

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 March 2019 (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 2019, 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 months period then ended and explanatory notes. The Board of Directors is 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.



12 May 2019  
Manama, Kingdom of Bahrain

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019 (Reviewed)

		<i>Audited</i>
		<i>31 March 31 December</i>
		<i>2019 2018</i>
	<i>Notes</i>	<i>US\$ '000 US\$ '000</i>
<b>ASSETS</b>		
Cash and balances with banks	3	4,900,348 5,008,009
Receivables	4	10,162,694 10,303,868
Mudaraba and Musharaka financing	5	2,891,607 2,718,906
Ijarah Muntahia Bittamleek	6	1,768,934 1,770,833
Investments	7	3,202,650 3,067,008
Property and equipment		423,801 406,564
Other assets	8	612,130 556,050
<b>TOTAL ASSETS</b>		<b>23,962,164 23,831,238</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		
<b>LIABILITIES</b>		
Customer current and other accounts		5,429,081 5,325,924
Due to banks		1,165,196 1,178,758
Long term financing	9	953,886 976,891
Other liabilities	10	1,037,162 971,310
<b>Total liabilities</b>		<b>8,585,325 8,452,883</b>
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>	11	<b>13,215,718 13,122,368</b>
<b>OWNERS' EQUITY</b>		
Share capital	14	1,242,879 1,242,879
Treasury shares		(9,040) (9,203)
Share premium		18,720 18,829
Perpetual tier 1 capital		400,000 400,000
Reserves		166,939 165,551
Cumulative changes in fair values		31,924 31,929
Foreign currency translations	14	(928,276) (861,313)
Retained earnings		541,547 519,587
Proposed appropriations	14	- 37,286
<b>Equity attributable to parent's shareholders and Sukuk holders</b>		<b>1,464,693 1,545,545</b>
Non-controlling interest		696,428 710,442
<b>Total owners' equity</b>		<b>2,161,121 2,255,987</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>		<b>23,962,164 23,831,238</b>



Saleh Abdullah Kamel  
Chairman




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


The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2019 (Reviewed)

	Notes	Three months ended	
		31 March	31 March
		2019	2018
		US\$ '000	US\$ '000
<b>INCOME</b>			
Net income from jointly financed contracts and investments		342,486	330,164
Return on equity of investment accountholders before Group's share as a Mudarib		(297,063)	(282,975)
Group's share as a Mudarib		82,758	96,567
Return on equity of investment accountholders		(214,305)	(186,408)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)		128,181	143,756
Mudarib share for managing off-balance sheet equity of investment accountholders		1,398	727
Net income from self financed contracts and investments		46,029	75,504
Fees and commission income		40,051	50,279
Other operating income	15	17,559	7,801
		233,218	278,067
Profit paid on long term financing		(16,852)	(21,449)
<b>TOTAL OPERATING INCOME</b>		<b>216,366</b>	<b>256,618</b>
<b>OPERATING EXPENSES</b>			
Staff expenses		84,245	89,446
Depreciation and amortisation		9,956	11,543
Other operating expenses		49,895	60,511
<b>TOTAL OPERATING EXPENSES</b>		<b>144,096</b>	<b>161,500</b>
<b>NET INCOME FOR THE PERIOD BEFORE NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT AND TAXATION</b>		<b>72,270</b>	<b>95,118</b>
Net allowance for credit losses / impairment	16	(10,377)	(13,475)
<b>NET INCOME FOR THE PERIOD BEFORE TAXATION</b>		<b>61,893</b>	<b>81,643</b>
Taxation		(20,677)	(24,674)
<b>NET INCOME FOR THE PERIOD</b>		<b>41,216</b>	<b>56,969</b>
Attributable to:			
Equity holders of the parent		23,995	34,992
Non-controlling interest		17,221	21,977
		41,216	56,969
Basic and diluted earnings per share - US cents	13	1.94	2.84

