
Al Baraka Banking Group B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 SEPTEMBER 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 30 September 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 nine 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.



3 November 2019
Manama, Kingdom of Bahrain

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019 (Reviewed)

		<i>Audited</i>
		<i>30 September 2019</i>
		<i>31 December 2018</i>
	<i>Notes</i>	<i>US\$ '000</i>
		<i>US\$ '000</i>
ASSETS		
Cash and balances with banks	3	4,853,420
Receivables	4	10,738,566
Mudaraba and Musharaka financing	5	3,217,000
Ijarah Muntahia Bittamleek	6	1,738,142
Investments	7	3,629,239
Property and equipment		449,964
Other assets	8	646,042
TOTAL ASSETS		25,272,373
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		
LIABILITIES		
Customer current and other accounts		5,857,358
Due to banks		1,147,647
Long term financing	9	341,846
Other liabilities	10	1,179,187
Total liabilities		8,526,038
EQUITY OF INVESTMENT ACCOUNTHOLDERS	11	14,531,387
OWNERS' EQUITY		
Share capital	14	1,242,879
Treasury shares		(8,754)
Share premium		18,510
Perpetual tier 1 capital		400,000
Reserves		165,837
Cumulative changes in fair values		29,706
Foreign currency translations	14	(927,794)
Retained earnings		585,315
Proposed appropriations	14	-
Equity attributable to parent's shareholders and Sukuk holders		1,505,699
Non-controlling interest		709,249
Total owners' equity		2,214,948
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		25,272,373



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 INCOME

For the nine months ended 30 September 2019 (Reviewed)

	Notes	Three months ended		Nine months ended	
		30 September 2019 US\$ '000	30 September 2018 US\$ '000	30 September 2019 US\$ '000	30 September 2018 US\$ '000
INCOME					
Net income from jointly financed contracts and investments		340,686	326,118	1,025,552	987,962
Return on equity of investment accountholders before Group's share as a Mudarib		(312,529)	(285,031)	(913,259)	(867,241)
Group's share as a Mudarib		82,730	101,931	251,811	296,736
Return on equity of investment accountholders		(229,799)	(183,100)	(661,448)	(570,505)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)		110,887	143,018	364,104	417,457
Mudarib share for managing off-balance sheet equity of investment accountholders		1,630	1,261	8,502	4,154
Net income from self financed contracts and investments		58,411	64,663	142,093	216,467
Fees and commission income		55,067	34,119	137,575	111,054
Other operating income	15	15,348	73,982	63,408	125,782
		241,343	317,043	715,682	874,914
Profit paid on long term financing		(6,774)	(21,128)	(38,769)	(67,066)
TOTAL OPERATING INCOME		234,569	295,915	676,913	807,848
OPERATING EXPENSES					
Staff expenses		80,351	69,523	241,334	236,069
Depreciation and amortisation		12,782	9,166	33,034	31,951
Other operating expenses		43,337	39,021	134,736	139,206
TOTAL OPERATING EXPENSES		136,470	117,710	409,104	407,226
NET INCOME FOR THE PERIOD BEFORE NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT AND TAXATION					
Net allowance for credit losses / impairment	16	(42,885)	(93,889)	(71,350)	(152,656)
NET INCOME FOR THE PERIOD BEFORE TAXATION		55,214	84,316	196,459	247,966
Taxation		(18,843)	(42,805)	(64,716)	(84,700)
NET INCOME FOR THE PERIOD		36,371	41,511	131,743	163,266
Attributable to:					
Equity holders of the parent		27,592	23,948	83,754	98,232
Non-controlling interest		8,779	17,563	47,989	65,034
		36,371	41,511	131,743	163,266
Basic and diluted earnings per share - US cents	13	2.24	1.94	5.51	6.69


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 nine months ended 30 September 2019 (Reviewed)

