Al Baraka Banking Group B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2018 (REVIEWED)

Building a better
working world

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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 condensed consolidated financial statements of Al Baraka Banking Group B.S.C. (the "Bank") and its subsidiaries (together the "Group") as at 31 March 2018, comprising of interim consolidated financial position as at 31 March 2018 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 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.

Ernst + Young

7 May 2018
Manama, Kingdom of Bahrain

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018 (Reviewed)

	Notes	31 March 2018 US$ '000	Audited 31 December 2017 US$ '000
ASSETS			
Cash and balances with banks	3	**5,151,640**	5,430,085
Receivables	4	**11,741,865**	12,001,050
Mudaraba and Musharaka financing	5	**2,712,367**	2,377,654
Ijarah Muntahia Bittamleek	6	**1,860,746**	1,856,018
Investments	7	**2,653,520**	2,888,334
Property and equipment		**409,167**	430,192
Other assets	8	**577,665**	469,878
TOTAL ASSETS		**25,106,970**	25,453,211
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Customer current and other accounts		**5,261,097**	5,465,433
Due to banks		**1,044,423**	1,322,470
Long term financing	9	**1,217,308**	1,236,555
Other liabilities	10	**1,155,181**	1,035,983
Total liabilities		**8,678,009**	9,060,441
EQUITY OF INVESTMENT ACCOUNTHOLDERS	11	**14,075,748**	13,882,109
OWNERS' EQUITY			
Share capital	14	**1,242,879**	1,206,679
Treasury shares		**(9,989)**	(9,550)
Share premium		**19,029**	18,644
Perpetual tier 1 capital	15	**400,000**	400,000
Reserves		**152,643**	199,282
Cumulative changes in fair values		**42,212**	40,443
Foreign currency translations	14	**(755,014)**	(706,242)
Retained earnings		**505,624**	530,615
Proposed appropriations	14	**-**	60,334
Equity attributable to parent's shareholders and Sukuk holders		**1,597,384**	1,740,205
Non-controlling interest		**755,829**	770,456
Total owners' equity		**2,353,213**	2,510,661
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		**25,106,970**	25,453,211

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 2018 (Reviewed)

	Notes	Three months ended 31 March 2018 US$ '000	31 March 2017 US$ '000
INCOME			
Net income from jointly financed contracts and investments		**330,164**	296,777
Return on equity of investment accountholders before Group's share as a Mudarib		**(282,975)**	(251,483)
Group's share as a Mudarib		**96,567**	92,269
Return on equity of investment accountholders		**(186,408)**	(159,214)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		**143,756**	137,563
Mudarib share for managing off-balance sheet equity of investment accountholders		**727**	281
Net income from self financed contracts and investments		**75,504**	88,045
Fees and commission income		**50,279**	39,665
Other operating income		**7,801**	3,762
		278,067	269,316
Profit paid on long term financing		**(21,449)**	(20,445)
TOTAL OPERATING INCOME		**256,618**	248,871
OPERATING EXPENSES			
Staff expenses		**89,446**	85,169
Depreciation and amortisation		**11,543**	11,559
Other operating expenses		**60,511**	50,996
TOTAL OPERATING EXPENSES		**161,500**	147,724
NET INCOME FOR THE PERIOD BEFORE NET ALLOWANCE FOR CREDIT LOSSES AND TAXATION		**95,118**	101,147
Net allowance for credit losses / impairment	16	**(13,475)**	(28,912)
NET INCOME FOR THE PERIOD BEFORE TAXATION		**81,643**	72,235
Taxation		**(24,674)**	(20,725)
NET INCOME FOR THE PERIOD		**56,969**	51,510
Attributable to:			
Equity holders of the parent		**34,992**	34,003
Non-controlling interest		**21,977**	17,507
		56,969	51,510
Basic and diluted earnings per share - US cents	13	**2.84**	2.76

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 CASH FLOWS

For the three months ended 31 March 2018 (Reviewed)