  
 Saleh Abdullah Kamel  
 Chairman

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

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

# Al Baraka Banking Group B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2019 (Reviewed)

	<i>Three months ended</i>	
	<b>31 March 2019 US\$ '000</b>	<b>31 March 2018 US\$ '000</b>
<b>OPERATING ACTIVITIES</b>		
Net income for the period before taxation	61,893	81,643
Adjustments for:		
Depreciation and amortisation	9,956	11,543
Depreciation on Ijarah Muntahia Bittamleek	49,917	42,063
Unrealised gain (loss) on equity and debt-type instruments at fair value through statement of income	(2,340)	4
Gain on disposal of property and equipment	(668)	(3,252)
Gain on disposal of equity-type instruments at fair value through equity	(176)	(564)
Gain on disposal of equity and debt-type instruments at fair value through statement of income	(3,781)	(154)
Net allowance for credit losses / impairment	10,377	13,475
Income from associates	(3,273)	(1,864)
Operating profit before changes in operating assets and liabilities	<b>121,905</b>	<b>142,894</b>
Net changes in operating assets and liabilities:		
Reserves with central banks	134,814	268,671
Receivables	130,983	254,943
Mudaraba and Musharaka financing	(173,011)	(339,441)
Ijarah Muntahia Bittamleek	(48,629)	(46,790)
Other assets	(63,804)	(76,789)
Customer current and other accounts	103,152	(204,344)
Due to banks	(13,562)	(278,047)
Other liabilities	99,264	125,927
Equity of investment accountholders	95,119	194,184
Taxation paid	(45,389)	(75,695)
Net cash from (used in) operating activities	<b>340,842</b>	<b>(34,487)</b>
<b>INVESTING ACTIVITIES</b>		
Net (purchase) disposal of investments	(137,190)	138,191
Net (purchase) disposal of property and equipment	(24,627)	15,566
Net movement in associates	351	191
Net disposal of investment in associates	7,374	307
Net cash (used in) from investing activities	<b>(154,092)</b>	<b>154,255</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid to equity holders of the parent	(37,286)	(24,134)
Net movement in treasury shares	54	(54)
Profit distributed on perpetual tier 1 capital issued by subsidiaries	200	-
Long term financing	(23,006)	(19,247)
Net change in non-controlling interest	(16,757)	(13,830)
Net cash used in financing activities	<b>(76,795)</b>	<b>(57,265)</b>
Foreign currency translation adjustments	<b>(82,669)</b>	<b>(72,277)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>27,286</b>	<b>(9,774)</b>
Cash and cash equivalents at 1 January	<b>2,917,794</b>	<b>2,861,182</b>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH (note 19)</b>	<b>2,945,080</b>	<b>2,851,408</b>

The attached notes 1 to 19 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 2019 (Reviewed)

	Equity attributable to parent's shareholders and Sukuk holders													
	Reserves													
	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 2019	1,242,879	(9,203)	18,829	400,000	165,551	-	4,739	27,190	(861,313)	519,587	37,286	1,545,545	710,442	2,255,987
Dividends (note 14)	-	-	-	-	-	-	-	-	-	-	(37,286)	(37,286)	-	(37,286)
Net movement in treasury shares	-	163	(109)	-	-	-	-	-	-	-	-	54	-	54
Net movement in other reserves	-	-	-	-	-	1,388	-	-	-	-	-	1,388	1,168	2,556
Net movement in cumulative changes in fair values	-	-	-	-	-	-	(5)	-	-	-	-	(5)	60	55
Foreign currency translations	-	-	-	-	-	-	-	-	(66,963)	-	-	(66,963)	(15,707)	(82,670)
Net income for the period	-	-	-	-	-	-	-	-	-	23,995	-	23,995	17,221	41,216
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(2,235)	-	(2,235)	(12,557)	(12,557)
Allocation of Zakah	-	-	-	-	-	-	-	-	-	-	-	(2,235)	-	(2,235)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	-	200	-	200	(4,607)	(4,407)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	408	408
<b>At 31 March 2019</b>	<b>1,242,879</b>	<b>(9,040)</b>	<b>18,720</b>	<b>400,000</b>	<b>165,551</b>	<b>1,388</b>	<b>4,734</b>	<b>27,190</b>	<b>(928,276)</b>	<b>541,547</b>	<b>-</b>	<b>1,464,693</b>	<b>696,428</b>	<b>2,161,121</b>

The attached notes 1 to 19 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 2019 (Reviewed)

