

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 SEPTEMBER 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 30 September 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 nine months period then ended and explanatory notes. The Board of Directors 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.



13 November 2017  
Manama, Kingdom of Bahrain

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017 (Reviewed)

		<i>Audited</i>
		<i>30 September</i>
		<i>2017</i>
		<i>US\$ '000</i>
	<i>Notes</i>	<i>31 December</i>
		<i>2016</i>
		<i>US\$ '000</i>
<b>ASSETS</b>		
Cash and balances with banks		4,825,295
Receivables	3	12,038,394
Mudaraba and Musharaka financing	4	2,171,030
Investments	5	3,051,168
Ijarah Muntahia Bittamleek		1,854,927
Property and equipment		430,365
Other assets	6	493,485
<b>TOTAL ASSETS</b>		<b>24,864,664</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		
<b>LIABILITIES</b>		
Customer current and other accounts		5,192,846
Due to banks		1,224,382
Long term financing	7	1,147,412
Other liabilities	8	803,014
<b>Total liabilities</b>		<b>8,367,654</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>14,001,511</b>
<b>OWNERS' EQUITY</b>		
Share capital	12	1,206,679
Treasury shares		(10,480)
Share premium		19,259
Perpetual tier 1 capital	13	400,000
Reserves		183,213
Cumulative changes in fair values		40,620
Foreign currency translations	12	(677,037)
Retained earnings		587,118
Proposed appropriations	12	-
<b>Equity attributable to parent's shareholders and Sukuk holders</b>		<b>1,749,372</b>
Non-controlling interest		746,127
<b>Total owners' equity</b>		<b>2,495,499</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>24,864,664</b>
		<b>23,425,265</b>



Abdulla A. Saudi  
Vice Chairman



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

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2017 (Reviewed)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September 2017</i>	<i>30 September 2016</i>	<i>30 September 2017</i>	<i>30 September 2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>INCOME</b>				
Net income from jointly financed contracts and investments	<b>321,334</b>	346,602	<b>913,654</b>	1,002,288
Return on equity of investment accountholders before Group's share as a Mudarib	<b>(274,962)</b>	(275,509)	<b>(774,688)</b>	(837,250)
Group's share as a Mudarib	<b>94,188</b>	91,135	<b>267,805</b>	293,604
Return on equity of investment accountholders	<b>(180,774)</b>	(184,374)	<b>(506,883)</b>	(543,646)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)	<b>140,560</b>	162,228	<b>406,771</b>	458,642
Mudarib share for managing off-balance sheet equity of investment accountholders	<b>115</b>	654	<b>4,275</b>	2,457
Net income from self financed contracts and investments	<b>67,443</b>	60,862	<b>255,871</b>	210,282
Fees and commission income	<b>37,503</b>	30,378	<b>116,858</b>	132,527
Other operating income	<b>5,179</b>	18,107	<b>13,333</b>	48,610
	<b>250,800</b>	272,229	<b>797,108</b>	852,518
Profit paid on long term financing	<b>(20,022)</b>	(21,545)	<b>(61,922)</b>	(63,616)
<b>TOTAL OPERATING INCOME</b>	<b>230,778</b>	250,684	<b>735,186</b>	788,902
<b>OPERATING EXPENSES</b>				
Staff expenses	<b>76,299</b>	76,673	<b>237,335</b>	250,629
Depreciation and amortisation	<b>11,759</b>	2,184	<b>35,244</b>	32,917
Other operating expenses	<b>43,682</b>	46,233	<b>144,161</b>	143,654
<b>TOTAL OPERATING EXPENSES</b>	<b>131,740</b>	125,090	<b>416,740</b>	427,200
<b>NET INCOME FOR THE PERIOD BEFORE NET PROVISIONS AND TAXATION</b>	<b>99,038</b>	125,594	<b>318,446</b>	361,702
Net provisions	<b>(39,127)</b>	(39,157)	<b>(97,895)</b>	(76,686)
<b>NET INCOME FOR THE PERIOD BEFORE TAXATION</b>	<b>59,911</b>	86,437	<b>220,551</b>	285,016
Taxation	<b>(18,812)</b>	(25,644)	<b>(66,504)</b>	(81,176)
<b>NET INCOME FOR THE PERIOD</b>	<b>41,099</b>	60,793	<b>154,047</b>	203,840
Attributable to:				
Equity holders of the parent	<b>26,797</b>	35,035	<b>96,545</b>	116,421
Non-controlling interest	<b>14,302</b>	25,758	<b>57,502</b>	87,419
	<b>41,099</b>	60,793	<b>154,047</b>	203,840
Basic and diluted earnings per share - US cents (note 11)	<b>2.24</b>	2.93	<b>8.07</b>	9.72



