using quoted prices in active markets for identical instruments and unquoted equity type instruments are investments that are fair valued using directly or indirectly observable inputs.

The Group's investments in sukuk and similar items held at amortised cost have fair values amounting to US\$ 2,370 million (31 December 2016: US\$ 2,821 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

**5 INVESTMENTS (continued)**

**5.4 Investment in real estate**

	<i>Audited</i>	<i>Audited</i>
	<i>31 March 2017</i>	<i>31 December 2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Land	124,129	107,315
Buildings	234,594	84,250
	<b>358,723</b>	<b>191,565</b>

The following is a reconciliation between the carrying amounts of investment in real estate at the beginning and end of the period / year:

	<i>Audited</i>	<i>Audited</i>
	<i>31 March 2017</i>	<i>31 December 2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Beginning balance of the period / year	191,565	187,412
Acquisition	172,335	14,479
Net gain from fair value adjustments	227	1,253
Disposal	(1,476)	(8,660)
Foreign exchange translation - net	(3,928)	(2,919)
	<b>167,158</b>	<b>4,153</b>
Ending balance of the period / year	<b>358,723</b>	<b>191,565</b>

**6 OTHER ASSETS**

	<i>Audited</i>	<i>Audited</i>
	<i>31 March 2017</i>	<i>31 December 2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Bills receivable	142,267	144,327
Goodwill and intangible assets	89,917	91,735
Collateral pending sale	61,480	62,151
Prepayments	48,307	40,540
Deferred taxation	35,462	34,693
Good faith qard fund	19,657	19,136
Others	71,958	91,485
	<b>469,048</b>	<b>484,067</b>
Provisions	<b>(14,716)</b>	<b>(14,829)</b>
	<b>454,332</b>	<b>469,238</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

**7 LONG TERM FINANCING**

	<i>Audited</i>	
	<i>31 March</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Murabaha financing	781,393	762,752
Subordinated financing obtained by a subsidiary	429,866	456,600
Wakala	165,154	161,904
	<b>1,376,413</b>	<b>1,381,256</b>

**8 OTHER LIABILITIES**

	<i>Audited</i>	
	<i>31 March</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Payables	328,890	299,433
Cash margins	225,214	222,008
Managers' cheques	95,209	103,969
Other provisions	7,217	11,091
Current taxation	57,696	68,055
Deferred taxation	10,061	12,933
Accrued expenses	68,531	71,303
Charity fund	15,961	10,658
Others	56,592	57,017
	<b>865,371</b>	<b>856,467</b>

**9 COMMITMENTS AND CONTINGENCIES**

	<i>Audited</i>	
	<i>31 March</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	2,487,345	2,680,992
Letters of credit	731,111	704,307
Acceptances	52,043	53,791
Undrawn commitments	934,363	834,915
Sharia'a compliant promise contracts	191,530	323,915
Others	326	321
	<b>4,396,718</b>	<b>4,598,241</b>

# Al Baraka Banking Group B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

### 10 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group and Shari'a supervisory board members.

The income and expenses in respect of related parties were as follows:

	Associated companies US\$ '000	Major shareholders US\$ '000	Directors and key management personnel US\$ '000		Other related parties US\$ '000	Three months ended	
			31 March 2017 US\$ '000	31 March 2016 US\$ '000			
Net income from jointly financed contracts and investments	496	-	54	-	-	550	591
Net income from self financed contracts and investments	-	2	-	-	-	2	9
Return on equity of investment accountholders	160	56	6	1	1	223	116
Fees and commission income	166	-	-	-	-	166	174

The significant balances with related parties were as follows:

	Associated companies US\$ '000	Major shareholders US\$ '000	Directors and key management personnel US\$ '000		Other related parties US\$ '000	Audited	
			31 March 2017 US\$ '000	31 December 2016 US\$ '000			
<b>Assets</b>							
Receivables	2,744	-	831	-	-	3,575	2,768
Mudaraba and Musharaka financing	-	-	2,350	-	-	2,350	-
Investments	60,690	-	-	288	-	60,978	63,555
Ijarah Muntahia Bittamleek	-	-	560	-	-	560	559
Other assets	1,386	1	538	506	-	2,431	1,881
<b>Liabilities</b>							
Customer current and other accounts	5,523	2,862	1,370	73	-	9,828	9,076
Other liabilities	-	6	2	-	-	8	2
Equity of investment accountholders	21,611	6,121	8,548	68	-	36,348	25,071
Off-balance sheet equity of investment accountholders	14,928	9,071	6,956	-	-	30,955	29,114

All related party exposures are performing and are free of any provision for possible credit losses. All related party transactions were conducted on an arm's length basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

11 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net income for the period attributable to equity holders of the parent by the number of shares outstanding during the period as follows:

	<i>Three months ended</i>	
	<b>31 March 2017</b>	<i>31 March 2016</i>
Net income attributable to the equity holders of the parent for the period - US\$ '000	<b>34,003</b>	37,799
Number of shares outstanding at beginning of the period (in thousands)	<b>1,206,679</b>	1,149,218
Treasury shares effect (in thousands)	<b>(9,773)</b>	(8,462)
Bonus shares effect (in thousands)*	<b>-</b>	57,461
Number of shares outstanding at end of the period - (in thousands)	<b>1,196,906</b>	1,198,217
Earnings per share - US cents	<b>2.84</b>	3.15

\*The number of shares of the previous period has been adjusted on account of the bonus issue made during 2016.