	<i>Nine months ended</i>	
	30 September 2019 US\$ '000	30 September 2018 US\$ '000
OPERATING ACTIVITIES		
Net income for the period before taxation	196,459	247,966
Adjustments for:		
Depreciation and amortisation	33,034	31,951
Depreciation on Ijarah Muntahia Bittamleek	150,008	137,902
Unrealised gain on equity and debt-type instruments at fair value through statement of income	(14,149)	(8,192)
Gain on disposal of property and equipment	(3,964)	(9,092)
Gain on disposal of investment in real estate	(408)	(1,818)
Gain on disposal of equity-type instruments at fair value through equity	(69)	(878)
Gain on disposal of equity and debt-type instruments at fair value through statement of income	(3,989)	(361)
Net allowance for credit losses / impairment	71,350	152,656
Income from associates	(6,466)	(3,335)
Operating profit before changes in operating assets and liabilities	421,806	546,799
Net changes in operating assets and liabilities:		
Reserves with central banks	(124,031)	480,573
Receivables	(501,863)	1,393,390
Mudaraba and Musharaka financing	(499,426)	(179,418)
Ijarah Muntahia Bittamleek	(116,278)	(31,691)
Other assets	(99,442)	(116,647)
Customer current and other accounts	531,434	(280,002)
Due to banks	(31,111)	(118,702)
Other liabilities	227,755	(153,878)
Equity of investment accountholders	1,411,857	(1,069,403)
Taxation paid	(83,359)	(123,379)
Net cash from operating activities	1,137,342	347,642
INVESTING ACTIVITIES		
Net purchase of investments	(548,108)	(227,825)
Net (purchase) disposal of property and equipment	(66,360)	26,853
Net movement in associates	279	3,481
Net disposal of investment in associates	2,351	1,192
Net cash used in investing activities	(611,838)	(196,299)
FINANCING ACTIVITIES		
Dividends paid to equity holders of the parent	(37,286)	(24,134)
Net movement in treasury shares	130	557
Profit distributed on perpetual tier 1 capital	(15,750)	(15,750)
Profit distributed on perpetual tier 1 capital issued by subsidiaries	3,574	1,693
Payment of expenses related to tier 1 capital issued by subsidiaries	-	(447)
Long term financing	(635,045)	(177,721)
Net change in non-controlling interest	(35,256)	(41,971)
Net cash used in financing activities	(719,633)	(257,773)
Foreign currency translation adjustments	(84,390)	(313,269)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(278,519)	(419,699)
Cash and cash equivalents at 1 January	2,917,794	2,861,182
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER (note 19)	2,639,275	2,441,483

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 nine months ended 30 September 2019 (Reviewed)

	Equity attributable to parent's shareholders 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 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	-	449	(319)	-	-	-	-	-	-	-	-	130	-	130
Net movement in other reserves	-	-	-	-	-	286	-	-	-	-	-	286	563	849
Net movement in cumulative changes in fair values	-	-	-	-	-	-	(2,223)	-	-	-	-	(2,223)	(194)	(2,417)
Foreign currency translations	-	-	-	-	-	-	-	-	(66,481)	-	-	(66,481)	(17,909)	(84,390)
Net income for the period	-	-	-	-	-	-	-	-	83,754	-	-	83,754	47,989	131,743
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(26,755)	(26,755)
Allocation of Zakah	-	-	-	-	-	-	-	-	(2,235)	-	-	(2,235)	-	(2,235)
Profit distribution on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(15,750)	-	-	(15,750)	-	(15,750)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	3,574	-	-	3,574	(8,888)	(5,314)
Effect of change in ownership	-	-	-	-	-	-	-	-	(3,615)	-	-	(3,615)	3,615	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	386	386
At 30 September 2019	1,242,879	(8,754)	18,510	400,000	165,551	286	2,516	27,190	(927,794)	585,315	-	1,505,699	709,249	2,214,948