	Equity attributable to parent's shareholders and Sukuk holders													
	Reserves					Cumulative changes in fair value of property and equipment								
	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 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 2018	1,206,679	(9,550)	18,644	400,000	152,643	46,639	4,143	36,300	(706,242)	530,615	60,334	1,740,205	770,456	2,510,661
Transition adjustment on adoption of FAS 30 as of 1 January 2018	-	-	-	-	-	(46,639)	-	-	-	(56,021)	-	(102,660)	(49,177)	(151,837)
Restated balance as of 1 January 2018	1,206,679	(9,550)	18,644	400,000	152,643	-	4,143	36,300	(706,242)	474,594	60,334	1,637,545	721,279	2,358,824
Dividends (note 14)	-	-	-	-	-	-	-	-	-	-	(24,134)	(24,134)	-	(24,134)
Bonus shares issued (note 14)	36,200	-	-	-	-	-	-	-	-	-	(36,200)	-	-	-
Net movement in treasury shares	-	(439)	385	-	-	-	-	-	-	-	-	(54)	-	(54)
Net movement in cumulative changes in fair values	-	-	-	-	-	-	1,769	-	-	-	-	1,769	730	2,499
Foreign currency translations	-	-	-	-	-	-	-	-	(48,772)	-	-	(48,772)	(21,696)	(70,468)
Net income for the period	-	-	-	-	-	-	-	-	-	34,992	-	34,992	21,977	56,969
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(16,461)	(16,461)
Allocation of Zakah	-	-	-	-	-	-	-	-	-	(3,962)	-	(3,962)	-	(3,962)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	50,000	50,000
At 31 March 2018	1,242,879	(9,989)	19,029	400,000	152,643	-	5,912	36,300	(755,014)	505,624	-	1,597,384	755,829	2,353,213

The attached notes 1 to 19 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 2019 (Reviewed)

	Cash US\$ '000	Sales receivable US\$ '000	Mudaraba financing in 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 2019	30,447	295,001	335,288	48,468	159,134	125,700	-	994,038
Deposits	92,780	153,292	292,601	187	8,593	13,553	-	561,006
Withdrawals	(46,128)	(183,676)	(250,391)	-	(7,693)	1,307	-	(486,581)
Income net of expenses	-	511	1,650	-	4,218	734	-	7,113
Mudarib's share	-	(700)	(626)	-	(66)	(6)	-	(1,398)
Foreign exchange translation	-	(4,130)	-	-	-	-	-	(4,130)
<b>At 31 March 2019</b>	<b>77,099</b>	<b>260,298</b>	<b>378,522</b>	<b>48,655</b>	<b>164,186</b>	<b>141,288</b>	<b>-</b>	<b>1,070,048</b>
At 1 January 2018	33,196	177,793	292,657	48,411	112,345	190,788	48,190	903,380
Deposits	55,141	131,736	277,442	-	12,977	5,039	12,385	494,720
Withdrawals	(60,897)	(112,748)	(264,017)	(364)	(6,376)	(35,655)	(6,017)	(486,074)
Income net of expenses	-	5,855	1,862	55	1,468	1,515	1,036	11,791
Mudarib's share	-	(513)	(157)	-	-	(38)	(19)	(727)
Foreign exchange translation	-	1,249	-	-	-	(22,917)	-	(21,668)
<b>At 31 March 2018</b>	<b>27,440</b>	<b>203,372</b>	<b>307,787</b>	<b>48,102</b>	<b>120,414</b>	<b>138,732</b>	<b>55,575</b>	<b>901,422</b>

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (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 2019 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 2018. In addition, results or the three months period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 consolidated financial statements for the year ended 31 December 2018 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.

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 2018, except for the adoption of FAS 28.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 New standards issued but not yet effective

**FAS 28 Murabaha and other deferred payment sales**

This standard is effective from 1 January 2019 and prescribes the accounting and reporting principles and requirements for Murabaha and deferred payment sales transactions and different elements of such transactions, excluding Tawarruq and commodity Murabaha transactions. FAS 28 supersedes the earlier FAS 2 "Murabaha and Murabaha to the Purchase Order" and FAS 20 "Deferred Payment Sale", where it aims at sitting out the accounting rules for measurement, recognition and disclosure of the transactions of Murabaha and other deferred payment sales that are carried out by Islamic banks of IFI. Also, this standard shall not apply to investments made in investment instruments e.g. equity instruments or Sukuk, where the underlying asset for such instrument is a Murabaha or deferred payment sale. The required disclosures will be disclosed in year-end consolidated financial statements.