Abdulla A. Saudi  
Vice Chairman



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

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2017 (Reviewed)

	<i>Nine months ended</i>	
	<b>30 September 2017 US\$ '000</b>	<b>30 September 2016 US\$ '000</b>
<b>OPERATING ACTIVITIES</b>		
Net income for the period before taxation	220,551	285,016
Adjustments for:		
Depreciation and amortisation	35,244	32,917
Depreciation on Ijarah Muntahia Bittamleek	214,896	151,641
Unrealised gain on equity and debt-type instruments at fair value through statement of income	(12,328)	(132)
Gain on disposal of property and equipment	(6,107)	(7,081)
Gain on disposal of investment in real estate	(104)	(5,502)
Gain on disposal of equity-type instruments at fair value through equity	(1,150)	(1,719)
Gain on disposal of equity and debt-type instruments at fair value through statement of income	(655)	(692)
Net provisions	97,895	76,686
Income from associates	(1,257)	(1,765)
Operating profit before changes in operating assets and liabilities	<b>546,985</b>	<b>529,369</b>
Net changes in operating assets and liabilities:		
Reserves with central banks	84,763	788,411
Receivables	(714,416)	(332,074)
Mudaraba and Musharaka financing	(590,048)	(31,936)
Ijarah Muntahia Bittamleek	(239,485)	(229,896)
Other assets	(28,433)	(61,754)
Customer current and other accounts	209,078	(16,793)
Due to banks	305,987	(74,274)
Other liabilities	(28,045)	115,709
Equity of investment accountholders	726,384	393,769
Taxation paid	(90,732)	(115,129)
Net cash from operating activities	<b>182,038</b>	<b>965,402</b>
<b>INVESTING ACTIVITIES</b>		
Net purchase of investments	(411,303)	(323,340)
Net purchase of property and equipment	(34,155)	(27,197)
Net movement in associates	428	1,245
Net disposal (purchase) of investment in associates	181	(2,670)
Net cash used in investing activities	<b>(444,849)</b>	<b>(351,962)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid to equity holders of the parent	(11,396)	(22,143)
Net movement in treasury shares	(207)	229
Issuance of perpetual tier 1 capital	400,000	-
Payment of expenses related to tier 1 capital	(2,780)	-
Long term financing	(233,845)	(137,867)
Net change in non-controlling interest	(37,471)	(32,464)
Net cash from (used in) financing activities	<b>114,301</b>	<b>(192,245)</b>
Foreign currency translation adjustments	(14,850)	(78,856)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(163,360)</b>	<b>342,339</b>
Cash and cash equivalents at 1 January	<b>2,851,959</b>	<b>2,292,689</b>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER (note 15)</b>	<b>2,688,599</b>	<b>2,635,028</b>

The attached notes 1 to 15 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 nine months ended 30 September 2017 (Reviewed)