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 nine months ended 30 September 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 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)	-	(24,134)
Bonus shares issued (note 14)	36,200	-	-	-	-	-	-	-	-	(36,200)	(36,200)	-	-	-
Net movement in treasury shares	-	180	377	-	-	-	-	-	-	-	-	557	-	557
Net movement in cumulative changes in fair values	-	-	-	-	-	-	783	-	-	-	-	-	-	-
Foreign currency translations	-	-	-	-	-	-	-	-	(185,412)	-	-	(185,412)	(127,457)	(312,869)
Net income for the period	-	-	-	-	-	-	-	-	98,232	98,232	-	98,232	65,034	163,266
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(30,862)	(30,862)
Allocation of Zakah	-	-	-	-	-	-	-	-	(3,961)	(3,961)	-	(3,961)	-	(3,961)
Profit distribution on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(15,750)	(15,750)	-	(15,750)	-	(15,750)
Expenses related to perpetual tier 1 capital	-	-	-	-	-	-	-	-	(447)	(447)	-	(447)	(342)	(789)
Movement related to subsidiaries' tier 1 capital	-	-	-	-	-	-	-	-	1,693	1,693	-	1,693	(4,444)	(2,751)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	42,855	42,855
At 30 September 2018	1,242,879	(9,370)	19,021	400,000	152,643	-	4,926	36,300	(891,654)	554,361	-	1,509,106	666,063	2,175,169

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 nine months ended 30 September 2019 (Reviewed)

	Cash US\$ '000	Sales receivable US\$ '000	Mudaraba financing in real estate 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	177,659	428,615	267,050	238	14,109	30,317	-	917,988
Withdrawals	(166,175)	(212,192)	(213,117)	-	(21,807)	(4,407)	-	(617,698)
Income net of expenses	-	25,561	4,031	-	11,580	2,853	-	44,025
Mudarib's share	-	(5,699)	(2,244)	-	(130)	(429)	-	(8,502)
Foreign exchange translation	-	7,930	-	-	-	344	-	8,274
At 30 September 2019	41,931	539,216	391,008	48,706	162,886	154,378	-	1,338,125
At 1 January 2018	33,196	177,793	292,657	48,411	112,345	190,788	48,190	903,380
Deposits	116,730	253,174	226,770	-	32,312	13,303	-	642,289
Withdrawals	(121,934)	(123,986)	(219,896)	(157)	(18,171)	(41,421)	(46,499)	(572,064)
Income net of expenses	-	6,511	6,315	137	2,535	(1,349)	20	14,169
Mudarib's share	-	(3,118)	(942)	-	-	(74)	(20)	(4,154)
Foreign exchange translation	-	(16,974)	-	-	-	(22,916)	-	(39,890)
At 30 September 2018	27,992	293,400	304,904	48,391	129,021	138,331	1,691	943,730

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 nine months period ended 30 September 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 of the nine months period ended 30 September 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 30 September 2019 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)***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. 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 3 November 2019.

3 CASH AND BALANCES WITH BANKS

	30 September	<i>Audited</i> 31 December
	2019	2018
	US\$ '000	US\$ '000
Balances with central banks	3,434,414	3,408,489
Balances with other banks	716,324	878,930
Cash and cash in transit	702,847	720,655
Less: allowance for credit losses	(165)	(65)
	4,853,420	5,008,009

4 RECEIVABLES

	30 September	<i>Audited</i> 31 December
	2019	2018
	US\$ '000	US\$ '000
Sales (Murabaha) receivables	10,915,992	10,441,374
Ijarah receivables	108,562	87,084
Salam receivables	215,486	215,681
Istisna'a receivables	149,014	126,232
Less: allowance for credit losses	(650,488)	(566,503)
	10,738,566	10,303,868

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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.

	30 September 2019				Audited 31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Good (1-4)	2,824,730	235,499	-	3,060,229	2,377,079
Satisfactory (5-7)	5,742,382	1,663,380	-	7,405,762	7,741,555
Default (8-10)	-	-	923,063	923,063	751,737
Less: allowance for credit losses	(39,451)	(101,313)	(509,724)	(650,488)	(566,503)
	8,527,661	1,797,566	413,339	10,738,566	10,303,868

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

	30 September 2019			Audited 31 December 2018
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January	29,753	124,402	412,348	566,503
Net remeasurement of loss allowance	(4,241)	(60,389)	154,256	89,626
Recoveries / write-backs	-	-	(22,462)	(22,462)
Allocation from (to) investment risk reserve	16,344	40,485	(29,158)	27,671
Amounts written off	-	-	(5,909)	(5,909)
FX translation / others	(2,405)	(3,185)	649	(4,941)
	39,451	101,313	509,724	650,488

5 MUDARABA AND MUSHARAKA FINANCING

	Audited	
	30 September 2019	31 December 2018
	US\$ '000	US\$ '000
Mudaraba financing	2,202,486	1,711,827
Musharaka financing	1,034,314	1,026,987
Less: allowance for credit losses	(19,800)	(19,908)
	3,217,000	2,718,906

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.