	Three months ended	
	31 March 2018 US$ '000	*31 March 2017 US$ '000*
OPERATING ACTIVITIES		
Net income for the period before taxation	**81,643**	72,235
Adjustments for:		
Depreciation and amortisation	**11,543**	11,559
Depreciation on Ijarah Muntahia Bittamleek	**42,063**	64,083
Unrealised loss (gain) on equity and debt-type instruments at fair value through statement of income	**4**	(414)
Gain on disposal of property and equipment	**(3,252)**	(1,824)
Gain on disposal of investment in real estate	**-**	(10)
Gain on disposal of equity-type instruments at fair value through equity	**(564)**	(952)
Gain on disposal of equity and debt-type instruments at fair value through statement of income	**(154)**	(58)
Net allowance for credit losses / impairment	**13,475**	28,912
Income from associates	**(1,864)**	(513)
Operating profit before changes in operating assets and liabilities	**142,894**	173,018
Net changes in operating assets and liabilities:		
Reserves with central banks	**268,671**	128,242
Receivables	**254,943**	(138,177)
Mudaraba and Musharaka financing	**(339,441)**	198,252
Ijarah Muntahia Bittamleek	**(46,790)**	(86,444)
Other assets	**(76,789)**	10,378
Customer current and other accounts	**(204,344)**	(146,529)
Due to banks	**(278,047)**	(103,901)
Other liabilities	**125,927**	12,891
Equity of investment accountholders	**194,184**	168,361
Taxation paid	**(75,695)**	(34,725)
Net cash (used in) from operating activities	**(34,487)**	181,366
INVESTING ACTIVITIES		
Net purchase of investments	**138,191**	(277,916)
Net purchase of property and equipment	**15,566**	(18,567)
Net movement in associates	**191**	16
Net disposal of investment in associates	**307**	163
Net cash from (used in) investing activities	**154,255**	(296,304)
FINANCING ACTIVITIES		
Dividends paid to equity holders of the parent	**(24,134)**	-
Net movement in treasury shares	**(54)**	(25)
Long term financing	**(19,247)**	(4,843)
Net change in non-controlling interest	**(13,830)**	(7,036)
Net cash used in financing activities	**(57,265)**	(11,904)
Foreign currency translation adjustments	**(72,277)**	(10,013)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(9,774)**	(136,855)
Cash and cash equivalents at 1 January	**2,861,182**	2,851,959
CASH AND CASH EQUIVALENTS AT 31 MARCH (note 19)	**2,851,408**	2,715,104

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three months ended 31 March 2018 (Reviewed)

	Attributable to equity holders of the parent 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 (Note 2.1)	-	-	-	-	-	(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 CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three months ended 31 March 2018 (Reviewed)

	Attributable to equity holders of the parent												
				Reserves									
	Share capital US$ '000	*Treasury shares US$ '000*	*Share premium US$ '000*	*Statutory reserve US$ '000*	*Other reserves US$ '000*	*Cumulative changes in fair value of investments US$ '000*	*Cumulative changes in fair value of property and equipment US$ '000*	*Foreign currency translation US$ '000*	*Retained earnings US$ '000*	*Appropriations US$ '000*	*Total US$ '000*	*Non-controlling interest US$ '000*	*Total owners' equity US$ '000*
At 1 January 2017	1,149,218	(9,588)	18,574	139,740	42,231	4,971	36,300	(666,719)	497,374	68,857	1,280,958	727,623	2,008,581
Dividends (note 14)	-	-	-	-	-	-	-	-	-	(11,396)	(11,396)	-	(11,396)
Bonus shares issued (note 14)	57,461	-	-	-	-	-	-	-	-	(57,461)	-	-	-
Net movement in treasury shares	-	(536)	511	-	-	-	-	-	-	-	(25)	-	(25)
Net movement in cumulative changes in fair values	-	-	-	-	-	(552)	-	-	-	-	(552)	(187)	(739)
Net movement in other reserves	-	-	-	-	(920)	-	-	-	-	-	(920)	(456)	(1,376)
Foreign currency translations	-	-	-	-	-	-	-	(4,405)	-	-	(4,405)	(5,607)	(10,012)
Net income for the period	-	-	-	-	-	-	-	-	34,003	-	34,003	17,507	51,510
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,971)	(5,971)
Allocation of Zakah	-	-	-	-	-	-	-	-	(4,021)	-	(4,021)	-	(4,021)
Effects of acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,065)	(1,065)
At 31 March 2017	1,206,679	(10,124)	19,085	139,740	41,311	4,419	36,300	(671,124)	527,356	-	1,293,642	731,844	2,025,486

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

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

For the three months ended 31 March 2018 (Reviewed)