**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 12 May 2019.

3 CASH AND BALANCES WITH BANKS

	<i>Audited</i>
	<i>31 March 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Balances with central banks	3,240,243 3,408,489
Balances with other banks	1,049,138 878,930
Cash and cash in transit	611,165 720,655
Less: allowance for credit losses	(198) (65)
	<u>4,900,348 5,008,009</u>

4 RECEIVABLES

	<i>Audited</i>
	<i>31 March 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Sales (Murabaha) receivables	10,297,593 10,441,374
Ijarah receivables	86,986 87,084
Salam receivables	211,417 215,681
Istisna'a receivables	139,043 126,232
Less: allowance for credit losses	(572,345) (566,503)
	<u>10,162,694 10,303,868</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

4 RECEIVABLES (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 March 2019				Audited 31 December 2018
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000	Total US\$ '000
Good (1-4)	2,480,382	138,523	-	2,618,905	2,377,079
Satisfactory (5-7)	5,491,769	1,844,846	-	7,336,615	7,741,555
Default (8-10)	-	-	779,519	779,519	751,737
Less: allowance for credit losses	(40,763)	(87,168)	(444,414)	(572,345)	(566,503)
	<b>7,931,388</b>	<b>1,896,201</b>	<b>335,105</b>	<b>10,162,694</b>	<b>10,303,868</b>

The below table shows the movement in allowance for credit losses by stage:

	31 March 2019				Audited 31 December 2018
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit-impaired US\$ '000	Stage 3: Lifetime ECL credit-impaired US\$ '000	Total US\$ '000	Total US\$ '000
Balance at 1 January	29,753	124,402	412,348	566,503	576,913
Net remeasurement of loss allowance	4,950	(53,948)	71,068	22,070	162,970
Recoveries / write-backs	-	-	(11,878)	(11,878)	(59,960)
Allocation from (to) investment risk reserve	7,894	17,847	(18,219)	7,522	22,019
Amounts written off	-	-	(5,806)	(5,806)	(59,740)
FX translation / others	(1,834)	(1,133)	(3,099)	(6,066)	(75,699)
	<b>40,763</b>	<b>87,168</b>	<b>444,414</b>	<b>572,345</b>	<b>566,503</b>

5 MUDARABA AND MUSHARAKA FINANCING

	Audited	
	31 March 2019 US\$ '000	31 December 2018 US\$ '000
Mudaraba financing	1,880,760	1,711,827
Musharaka financing	1,031,021	1,026,987
Less: allowance for credit losses	(20,174)	(19,908)
	<b>2,891,607</b>	<b>2,718,906</b>

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 March 2019				Audited 31 December 2018
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000	Total US\$ '000
Good (1-4)	1,874,917	74,896	-	1,949,813	1,838,154
Satisfactory (5-7)	744,352	187,564	-	931,916	887,686
Default (8-10)	-	-	30,052	30,052	12,974
Less: allowance for credit losses	(2,959)	(2,352)	(14,863)	(20,174)	(19,908)
	<b>2,616,310</b>	<b>260,108</b>	<b>15,189</b>	<b>2,891,607</b>	<b>2,718,906</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

5 MUDARABA AND MUSHARAKA FINANCING (continued)

The below table shows the movement in allowance for credit losses by stage:

	31 March 2019			Audited 31 December 2018	
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	Total US\$ '000	Total US\$ '000
Balance at 1 January	2,958	8,139	8,811	19,908	27,024
Net remeasurement of loss allowance	(234)	(5,878)	6,532	420	6,566
Recoveries / write-backs	-	-	(112)	(112)	(672)
Allocation from (to) investment risk reserve	30	(7)	(3)	20	(100)
Amounts written off	-	-	-	-	(20,902)
FX translation / others	205	98	(365)	(62)	7,992
	<b>2,959</b>	<b>2,352</b>	<b>14,863</b>	<b>20,174</b>	<b>19,908</b>

6 IJARAH MUNTAHIA BITTAMLEEK

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 March 2019				Audited 31 December 2018
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000	Total US\$ '000
Good (1-4)	457,263	9,409	-	466,672	463,766
Satisfactory (5-7)	919,734	399,097	-	1,318,831	1,325,653
Default (8-10)	-	-	5,495	5,495	-
Less: allowance for credit losses	(4,529)	(14,371)	(3,164)	(22,064)	(18,586)
	<b>1,372,468</b>	<b>394,135</b>	<b>2,331</b>	<b>1,768,934</b>	<b>1,770,833</b>