	Attributable to equity holders of the parent and Sukuk holders													
	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Perpetual tier 1 capital 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	-	(892)	685	-	-	-	-	-	-	-	-	(207)	-	(207)
Net movement in cumulative changes in fair values	-	-	-	-	-	-	(651)	-	-	-	-	(651)	(677)	(1,328)
Net movement in other reserves	-	-	-	-	-	1,242	-	-	-	-	-	1,242	903	2,145
Foreign currency translations	-	-	-	-	-	-	-	-	(10,318)	-	-	(10,318)	(4,533)	(14,851)
Net income for the period	-	-	-	-	-	-	-	-	-	96,545	-	96,545	57,502	154,047
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(31,941)	(31,941)
Allocation of Zakah	-	-	-	-	-	-	-	-	-	(4,021)	-	(4,021)	-	(4,021)
Perpetual tier 1 capital	-	-	-	400,000	-	-	-	-	-	-	-	400,000	-	400,000
Expenses related to perpetual tier 1 capital	-	-	-	-	-	-	-	-	-	(2,780)	-	(2,780)	-	(2,780)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(2,750)	(2,750)
<b>At 30 September 2017</b>	<b>1,206,679</b>	<b>(10,480)</b>	<b>19,259</b>	<b>400,000</b>	<b>139,740</b>	<b>43,473</b>	<b>4,320</b>	<b>36,300</b>	<b>(677,037)</b>	<b>587,118</b>	<b>-</b>	<b>1,749,372</b>	<b>746,127</b>	<b>2,495,499</b>

The attached notes 1 to 15 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 nine months ended 30 September 2017 (Reviewed)

	Attributable to equity holders of the parent												
	Reserves					Cumulative changes in							
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Cumulative changes in fair value of investments	Cumulative changes in fair value of property and equipment	Foreign currency translation	Retained earnings	Appropriations	Total	Non-controlling interest	Total owners' equity
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	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	-	(863)	1,092	-	-	-	-	-	-	-	229	-	229
Net movement in cumulative changes in fair values	-	-	-	-	-	(389)	-	-	-	-	(389)	(140)	(529)
Net movement in other reserves	-	-	-	-	(1,612)	-	-	-	-	-	(1,612)	(1,501)	(3,113)
Foreign currency translations	-	-	-	-	-	-	-	(45,169)	-	-	(45,169)	(33,687)	(78,856)
Net income for the period	-	-	-	-	-	-	-	-	116,421	-	116,421	87,419	203,840
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(31,424)	(31,424)
Allocation of Zakah	-	-	-	-	-	-	-	-	(6,632)	-	(6,632)	-	(6,632)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,040)	(1,040)
At 30 September 2016	1,149,218	(9,327)	18,754	124,585	39,262	1,840	36,300	(507,117)	543,592	-	1,397,107	757,808	2,154,915

The attached notes 1 to 15 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 nine months ended 30 September 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	139,646	297,125	299,168	3,989	30,063	59,117	60,002	889,110
Withdrawals	(165,418)	(283,002)	(292,488)	(516)	(23,160)	(38,503)	(23,967)	(827,054)
Income net of expenses	-	11,397	1,897	80	3,933	2,659	1,136	21,102
Mudarib's share	-	(3,321)	(90)	(20)	(595)	(171)	(78)	(4,275)
Foreign exchange translation	-	(6,948)	-	-	-	(2,385)	-	(9,333)
<b>At 30 September 2017</b>	<b>47,786</b>	<b>238,574</b>	<b>294,688</b>	<b>41,683</b>	<b>93,203</b>	<b>178,389</b>	<b>47,270</b>	<b>941,593</b>
At 1 January 2016	11,579	170,139	257,719	38,277	81,173	200,535	18,537	777,959
Deposits	187,871	146,030	259,867	926	6,773	28,816	25,473	655,756
Withdrawals	(106,642)	(89,967)	(249,141)	(1,369)	(10,562)	(69,990)	(26,079)	(553,750)
Income net of expenses	-	16,333	4,567	352	5,821	583	(1,004)	26,652
Mudarib's share	-	(1,984)	(1)	(40)	(183)	(163)	(86)	(2,457)
Foreign exchange translation	-	(9,627)	-	-	-	-	(6,418)	(16,045)
At 30 September 2016	92,808	230,924	273,011	38,146	83,022	159,781	10,423	888,115

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 nine months period ended 30 September 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 nine months period ended 30 September 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 30 September 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 30 September 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 13 November 2017.