	Cash	*Sales receivable*	*Mudaraba financing*	*Investment in real estate*	*Ijarah Muntahia Bittamleek*	*Investments*	*Others*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
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)
At 31 March 2018	**27,440**	**203,372**	**307,787**	**48,102**	**120,414**	**138,732**	**55,575**	**901,422**
At 1 January 2017	73,558	223,323	286,201	38,150	82,962	157,672	10,177	872,043
Deposits	94,578	138,223	123,307	15	631	220	25,242	382,216
Withdrawals	(70,658)	(79,886)	(162,623)	-	(3,061)	(9,134)	(23,967)	(349,329)
Income net of expenses	-	5,649	1,925	-	1,710	1,655	(1,062)	9,877
Mudarib's share	-	(137)	(120)	-	-	(2)	(22)	(281)
Foreign exchange translation	-	3,156	-	-	-	350	-	3,506
At 31 March 2017	97,478	290,328	248,690	38,165	82,242	150,761	10,368	918,032

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

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 2018 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 2017. In addition, results for the three months period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 2017 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 2017, except for the early adoption of FAS 30.

2.1 Early adoption of FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30")

The Group has early adopted FAS 30, effective from 1 January 2018 which has a mandatory date of initial application of 1 January 2020. The requirements of FAS 30 represent a significant change from the provisions part of FAS 11 "Provisions and Reserves".

As permitted by FAS 30, the standard has been applied retrospectively and the comparative amounts have not been restated. The impact of the early adoption of FAS 30 has been recognised in owners' equity. The standard eliminates the use of the existing FAS 11.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 Early adoption of FAS 30 - Impairment, Credit Losses and Onerous Commitments ("FAS 30") (continued)

Transition

Changes in accounting policies resulting from the adoption of FAS 30 have been applied retrospectively, except comparative periods which have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of FAS 30 are recognised in owner's equity as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of FAS 30 and therefore is not comparable to the information presented for 2018 under FAS 30.

Impact of adopting FAS 30

Following is the impact of early adoption of FAS 30:

	Balance 31 December 2017	*Transition adjustment*	*Restated balance 1 January 2018*
	US$ '000	*US$ '000*	*US$ '000*
Retained earnings	530,615	(56,021)	**474,594**
Non-controlling interest	770,456	(49,177)	**721,279**
Other reserves	46,639	(46,639)	-
Equity of investment accountholders	13,882,109	(56,174)	**13,825,935**
Cash and balances with banks	5,430,085	(109)	**5,429,976**
Receivables	12,001,050	(187,037)	**11,814,013**
Mudaraba and Musharaka financing	2,377,654	(4,957)	**2,372,697**
Investments - Debt-type instruments at amortised cost	2,250,552	(4,706)	**2,245,846**
Ijarah Muntahia Bittamleek	1,856,018	(19,119)	**1,836,899**
Other assets	469,878	18,997	**488,875**
Other liabilities	1,035,983	11,080	**1,047,063**

The key changes to the Group's accounting policies resulting from its adoption of FAS 30 are summarized in note 2.2 below.

2.2 Summary of significant accounting policies

a) Financial contracts

Financial contracts consist of cash and balances with banks, receivables, Mudaraba (net of deferred profit) and Musharaka financing, Investments - debt type instruments at amortised cost, Ijarah Muntahia Bittamleek (where the estimates of future cash flows dependent on a single customer) and certain other assets. In addition it consist of off-balance sheets exposures such as letter of credit, letter of guaranties and undrawn commitments. Balances relating to these contracts are stated net of allowance for credit losses.

b) Impairment assessment (policy applicable from 1st January 2018)

Impairment of financial assets

FAS 30 replaces the 'incurred loss' model in FAS 11 with Expected Credit Loss (ECL) model. The new impairment model also applies to certain financing commitments and financial guarantee contracts but not to equity investments.

The Group applies three-stage approach to measure ECL on financial assets carried at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b) Impairment assessment (policy applicable from 1st January 2018) (continued)

Impairment of financial assets (continued)

Stage 1: twelve months ECL
For exposures where there has not been a Significant Increase in Credit Risk ("SICR"), since initial recognition, a portion of the lifetime ECL's that represent the ECL that result from default events on a financial contract that is possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).of the lifetime ECL associated with the probability of default events occurring within next twelve months after the reporting date is recognised.

Stage 2: lifetime ECL – not credit impaired
For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Lifetime ECL is the loss that results from all possible default events over the expected life of the financial contract.