	30 September 2019				Audited 31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Good (1-4)	2,135,590	67,768	-	2,203,358	1,838,154
Satisfactory (5-7)	889,838	107,712	-	997,550	887,686
Default (8-10)	-	-	35,892	35,892	12,974
Less: allowance for credit losses	(2,336)	(2,205)	(15,259)	(19,800)	(19,908)
	3,023,092	173,275	20,633	3,217,000	2,718,906

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

5 MUDARABA AND MUSHARAKA FINANCING (continued)

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

	30 September 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	(746)	(6,163)	8,429	1,520	6,566
Recoveries / write-backs	-	-	(189)	(189)	(672)
Allocation from (to) investment risk reserve	67	-	(13)	54	(100)
Amounts written off	-	-	-	-	(20,902)
FX translation / others	57	229	(1,779)	(1,493)	7,992
	2,336	2,205	15,259	19,800	19,908

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.

	30 September 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)	454,582	6,832	-	461,414	463,766
Satisfactory (5-7)	925,360	368,532	-	1,293,892	1,325,653
Default (8-10)	-	-	-	-	-
Less: allowance for credit losses	(4,063)	(13,101)	-	(17,164)	(18,586)
	1,375,879	362,263	-	1,738,142	1,770,833

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

	30 September 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	157	(1,200)	-	(1,043)	258
Recoveries / write-backs	-	-	-	-	-
FX translation / others	(92)	(287)	-	(379)	(791)
	4,063	13,101	-	17,164	18,586

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

7 INVESTMENTS

	<i>Audited</i>	
	<i>30 September 2019</i>	
	<i>31 December 2018</i>	
	<i>US\$ '000</i>	
	<i>US\$ '000</i>	
Equity and debt-type instruments at fair value through statement of income (7.1)	303,021	215,160
Equity-type instruments at fair value through equity (7.2)	100,837	100,651
Debt-type instruments at amortised cost (7.3)	2,980,536	2,482,498
	3,384,394	2,798,309
Investment in real estate (7.4)	188,257	215,530
Investment in associates	56,588	53,169
	3,629,239	3,067,008

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

	<i>Audited</i>	
	<i>30 September 2019</i>	
	<i>31 December 2018</i>	
	<i>US\$ '000</i>	
	<i>US\$ '000</i>	
Quoted investments		
Debt instruments	3,551	2,626
Equity securities	294,601	212,152
Unquoted investments		
Equity securities	4,869	382
	303,021	215,160

7.2 Equity-type instruments at fair value through equity

	<i>Audited</i>	
	<i>30 September 2019</i>	
	<i>31 December 2018</i>	
	<i>US\$ '000</i>	
	<i>US\$ '000</i>	
Quoted investments		
Equity securities	44,627	45,386
Managed funds	14,040	14,214
	58,667	59,600
Unquoted investments		
Equity securities	34,553	42,265
Managed funds	15,501	5,194
	50,054	47,459
Impairment	(7,884)	(6,408)
	100,837	100,651

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

7 INVESTMENTS (continued)

7.3 Debt-type instruments at amortised cost

	30 September 2019 US\$ '000	Audited 31 December 2018 US\$ '000
Quoted investments		
Sukuk and similar items	2,065,152	1,447,117
	2,065,152	1,447,117
Unquoted investments		
Sukuk and similar items	924,287	1,046,983
Less: allowance for credit losses	(8,903)	(11,602)
	2,980,536	2,482,498

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\$ 3,214 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.