**3 RECEIVABLES**

	<b>30 September</b>	<i>Audited</i> <b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Sales (Murabaha) receivables	<b>11,693,838</b>	11,119,981
Ijarah receivables	<b>66,621</b>	57,086
Salam receivables	<b>179,493</b>	154,649
Istisna'a receivables	<b>98,442</b>	91,732
	<b>12,038,394</b>	<b>11,423,448</b>

**4 MUDARABA AND MUSHARAKA FINANCING**

	<b>30 September</b>	<i>Audited</i> <b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Mudaraba financing	<b>1,331,803</b>	821,729
Musharaka financing	<b>839,227</b>	760,667
	<b>2,171,030</b>	<b>1,582,396</b>

**5 INVESTMENTS**

	<b>30 September</b>	<i>Audited</i> <b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Equity and debt-type instruments at fair value through statement of income (5.1)	<b>286,869</b>	27,842
Equity-type instruments at fair value through equity (5.2)	<b>169,127</b>	107,225
Debt-type instruments at amortised cost (5.3)	<b>2,334,338</b>	2,250,764
	<b>2,790,334</b>	<b>2,385,831</b>
Investment in real estate (5.4)	<b>208,501</b>	191,565
Investment in associates	<b>52,333</b>	51,735
	<b>3,051,168</b>	<b>2,629,131</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

5 INVESTMENTS (continued)

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

	30 September 2017 US\$ '000	Audited 31 December 2016 US\$ '000
<b>Quoted investments</b>		
Debts	7,526	8,369
Equities	279,204	928
<b>Unquoted investments</b>		
Equities	139	18,545
	<u>286,869</u>	<u>27,842</u>

5.2 Equity-type instruments at fair value through equity

	30 September 2017 US\$ '000	Audited 31 December 2016 US\$ '000
<b>Quoted investments</b>		
Equities	46,009	46,476
Managed funds	18,869	18,478
	<u>64,878</u>	<u>64,954</u>
<b>Unquoted investments</b>		
Equities	36,351	34,766
Managed funds	71,919	10,403
	<u>108,270</u>	<u>45,169</u>
Provisions	(4,021)	(2,898)
	<u>169,127</u>	<u>107,225</u>

5.3 Debt-type instruments at amortised cost

	30 September 2017 US\$ '000	Audited 31 December 2016 US\$ '000
<b>Quoted investments</b>		
Sukuk and similar items	1,288,134	1,212,230
	<u>1,288,134</u>	<u>1,212,230</u>
<b>Unquoted investments</b>		
Sukuk and similar items	1,052,938	1,042,796
	<u>1,052,938</u>	<u>1,042,796</u>
Provisions	(6,734)	(4,262)
	<u>2,334,338</u>	<u>2,250,764</u>

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\$ 2,352 million (31 December 2016: US\$ 2,275 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

5 INVESTMENTS (continued)

5.4 Investment in real estate

	<i>Audited</i> 30 September 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Land	122,000	107,315
Buildings	86,501	84,250
	<b>208,501</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> 30 September 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Beginning balance of the period / year	191,565	187,412
Acquisition	24,622	14,479
Net (loss) gain from fair value adjustments	(726)	1,253
Disposal	(4,105)	(8,660)
Foreign exchange translation - net	(2,855)	(2,919)
	16,936	4,153
Ending balance of the period / year	<b>208,501</b>	<b>191,565</b>

6 OTHER ASSETS

	<i>Audited</i> 30 September 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
Bills receivable	118,186	144,327
Goodwill and intangible assets	88,737	91,735
Collateral pending sale	71,011	62,151
Prepayments	45,246	40,540
Deferred taxation	38,712	34,693
Good faith qard fund	20,668	19,136
Others	125,798	91,485
	508,358	484,067
Provisions	(14,873)	(14,829)
	<b>493,485</b>	<b>469,238</b>