Lifetime ECL (Stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Stage 3: Lifetime ECL – credit impaired
Financial contracts are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

For Stage 3 financial contracts, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial contract. As this uses the same criteria as under FAS 11, the Group methodology for specific allowance for credit losses remains largely unchanged.

In case where there is no collaterals or guarantees which the Group can recover its exposure, the past due rules as per Group's policy or local requirements, whichever is more strict, are applied for allowance for credit losses calculation.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- probability that the borrower will enter bankruptcy or other financial reorganization; or
- the restructuring of a facility by the Group on terms that the Group would not consider otherwise.

Measurement of ECL
Following are the key inputs into the measurement of ECL:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

These parameters are generally derived from internally developed models and other historical data. These are adjusted to reflect forward-looking information as described below.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b) Impairment assessment (policy applicable from 1st January 2018) (continued)

Definition of default
The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the borrower is past due more than 90 days or any material credit obligation to the Group. In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Group.

Probability of default
Credit risk grades are a primary input into the determination of the term structure of Probability of Default (PD) for exposures. The Group collects performance and default information about its credit risk exposures analysed by credit risk grading for corporate and days-past-due for retail portfolio. The Group employs statistical models for analysing the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Group operates.

Each component (subsidiary) of the Group uses combination of key macro-economic indicators including, fiscal surplus/deficit as a percentage of GDP, gross domestic product (GDP) growth, oil prices, government spending, stock market volatility, cost of funding, lending rates credit growth, inflation rate and unemployment.

Types of PDs used for ECL computation
- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2'.

Incorporation of forward - looking information
The Group considers latest available economic forecasts published by the International Monetary Fund (IMF) or other reputed service providers, for 5 years. The Group employs statistical models to incorporate macro-economic factors on historical default rates. In case none of the macro-economic parameters are statistically significant or the results of forecasted PDs are significantly deviated from the present forecast for the economic conditions, quantitative PD overlay shall be used by the management after analyzing the portfolio as per the diagnostic tool.

Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures which are considered as performing (Stage 3 are the exposures under default category). As per the policy the, methodologies and assumptions involved, including any forecasts of future economic conditions, are required to be reviewed periodically.

Loss Given Default
LGD is a parentage that determine the amount of loss that will arise if the borrower was to default. This is calculated by looking at the collateral and other resources available to the Group that can be used to recover the asset in case of default.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. For Estimation of LGD, the Group considers use of any of the following methods:

Internal default history: When data is available units can estimate LGDs using the historical default information and corresponding recovery data.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b) Impairment assessment (policy applicable from 1st January 2018) (continued)

BASEL LGD: local regulatory recommended Basel LGD adjusted depending on the available collateral.

Collateral-based LGD: for secured financing the Group uses collateral-based LGD, where the Group has effective collateral management framework that is able to assess and provide up to date collateral valuation and establish legal charge and enforceability.

Exposure At Default
EAD represents estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, and expected drawdowns on committed facilities.

On-balance sheet EADs
EADs for on-balance sheet items are the amount that is outstanding at the time of default. Outstanding of an on-balance sheet exposure shall be directly taken subject to inclusion of its repayment structure.

Prepayments have to be estimated using previous trends and deducted from EAD while calculating ECL.

Off-balance sheet EADs
Off-balance sheet exposures do not have fixed payout date; thus, the EAD for off-balance sheet is calculated after applying the Credit Conversion Factor (CCF) to the nominal amount of the Off-balance sheet exposure. The Group uses following methods to work out CCF for off- balance sheet EADs.

CCF based on internal data - The Group performs off-balance sheet product based analysis to study the average percentage utilization/conversion over a period of 3- 5 years. Based on the analysis product wide conversion/utilization factors is estimated. For letter of Credit (LCs) and letter of guarantees (LGs) issued, units determines CCF by estimating total amount of LCs/LGs devolved/converted over last 3-5 years as a percentage of total LC/LG issued to arrive at the expected exposure over the future for these off-balance sheet items.

Regulatory CCFs - In absence of internal data, The Group uses same as Basel CCF that are used for calculating the Capital Adequacy Ratio (CAR) as per the CBB regulations. These rates are 20% for exposures with maturity equal to or less than 1 year and 50% for exposures with maturity of more than 1 year.