12 OWNERS' EQUITY

	<b>31 March 2017</b>	<i>Audited 31 December 2016</i>
	<b>US\$ '000</b>	<i>US\$ '000</i>
<b>Share capital</b>		
Authorised: Ordinary shares 1,500,000,000 (2016: 1,500,000,000) of US\$ 1 each	<b>1,500,000</b>	1,500,000
Issued and fully paid up:		
At beginning of the period / year 1,149,218,451 (2016: 1,115,746,069) shares of US\$1 each	<b>1,149,218</b>	1,115,746
Issued during the period / year 57,460,923 bonus shares (2016: 33,472,382) of US\$1 each	<b>57,461</b>	33,472
At end of the period / year 1,206,679,374 (2016: 1,149,218,452) shares of US\$1 each	<b>1,206,679</b>	1,149,218

**Appropriations**

At the Annual General Meeting held on 20 March 2017 (2016: 20 March 2016), the shareholders of the Group resolved to distribute US\$ 11,396 thousand (2016: US\$ 22,315 thousand) as cash dividends and US\$ 57,461 thousand (2016: US\$ 33,472 thousand) as bonus shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

12 OWNERS' EQUITY (continued)

**Foreign currency translations**

The foreign currency translations are used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The following table summarises the subsidiary wise foreign currency translation loss balance.

Subsidiary	Currency	31 March	Audited 31 December
		2017	2016
		US\$ '000	US\$ '000
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	49,227	50,617
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	8,049	7,890
Al Baraka Bank Egypt (ABE)	Egyptian Pound	140,826	144,651
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	362,528	350,455
Al Baraka Bank Limited (ABL)	South African Rand	15,437	17,279
Al Baraka Bank Sudan (ABS)	Sudanese Pound	37,500	36,901
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	21,797	23,166
Al Baraka Bank Syria (ABBS)	Syrian Pound	35,760	35,760
		<b>671,124</b>	<b>666,719</b>

13 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by management and the Board of Directors.

For financial reporting purposes, the Group is divided into the following geographic segments:

- Middle East
- North Africa
- Europe
- Others

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's interim condensed consolidated financial statements as set out in note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

No business segments are presented as that is not applicable to the Group.

Segment assets, liabilities and equity of investment accountholders were as follows:

Segment	31 March 2017			Audited 31 December 2016		
	Assets US\$ '000	Liabilities US\$ '000	Equity of investment accountholders US\$ '000	Assets US\$ '000	Liabilities US\$ '000	Equity of investment accountholders US\$ '000
Middle East	9,949,782	2,768,043	6,287,024	9,710,447	2,782,561	6,057,888
North Africa	2,408,394	1,086,337	1,038,877	2,419,901	1,171,716	974,704
Europe	9,029,924	3,358,416	5,038,799	9,304,781	3,546,164	5,103,850
Others	1,975,548	680,720	1,079,946	1,990,136	639,449	1,140,352
	<b>23,363,648</b>	<b>7,893,516</b>	<b>13,444,646</b>	<b>23,425,265</b>	<b>8,139,890</b>	<b>13,276,794</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

**13 SEGMENTAL INFORMATION (continued)**

Segment operating income, net operating income and net income were as follows:

Segment	<i>Three months ended</i> <i>31 March 2017</i>			<i>Three months ended</i> <i>31 March 2016</i>		
	<i>Total</i>	<i>Net</i>	<i>Net</i>	<i>Total</i>	<i>Net</i>	<i>Net</i>
	<i>operating</i>	<i>operating</i>	<i>income</i>	<i>operating</i>	<i>operating</i>	<i>income</i>
	<i>income</i>	<i>income</i>	<i>income</i>	<i>income</i>	<i>income</i>	<i>income</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Middle East	96,767	41,579	28,948	113,119	48,907	30,946
North Africa	24,134	8,284	5,297	27,160	11,430	6,209
Europe	97,190	41,233	10,299	113,014	45,984	25,582
Others	30,780	10,051	6,966	22,342	7,952	6,099
	<b>248,871</b>	<b>101,147</b>	<b>51,510</b>	<b>275,635</b>	<b>114,273</b>	<b>68,836</b>

**14 CASH AND CASH EQUIVALENTS**

	<i>Three months ended</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Balances with central banks excluding mandatory reserve	1,439,972	1,144,444
Balances with other banks	716,520	958,729
Cash and cash in transit	558,612	529,619
	<b>2,715,104</b>	<b>2,632,792</b>