# Al Baraka Banking Group B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

### 7 LONG TERM FINANCING

	<i>Audited</i>	
	<i>30 September 2017</i>	<i>31 December 2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Murabaha financing	526,164	762,752
Subordinated financing obtained by a subsidiary	457,260	456,600
Wakala	163,988	161,904
	<b>1,147,412</b>	<b>1,381,256</b>

### 8 OTHER LIABILITIES

	<i>Audited</i>	
	<i>30 September 2017</i>	<i>31 December 2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Payables	215,541	299,433
Cash margins	230,117	222,008
Managers' cheques	100,744	103,969
Other provisions	7,788	11,091
Current taxation	47,732	68,055
Deferred taxation	13,048	12,933
Accrued expenses	68,385	71,303
Charity fund	17,162	10,658
Others	102,497	57,017
	<b>803,014</b>	<b>856,467</b>

### 9 COMMITMENTS AND CONTINGENCIES

	<i>Audited</i>	
	<i>30 September 2017</i>	<i>31 December 2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	2,370,265	2,680,992
Letters of credit	694,064	704,307
Acceptances	82,012	53,791
Undrawn commitments	986,067	834,915
Sharia'a compliant promise contracts	401,657	323,915
Others	298	321
	<b>4,534,363</b>	<b>4,598,241</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 September 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:

	<b>Directors and key management</b>			<b>Nine months ended</b>		
	<b>Associated companies</b>	<b>Major shareholders</b>	<b>and key management personnel</b>	<b>Other related parties</b>	<b>30 September 2017</b>	<b>30 September 2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Net income from jointly financed contracts and investments	1,469	-	227	-	1,696	1,541
Net income from self financed contracts and investments	-	2	-	-	2	36
Return on equity of investment accountholders	175	67	289	2	533	578
Fees and commission income	392	-	-	-	392	270

The significant balances with related parties were as follows:

	<b>Directors and key management</b>			<b>Other related parties</b>		<b>Audited</b>
	<b>Associated companies</b>	<b>Major shareholders</b>	<b>and key management personnel</b>	<b>Other related parties</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Assets</b>						
Receivables	2,312	67	629	-	3,008	2,768
Mudaraba and Musharaka financing	-	-	3,334	-	3,334	-
Investments	43,031	-	-	290	43,321	63,555
Ijarah Muntahia Bittamleek	-	-	426	-	426	559
Other assets	-	11	644	499	1,154	1,881
<b>Liabilities</b>						
Customer current and other accounts	3,485	3,738	1,175	73	8,471	9,076
Other liabilities	-	6	-	-	6	2
Equity of investment accountholders	18,160	5,845	8,886	68	32,959	25,071
Off-balance sheet equity of investment accountholders	18,112	9,036	6,976	-	34,124	29,114

All related party exposures are performing and are free of any provision for possible credit losses. Pricing policies and terms of related party transactions are approved by the Group's management

# Al Baraka Banking Group B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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>		<i>Nine months ended</i>	
	<i>30 September 2017</i>	<i>30 September 2016</i>	<i>30 September 2017</i>	<i>30 September 2016</i>
Net income attributable to the equity holders of the parent for the period - US\$ '000	<b>26,797</b>	35,035	<b>96,545</b>	116,421
Weighted number of shares outstanding at beginning of the period (in thousands)	<b>1,197,669</b>	1,140,805	<b>1,197,669</b>	1,140,832
Treasury shares effect (in thousands)	<b>1,437</b>	(721)	<b>1,175</b>	(440)
Bonus shares effect (in thousands)*	-	57,461	-	57,461
Weighted number of shares outstanding at end of the period - (in thousands)	<b>1,196,232</b>	1,197,545	<b>1,196,494</b>	1,197,853
Earnings per share - US cents	<b>2.24</b>	2.93	<b>8.07</b>	9.72

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

### 12 OWNERS' EQUITY

	<i>Audited</i>	
	<i>30 September 2017</i>	<i>31 December 2016</i>
	<i>US\$ '000</i>	<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
		<i>Audited</i>
	<i>30 September 2017</i>	<i>31 December 2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
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 30 September 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.