Collective ECL computation and staging
ECL on individually large exposures and credit-impaired loans are generally measured individually. For retail exposures and other exposures to small and medium-sized enterprises, where less client-specific information is available, ECL is measured on a collective basis. This incorporates borrower-specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

To assess the staging of exposures and to measure a loss allowance on a collective basis, the Group groups its exposures into segments on the basis of shared credit risk characteristics, such as geography, type of customer, industry, rating, date of initial recognition, maturity and collateral value.

Significant Increase in Credit Risk
When determining whether the risk of default on a financial contracts has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost and efforts. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b) Impairment assessment (policy applicable from 1st January 2018) (continued)

Significant Increase in Credit Risk (continued)
The assessment is carried out for specific instrument rather than a counterparty. As each instrument may have had different credit risk at initial recognition.

The application of above requirements of SICR to various locations of the Group varies depending on a number of circumstances facing by each location and each location applies a robust risk assessment methodology that is commensurate with the size, complexity, structure, economic significance and risk profile of its portfolio.

Renegotiated financial assets
The accounts which are performing prior to restructuring but restructured due to financial difficulty are categorised under stage 2. The accounts that are non-performing or meet any criteria for classifying as non-performing (prior to restructuring), then such restructured accounts are categorized under stage 3.

Backward transition
FAS 30 staging model is of symmetrical nature as movement across stages is a "Two Way" phenomenon. However, backward movement across stages are not immediate once SICR indicators are no longer triggered. Once such indicators are no longer triggered, movement back to Stage 1 or Stage 2 has to be calibrated and cannot be automatic or immediate. Certain criteria like cooling off period, SICR indicators and payment history are considered for migrating customers to Stage 2 or Stage 1. Following factors including cure period are considered for any backward transition:

From Stage 2 to stage 1
- The criteria to classify the exposure into Stage 2 (criteria covered in SICR section above) is no longer present;
- Up to date payment with no arrears;
- A minimum cool-off/cure period of 6 months for any stage 2 accounts;
- A minimum cool-off/cure period of 12 months for restructured accounts

From stage 3 to stage 2
- The criteria to classify the exposure into Stage 3 (criteria covered in default section above) is no longer present.
- Up to date payment with no arrears.
- A minimum cool-off/cure period of 12 months for non-performing and restructured facilities.

Write-offs
Financing facilities are written-off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Presentation of allowance for credit losses in the interim consolidated statement of financial position
Allowance for credit losses are presented in the interim consolidated statement of financial position as follows:

- financial assets measured at amortised cost, as a deduction from the gross carrying amount of the assets;
- financing commitments and financial guarantee contracts: generally as a provision included in other liabilities; and

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

b) Impairment assessment (policy applicable from 1st January 2018) (continued)

Presentation of allowance for credit losses in the interim consolidated statement of financial position (continued)

- where a financial contract includes both a drawn and undrawn component, and the Group has identified the ECL on the financing commitments / off-balance sheet component separately from those on the drawn component, allowance for credit losses on undrawn component is presented as a provision in other liabilities.

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 7 May 2018.

3 CASH AND BALANCES WITH BANKS

	31 March 2018 US$ '000	*Audited 31 December 2017 US$ '000*
Balances with central banks	**3,938,575**	4,102,938
Balances with other banks	**549,782**	602,517
Cash and cash in transit	**663,392**	724,630
Less: allowance for credit losses	**(109)**	-
	5,151,640	5,430,085

4 RECEIVABLES

	31 March 2018 US$ '000	*Audited December 2017 US$ '000*
Sales (Murabaha) receivables	**11,917,357**	11,996,930
Ijarah receivables	**95,882**	81,970
Salam receivables	**204,655**	193,910
Istisna'a receivables	**109,392**	118,116
Less: allowance for credit losses	**(585,421)**	(389,876)
	11,741,865	12,001,050

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 2018				*Audited 31 December 2017*
	Stage 1 US$ '000	*Stage 2 US$ '000*	*Stage 3 US$ '000*	*Total US$ '000*	*Total US$ '000*
Good (1-4)	2,532,741	209,510	-	2,742,251	2,635,565
Satisfactory (5-7)	7,430,970	1,396,250	-	8,827,220	9,087,367
Default (8-10)	-	-	757,815	757,815	667,994
Less: allowance for credit losses	(38,595)	(101,719)	(445,107)	(585,421)	(389,876)
	9,925,116	1,504,041	312,708	11,741,865	12,001,050