	30 September 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)	2,450,338	-	-	2,450,338	2,085,704
Satisfactory (5-7)	523,857	10,377	-	534,234	400,964
Default (8-10)	-	-	4,867	4,867	7,432
Less: allowance for credit losses	(3,663)	(781)	(4,459)	(8,903)	(11,602)
	2,970,532	9,596	408	2,980,536	2,482,498

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

	30 September 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	1,163	(224)	-	939	(2,038)
Allocation (to) from investment risk reserve	(41)	(1,240)	(2,564)	(3,845)	4,504
Amounts written off	-	-	-	-	(2,500)
FX translation / others	207	-	-	207	(57)
	3,663	781	4,459	8,903	11,602

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

7 INVESTMENTS (continued)

7.4 Investment in real estate

	<i>Audited</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Land	117,121	130,546
Buildings	71,136	84,984
	<u>188,257</u>	<u>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> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Beginning balance of the period / year	215,530	211,157
Acquisition	4,088	22,477
Net loss from fair value adjustments	(936)	(1,583)
Disposal	(82)	(1,676)
Transfer	(26,568)	-
Foreign exchange translation - net	(3,775)	(14,845)
	<u>(27,273)</u>	<u>4,373</u>
	<u>188,257</u>	<u>215,530</u>

8 OTHER ASSETS

	<i>Audited</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Bills receivable	183,209	123,733
Goodwill and intangible assets	74,569	75,923
Collateral pending sale	224,586	229,580
Prepayments	35,832	37,082
Deferred taxation	62,321	65,032
Good faith qard fund	31,527	22,092
Others	51,628	61,124
	<u>663,672</u>	<u>614,566</u>
Less: allowance for credit losses	(17,630)	(58,516)
	<u>646,042</u>	<u>556,050</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

9 LONG TERM FINANCING

	<i>Audited</i>
	<i>30 September 2019</i>
	<i>31 December 2018</i>
	<i>US\$ '000</i>
Murabaha financing	50,864
Subordinated financing obtained by a subsidiary	290,982
Wakala	-
	<u>341,846</u>
	<u>976,891</u>

10 OTHER LIABILITIES

	<i>Audited</i>
	<i>30 September 2019</i>
	<i>31 December 2018</i>
	<i>US\$ '000</i>
Payables	556,060
Cash margins	219,848
Managers' cheques	127,099
Current taxation	51,749
Deferred taxation	6,216
Accrued expenses	85,331
Charity fund	37,795
Others	70,592
Allowance for credit losses on unfunded exposures	24,497
	<u>1,179,187</u>
	<u>971,310</u>

11 EQUITY OF INVESTMENT ACCOUNTHOLDERS

	<i>Audited</i>
	<i>30 September 2019</i>
	<i>31 December 2018</i>
	<i>US\$ '000</i>
Equity of investment accountholders	14,439,265
Profit equalisation reserve	4,272
Investment risk reserve	82,042
Cumulative changes in fair value attributable to equity of investment accountholders - net	5,808
	<u>14,531,387</u>
	<u>13,122,368</u>

12 COMMITMENTS AND CONTINGENCIES

	<i>Audited</i>
	<i>30 September 2019</i>
	<i>31 December 2018</i>
	<i>US\$ '000</i>
Letters of credit	535,577
Guarantees	2,005,145
Acceptances	57,282
Undrawn commitments	872,403
Sharia'a compliant promise contracts	612,968
Others	125
	<u>4,083,500</u>
	<u>3,990,736</u>

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>Nine months ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Net income attributable to the equity holders of the parent for the period - US\$ '000	27,592	23,948	83,754	98,232
Less: Profit distributed on perpetual tier 1 capital	-	-	(15,750)	(15,750)
Net income attributable to the shareholders equity	27,592	23,948	68,004	82,482
Weighted number of shares outstanding at beginning of the period (in thousands)	1,242,879	1,242,879	1,242,879	1,242,879
Treasury shares effect (in thousands)	(8,791)	(9,472)	(8,867)	(9,702)
Weighted number of shares outstanding at end of the period - (in thousands)	1,234,088	1,233,407	1,234,012	1,233,177
Earnings per share - US cents	2.24	1.94	5.51	6.69

14 OWNERS' EQUITY

	<i>Audited</i>	
	<i>30 September</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Share capital		
Authorised:		
Ordinary shares 2,500,000,000 (2018: 2,500,000,000) of US\$ 1 each	2,500,000	2,500,000
Issued and fully paid up:		
At beginning of the period / year		
1,242,879,755 (2018: 1,206,679,374) shares of US\$1 each	1,242,879	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	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.

At 30 September 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.