<i>Subsidiary</i>	<i>Currency</i>	<b>30 September</b>	<i>Audited</i>
		<b>2017</b>	<b>31 December</b>
		<b>US\$ '000</b>	<b>US\$ '000</b>
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	<b>53,099</b>	50,617
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	<b>8,421</b>	7,890
Al Baraka Bank Egypt (ABE)	Egyptian Pound	<b>138,132</b>	144,651
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	<b>354,270</b>	350,455
Al Baraka Bank Limited (ABL)	South African Rand	<b>17,001</b>	17,279
Al Baraka Bank Sudan (ABS)	Sudanese Pound	<b>44,388</b>	36,901
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	<b>26,562</b>	23,166
Al Baraka Bank Syria (ABBS)	Syrian Pound	<b>35,164</b>	35,760
		<b>677,037</b>	666,719

**13 PERPETUAL TIER 1 CAPITAL**

On 31 May 2017, the Bank completed an issuance of US\$ 400 million Additional Tier 1 Mudaraba Sukuk in compliance with CBB regulations; listed on Irish Stock Exchange. Profit shall be payable subject to and in accordance with terms and conditions on the outstanding nominal amount of the Sukuk at an expected profit of 7.875% per annum, payable on semi-annual basis. These Sukuks are recognised under equity in the consolidated statement of financial position and the corresponding Profit payable on those Sukuk are accounted as appropriation of profits. Expenses relating to the issuance have been included in the retained earnings. As per the terms and conditions, the Sukuk holders will not have a right to claim the profit and such event of non-payment of profit will not be considered as event of default.

**14 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.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

## 14 SEGMENTAL INFORMATION (continued)

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

Segment	30 September 2017			Audited 31 December 2016		
	Assets	Liabilities	Equity of	Assets	Liabilities	Equity of
	US\$ '000	US\$ '000	investment accountholders US\$ '000	US\$ '000	US\$ '000	investment accountholders US\$ '000
Middle East	10,973,913	2,967,701	6,650,400	9,710,447	2,782,561	6,057,888
North Africa	2,405,423	1,059,404	1,086,175	2,419,901	1,171,716	974,704
Europe	9,493,936	3,695,558	5,124,628	9,304,781	3,546,164	5,103,850
Others	1,991,392	644,991	1,140,308	1,990,136	639,449	1,140,352
	<b>24,864,664</b>	<b>8,367,654</b>	<b>14,001,511</b>	<b>23,425,265</b>	<b>8,139,890</b>	<b>13,276,794</b>

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

Segment	Nine months ended 30 September 2017			Nine months ended 30 September 2016		
	Total	Net	Net	Total	Net	Net
	operating income US\$ '000	operating income US\$ '000	income US\$ '000	operating income US\$ '000	operating income US\$ '000	income US\$ '000
Middle East	279,829	134,839	84,363	335,297	163,372	98,092
North Africa	74,797	30,885	20,294	76,088	35,091	24,158
Europe	295,796	131,502	37,329	312,908	145,372	69,928
Others	84,764	21,220	12,061	64,609	17,867	11,662
	<b>735,186</b>	<b>318,446</b>	<b>154,047</b>	<b>788,902</b>	<b>361,702</b>	<b>203,840</b>

## 15 CASH AND CASH EQUIVALENTS

	Nine months ended	
	30 September 2017	30 September 2016
	US\$ '000	US\$ '000
Balances with central banks excluding mandatory reserve	1,360,797	1,484,236
Balances with other banks	540,549	424,564
Cash and cash in transit	787,253	726,228
	<b>2,688,599</b>	<b>2,635,028</b>