4 RECEIVABLES (continued)

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

	31 March 2018				Audited 31 December 2017
	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 on adoption of FAS 30	32,409	83,877	460,627	576,913	375,243
Net remeasurement of loss allowance	806	2,391	60,299	63,496	155,874
Recoveries / write-backs	-	-	(59,254)	(59,254)	(29,810)
Amounts written off	-	-	(85)	(85)	(119,333)
FX translation / others	5,380	15,451	(16,480)	4,351	7,902
	38,595	**101,719**	**445,107**	**585,421**	389,876

5 MUDARABA AND MUSHARAKA FINANCING

	31 March 2018 US$ '000	*Audited 31 December 2017 US$ '000*
Mudaraba financing	**1,649,584**	1,413,536
Musharaka financing	**1,093,258**	986,185
Less: allowance for credit losses	**(30,475)**	(22,067)
	2,712,367	2,377,654

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 2018				Audited 31 December 2017
	Stage 1 US$ '000	*Stage 2 US$ '000*	*Stage 3 US$ '000*	*Total US$ '000*	*Total US$ '000*
Good (1-4)	1,801,022	223,092	-	2,024,114	1,760,099
Satisfactory (5-7)	622,370	68,783	-	691,153	607,185
Default (8-10)	-	-	27,575	27,575	32,437
Less: allowance for credit losses	(2,314)	(8,965)	(19,196)	(30,475)	(22,067)
	2,421,078	**282,910**	**8,379**	**2,712,367**	2,377,654

5 MUDARABA AND MUSHARAKA FINANCING (continued)

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

	31 March 2018				Audited 31 December 2017
	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 on adoption of FAS 30	2,140	1,533	23,351	27,024	18,549
Net remeasurement of loss allowance	(97)	3,861	1,095	4,859	3,563
Recoveries / write-backs	-	-	(132)	(132)	(694)
FX translation / others	271	3,571	(5,118)	(1,276)	649
	2,314	**8,965**	**19,196**	**30,475**	**22,067**

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 2018				Audited 31 December 2017
	Stage 1 US$ '000	*Stage 2 US$ '000*	*Stage 3 US$ '000*	*Total US$ '000*	*Total US$ '000*
Good (1-4)	817,753	8,505	-	826,258	818,077
Satisfactory (5-7)	938,588	114,527	-	1,053,115	1,037,941
Default (8-10)	-	-	-	-	-
Less: allowance for credit losses	(6,035)	(12,592)	-	(18,627)	-
	1,750,306	**110,440**	-	**1,860,746**	1,856,018

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

	31 March 2018				Audited 31 December 2017
	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 on adoption of FAS 30	8,470	10,649	-	19,119	-
Net remeasurement of loss allowance	(2,419)	1,941	-	(478)	-
FX translation / others	(16)	2	-	(14)	-
	6,035	**12,592**	-	**18,627**	-

7 INVESTMENTS

	31 March 2018 US$ '000	*Audited 31 December 2017 US$ '000*
Equity and debt-type instruments at fair value through statement of income (7.1)	**257,055**	271,096
Equity-type instruments at fair value through equity (7.2)	**95,994**	103,818
Debt-type instruments at amortised cost (7.3)	**2,044,785**	2,250,552
	2,397,834	2,625,466
Investment in real estate (7.4)	**202,599**	211,157
Investment in associates	**53,087**	51,711
	2,653,520	2,888,334

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

	31 March 2018 US$ '000	*Audited 31 December 2017 US$ '000*
Quoted investments		
Debt instruments	**3,925**	7,312
Equity securities	**253,057**	263,655
Unquoted investments		
Debt instruments	**-**	7
Equity securities	**73**	122
	257,055	271,096

7.2 Equity-type instruments at fair value through equity

	31 March 2018 US$ '000	*Audited 31 December 2017 US$ '000*
Quoted investments		
Equity securities	**49,292**	46,061
Managed funds	**11,935**	11,910
	61,227	57,971
Unquoted investments		
Equity securities	**34,370**	37,132
Managed funds	**5,181**	13,424
	39,551	50,556
Impairment	**(4,784)**	(4,709)
	95,994	103,818

7 INVESTMENTS (continued)

7.3 Debt-type instruments at amortised cost

	31 March 2018 US$ '000	Audited 31 December 2017 US$ '000
Quoted investments		
Sukuk and similar items	**1,331,560**	1,293,381
	1,331,560	1,293,381
Unquoted investments		
Sukuk and similar items	**722,699**	964,158
	722,699	964,158
Less: allowance for credit losses	**(9,474)**	(6,987)
	2,044,785	2,250,552