The below table shows the movement in allowance for credit losses by stage:

	31 March 2019			Audited 31 December 2018	
	Stage 1: 12-month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	Total US\$ '000	Total US\$ '000
Balance at 1 January	3,998	14,588	-	18,586	19,119
Net remeasurement of loss allowance	576	(102)	155	629	258
Recoveries / write-backs	-	-	(20)	(20)	-
FX translation / others	(45)	(115)	3,029	2,869	(791)
	<b>4,529</b>	<b>14,371</b>	<b>3,164</b>	<b>22,064</b>	<b>18,586</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

7 INVESTMENTS

	<i>Audited</i>	<i>Audited</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Equity and debt-type instruments at fair value through statement of income (7.1)	218,691	215,160
Equity-type instruments at fair value through equity (7.2)	99,300	100,651
Debt-type instruments at amortised cost (7.3)	2,621,795	2,482,498
	<u>2,939,786</u>	<u>2,798,309</u>
Investment in real estate (7.4)	214,399	215,530
Investment in associates	48,465	53,169
	<u>3,202,650</u>	<u>3,067,008</u>

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

	<i>Audited</i>	<i>Audited</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Quoted investments</b>		
Debt instruments	944	2,626
Equity securities	213,728	212,152
<b>Unquoted investments</b>		
Equity securities	4,019	382
	<u>218,691</u>	<u>215,160</u>

7.2 Equity-type instruments at fair value through equity

	<i>Audited</i>	<i>Audited</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Quoted investments</b>		
Equity securities	44,154	45,386
Managed funds	14,008	14,214
	<u>58,162</u>	<u>59,600</u>
<b>Unquoted investments</b>		
Equity securities	42,106	42,265
Managed funds	5,645	5,194
	<u>47,751</u>	<u>47,459</u>
Impairment	(6,613)	(6,408)
	<u>99,300</u>	<u>100,651</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

7 INVESTMENTS (continued)

7.3 Debt-type instruments at amortised cost

	31 March 2019 US\$ '000	Audited 31 December 2018 US\$ '000
<b>Quoted investments</b>		
Sukuk and similar items	1,640,330	1,447,117
	<u>1,640,330</u>	<u>1,447,117</u>
<b>Unquoted investments</b>		
Sukuk and similar items	991,673	1,046,983
	<u>991,673</u>	<u>1,046,983</u>
Less: allowance for credit losses	(10,208)	(11,602)
	<u>2,621,795</u>	<u>2,482,498</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\$ 2,856 million (31 December 2018: US\$ 2,697 million).

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and stage classification.

	31 March 2019				Audited 31 December 2018
	Stage 1 US\$ '000	Stage 2 US\$ '000	Stage 3 US\$ '000	Total US\$ '000	Total US\$ '000
Good (1-4)	2,248,983	-	-	2,248,983	2,085,704
Satisfactory (5-7)	331,805	46,348	-	378,153	400,964
Default (8-10)	-	-	4,867	4,867	7,432
Less: allowance for credit losses	(3,711)	(2,038)	(4,459)	(10,208)	(11,602)
	<u>2,577,077</u>	<u>44,310</u>	<u>408</u>	<u>2,621,795</u>	<u>2,482,498</u>

The below table shows the movement in allowance for credit losses by stage:

	31 March 2019			Audited 31 December 2018	
	Stage 1: 12- month ECL US\$ '000	Stage 2: Lifetime ECL not credit- impaired US\$ '000	Stage 3: Lifetime ECL credit- impaired US\$ '000	Total US\$ '000	Total US\$ '000
Balance at 1 January	2,334	2,245	7,023	11,602	11,693
Net remeasurement of loss allowance	1,312	6	-	1,318	(2,038)
Allocation (to) from investment risk reserve	5	(213)	(2,564)	(2,772)	4,504
Amounts written off	-	-	-	-	(2,500)
FX translation / others	60	-	-	60	(57)
	<u>3,711</u>	<u>2,038</u>	<u>4,459</u>	<u>10,208</u>	<u>11,602</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

7 INVESTMENTS (continued)

7.4 Investment in real estate

	<i>Audited</i>
	<i>31 March 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Land	130,225 130,546
Buildings	84,174 84,984
	<u>214,399 215,530</u>