<i>Subsidiary</i>	<i>Currency</i>	<i>Audited</i>	
		<i>30 September 2019</i>	<i>31 December 2018</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
Banque Al Baraka D'Algerie	Algerian Dinar	58,471	56,455
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	30,529	24,111
Al Baraka Bank Egypt	Egyptian Pound	124,278	138,794
Al Baraka Turk Participation Bank	Turkish Lira	541,679	468,562
Al Baraka Bank Limited	South African Rand	20,894	19,174
Al Baraka Bank Sudan	Sudanese Pound	85,849	87,051
Al Baraka Bank Tunis	Tunisian Dinar	32,251	33,519
Al Baraka Bank Syria	Syrian Pound	33,534	33,534
BTI Bank	Moroccan Dirham	309	113
		927,794	861,313

15 OTHER OPERATING INCOME

	<i>Nine months ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Foreign exchange gain*	54,225	116,690
Gain on sale of property and equipment	9,183	9,092
	63,408	125,782

* An amount of US\$ 18 million (2018: US\$ 80 million) is related to unrealised foreign currency revaluation gain from subsidiaries.

16 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

	<i>Nine months ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Cash and balances with banks	124	18
Receivables	67,164	150,699
Mudaraba and Musharaka financing	1,331	536
Ijarah Muntahia Bittamleek	(1,043)	(713)
Investments	3,072	(672)
Other assets	(1,218)	305
Other liabilities	1,920	2,483
	71,350	152,656

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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:

	Associated companies US\$ '000	Major shareholders US\$ '000	Directors and key management personnel US\$ '000	Other related parties US\$ '000	Nine months ended	
					30 September 2019 US\$ '000	30 September 2018 US\$ '000
Net income from jointly financed contracts and investments	2,621	11	62	-	2,694	1,652
Net (loss)/income from self financed contracts and investments	(1,591)	-	-	-	(1,591)	(670)
Return on equity of investment accountholders	250	779	401	-	1,430	587
Fees and commission income	301	1,951	-	-	2,252	339

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	
					30 September 2019 US\$ '000	31 December 2018 US\$ '000
Assets						
Receivables	2,204	-	414	-	2,618	2,724
Mudaraba and Musharaka financing	-	-	1,820	-	1,820	-
Investments	17,634	-	-	171	17,805	22,799
Ijarah Muntahia Bittamleek	-	-	116	-	116	204
Other assets	1,595	-	599	140	2,334	1,705
Liabilities						
Customer current and other accounts	7,437	15,263	875	303	23,878	26,359
Due to banks	701	-	-	-	701	15,139
Equity of investment accountholders	6,851	7,023	7,140	-	21,014	26,094
Off-balance sheet equity of investment accountholders	24,742	23,634	8,889	-	57,265	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 30 September 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	30 September 2019			Audited 31 December 2018		
	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	12,873,177	3,222,199	8,287,528	11,594,671	2,907,485	7,338,507
North Africa	2,660,426	1,405,209	972,318	2,743,750	1,429,458	1,042,643
Europe	8,040,703	3,440,539	4,186,198	7,919,036	3,662,996	3,768,663
Others	1,698,067	458,091	1,085,343	1,573,781	452,944	972,555
	25,272,373	8,526,038	14,531,387	23,831,238	8,452,883	13,122,368

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

Segment	Nine months ended 30 September 2019			Nine months ended 30 September 2018		
	Total operating income US\$ '000	Net operating income US\$ '000	Net income US\$ '000	Total operating income US\$ '000	Net operating income US\$ '000	Net income US\$ '000
Middle East	357,559	181,789	104,697	309,651	149,710	88,116
North Africa	106,277	59,484	37,795	95,378	47,300	22,827
Europe	151,272	11,816	(19,811)	339,298	191,434	45,864
Others	61,805	14,720	9,062	63,521	12,178	6,459
	676,913	267,809	131,743	807,848	400,622	163,266

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19 CASH AND CASH EQUIVALENTS

	<i>Nine months ended</i>	
	30 September	30 September
	2019	2018
	US\$ '000	US\$ '000
Balances with central banks excluding mandatory reserve	1,220,104	1,240,086
Balances with other banks	716,324	502,335
Cash and cash in transit	702,847	699,062
	2,639,275	2,441,483