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>31 March 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Beginning balance of the period / year	215,530 211,157
Acquisition	3,171 22,477
Net loss from fair value adjustments	(967) (1,583)
Disposal	- (1,676)
Foreign exchange translation - net	(3,335) (14,845)
	<u>(1,131) 4,373</u>
	<u>214,399 215,530</u>

8 OTHER ASSETS

	<i>Audited</i>
	<i>31 March 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Bills receivable	171,103 123,733
Goodwill and intangible assets	76,158 75,923
Collateral pending sale	189,002 229,580
Prepayments	35,569 37,082
Deferred taxation	60,867 65,032
Good faith qard fund	21,851 22,092
Others	77,866 61,124
	<u>632,416 614,566</u>
Less: allowance for credit losses	<u>(20,286) (58,516)</u>
	<u>612,130 556,050</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

**9 LONG TERM FINANCING**

	<i>Audited</i>
	<i>31 March 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Murabaha financing	521,024 557,964
Subordinated financing obtained by a subsidiary	260,298 249,287
Wakala	172,564 169,640
	<b>953,886 976,891</b>

**10 OTHER LIABILITIES**

	<i>Audited</i>
	<i>31 March 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Payables	459,138 366,210
Cash margins	261,244 268,216
Managers' cheques	105,484 104,256
Current taxation	47,081 72,905
Deferred taxation	3,361 6,414
Accrued expenses	60,541 74,994
Charity fund	32,266 26,549
Others	47,253 29,371
Allowance for credit losses on unfunded exposures	20,794 22,395
	<b>1,037,162 971,310</b>

**11 EQUITY OF INVESTMENT ACCOUNTHOLDERS**

	<i>Audited</i>
	<i>31 March 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Equity of investment accountholders	13,109,127 13,004,814
Profit equalisation reserve	4,936 5,320
Investment risk reserve	94,942 104,005
Cumulative changes in fair value attributable to equity of investment accountholders - net	6,713 8,229
	<b>13,215,718 13,122,368</b>

**12 COMMITMENTS AND CONTINGENCIES**

	<i>Audited</i>
	<i>31 March 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Letters of credit	714,953 709,048
Guarantees	2,020,672 2,151,650
Acceptances	63,068 76,287
Undrawn commitments	1,036,869 914,940
Sharia'a compliant promise contracts	690,929 138,686
Others	124 125
	<b>4,526,615 3,990,736</b>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 31 March 2019 (Reviewed)

**13 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>31 March</i>	<i>31 March</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net income attributable to the equity holders of the parent for the period - US\$ '000	<b>23,995</b>	34,992
Net income attributable to the shareholders equity	<b>23,995</b>	34,992
Weighted number of shares outstanding at beginning of the period (in thousands)	<b>1,242,879</b>	1,242,879
Treasury shares effect (in thousands)	<b>(9,030)</b>	(9,889)
Weighted number of shares outstanding at end of the period - (in thousands)	<b>1,233,849</b>	1,232,990
Earnings per share - US cents	<b>1.94</b>	2.84

**14 OWNERS' EQUITY**

	<i>Audited</i>	
	<i>31 March</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Share capital</b>		
Authorised:		
Ordinary shares 2,500,000,000 (2018: 2,500,000,000) of US\$ 1 each	<b>2,500,000</b>	2,500,000
Issued and fully paid up:		
At beginning of the period / year		
1,206,679,374 (2018: 1,206,679,374) shares of US\$1 each	<b>1,242,879</b>	1,206,679
Issued during the period / year		
Nil bonus shares (2018: 36,200,381) of US\$1 each	-	36,200
At end of the period / year		
1,242,879,756 (2018: 1,242,879,755) shares of US\$1 each	<b>1,242,879</b>	1,242,879

**Appropriations**

At the Annual General Meeting held on 20 March 2019 (2018: 20 March 2018), the shareholders of the Group resolved to distribute US\$ 37,286 thousand (2018: US\$ 24,134 thousand) as cash dividends and US\$ nil (2018: US\$ 36,200 thousand) as bonus shares.

# Al Baraka Banking Group B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 31 March 2019 (Reviewed)

### 14 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	Audited	
		31 March 2019 US\$ '000	31 December 2018 US\$ '000
Banque Al Baraka D'Algerie	Algerian Dinar	57,095	56,455
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	24,866	24,111
Al Baraka Bank Egypt	Egyptian Pound	133,864	138,794
Al Baraka Turk Participation Bank	Turkish Lira	537,854	468,562
Al Baraka Bank Limited	South African Rand	19,335	19,174
Al Baraka Bank Sudan	Sudanese Pound	87,051	87,051
Al Baraka Bank Tunis	Tunisian Dinar	34,433	33,519
Al Baraka Bank Syria	Syrian Pound	33,534	33,534
BTI Bank	Moroccan Dirham	244	113
		<b>928,276</b>	<b>861,313</b>

### 15 OTHER OPERATING INCOME

	Three months ended	
	31 March 2019 US\$ '000	31 March 2018 US\$ '000
Foreign exchange gain*	16,891	4,549
Gain on sale of property and equipment	668	3,252
	<b>17,559</b>	<b>7,801</b>

\* An amount of US\$ 7 million is related to unrealised foreign currency revaluation gain from subsidiaries.

### 16 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

	Three months ended	
	31 March 2019 US\$ '000	31 March 2018 US\$ '000
Cash and balances with banks	138	-
Receivables	10,192	4,721
Mudaraba and Musharaka financing	308	4,727
Ijarah Muntahia Bittamleek	609	(478)
Investments	1,683	(2,001)
Other assets	(300)	(852)
Other liabilities	(2,253)	7,358
	<b>10,377</b>	<b>13,475</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

17 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:

	Directors and key management personnel			Other related parties	Three months ended	
	Associated companies US\$ '000	Major shareholders US\$ '000	US\$ '000		31 March 2019	31 March 2018
Net income from jointly financed contracts and investments	628	6	24	-	658	554
Return on equity of investment accountholders	181	415	157	1	754	297
Fees and commission income	100	-	-	-	100	35

The significant balances with related parties were as follows:

	Directors and key management personnel			Other related parties	Audited	
	Associated companies US\$ '000	Major shareholders US\$ '000	US\$ '000		31 March 2019	31 December 2018
<b>Assets</b>						
Receivables	2,181	51	499	-	2,731	2,724
Mudaraba and Musharaka financing	-	221	1,761	-	1,982	-
Investments	19,817	-	-	210	20,027	22,799
Ijarah Muntahia Bittamleek	-	-	160	-	160	204
Other assets	1,433	-	268	156	1,857	1,705
<b>Liabilities</b>						
Customer current and other accounts	11,853	4,333	1,645	322	18,153	26,359
Due to banks	811	14,757	-	-	15,568	15,139
Equity of investment accountholders	13,584	7,100	7,571	72	28,327	26,094
Off-balance sheet equity of investment accountholders	16,483	23,547	7,771	-	47,801	48,226

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

18 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 2019			Audited 31 December 2018		
	Assets	Liabilities	Equity of investment accountholders	Assets	Liabilities	Equity of investment accountholders
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Middle East	11,720,738	2,883,469	7,531,938	11,594,671	2,907,485	7,338,507
North Africa	2,780,685	1,507,899	1,016,184	2,743,750	1,429,458	1,042,643
Europe	7,853,572	3,701,406	3,703,753	7,919,036	3,662,996	3,768,663
Others	1,607,169	492,551	963,843	1,573,781	452,944	972,555
	<b>23,962,164</b>	<b>8,585,325</b>	<b>13,215,718</b>	<b>23,831,238</b>	<b>8,452,883</b>	<b>13,122,368</b>

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

Segment	Three months ended 31 March 2019			Three months ended 31 March 2018		
	Total operating income	Net operating income / (loss)	Net income	Total operating income	Net operating income	Net income
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Middle East	110,031	45,194	23,614	97,598	35,893	23,532
North Africa	36,066	21,865	11,505	28,321	12,036	7,470
Europe	48,377	(1,069)	2,408	108,778	43,159	23,202
Others	21,892	6,280	3,689	21,921	4,030	2,765
	<b>216,366</b>	<b>72,270</b>	<b>41,216</b>	<b>256,618</b>	<b>95,118</b>	<b>56,969</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2019 (Reviewed)

19 CASH AND CASH EQUIVALENTS

	<i>Three months ended</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Balances with central banks excluding mandatory reserve	<b>1,284,777</b>	1,638,234
Balances with other banks	<b>1,049,138</b>	549,782
Cash and cash in transit	<b>611,165</b>	663,392
	<b><u>2,945,080</u></b>	<u>2,851,408</u>