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 2017: US$ 2,289 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 2018				*Audited 31 December 2017*
	Stage 1 US$ '000	*Stage 2 US$ '000*	*Stage 3 US$ '000*	*Total US$ '000*	*Total US$ '000*
Good (1-4)	1,714,527	-	-	1,714,527	1,813,971
Satisfactory (5-7)	332,365	-	-	332,365	436,201
Default (8-10)	-	-	7,367	7,367	7,367
Less: allowance for credit losses	(2,515)	-	(6,959)	(9,474)	(6,987)
	2,044,377	-	408	2,044,785	2,250,552

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

	31 March 2018				*Audited 31 December 2017*
	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 on adoption of FAS 30	4,706	-	6,987	11,693	4,262
Net remeasurement of loss allowance	(2,236)	-	-	(2,236)	418
Recoveries / write-backs	-	-	-	-	(278)
FX translation / others	45	-	(28)	17	2,585
	2,515	-	6,959	9,474	6,987

7 INVESTMENTS (continued)

7.4 Investment in real estate

	31 March 2018 US$ '000	*Audited 31 December 2017 US$ '000*
Land	**121,747**	130,247
Buildings	**80,852**	80,910
	202,599	211,157

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

	31 March 2018 US$ '000	*Audited 31 December 2017 US$ '000*
Beginning balance of the period / year	**211,157**	191,565
Acquisition	**3,267**	24,698
Net (loss) gain from fair value adjustments	**(91)**	5,503
Disposal	**(588)**	(4,016)
Foreign exchange translation - net	**(11,146)**	(6,593)
	(8,558)	19,592
	202,599	211,157

8 OTHER ASSETS

	31 March 2018 US$ '000	*Audited 31 December 2017 US$ '000*
Bills receivable	**151,777**	149,661
Goodwill and intangible assets	**82,600**	86,837
Collateral pending sale	**97,428**	73,222
Prepayments	**52,928**	20,254
Deferred taxation	**72,237**	35,808
Good faith qard fund	**20,712**	41,039
Others	**120,323**	78,252
	598,005	485,073
Less: allowance for credit losses	**(20,340)**	(15,195)
	577,665	469,878

9 LONG TERM FINANCING

	31 March 2018 US$ '000	Audited 31 December 2017 US$ '000
Murabaha financing	**579,877**	622,006
Subordinated financing obtained by a subsidiary	**472,103**	453,416
Wakala	**165,328**	161,133
	1,217,308	1,236,555

10 OTHER LIABILITIES

	31 March 2018 US$ '000	Audited 31 December 2017 US$ '000
Payables	**344,407**	301,293
Cash margins	**335,488**	393,240
Managers' cheques	**109,770**	92,046
Current taxation	**56,521**	73,978
Deferred taxation	**6,117**	3,256
Accrued expenses	**74,046**	89,212
Charity fund	**24,669**	18,805
Others	**176,728**	55,422
Allowance for credit losses on unfunded exposures	**27,435**	8,731
	1,155,181	1,035,983

11 EQUITY OF INVESTMENT ACCOUNTHOLDERS

	31 March 2018 US$ '000	Audited 31 December 2017 US$ '000
Equity of investment accountholders	**13,941,369**	13,680,020
Profit equalisation reserve	**2,554**	6,006
Investment risk reserve	**123,444**	187,149
Cumulative changes in fair value attributable to equity of investment accountholders - net	**8,381**	8,934
	14,075,748	13,882,109

12 COMMITMENTS AND CONTINGENCIES

	31 March 2018 US$ '000	Audited 31 December 2017 US$ '000
Letters of credit	**908,208**	853,547
Guarantees	**2,364,338**	2,343,883
Acceptances	**75,802**	76,755
Undrawn commitments	**996,915**	1,150,183
Sharia'a compliant promise contracts	**370,472**	300,365
Others	**151**	277
	4,715,886	4,725,010

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:

	Three months ended	
	31 March 2018 US$ '000	*31 March 2017 US$ '000*
Net income attributable to the shareholders equity	**34,992**	34,003
Weighted number of shares outstanding at beginning of the period (in thousands)	**1,242,879**	1,206,679
Treasury shares effect (in thousands)	**(9,889)**	(10,066)
Bonus shares effect (in thousands)*	**-**	36,200
Weighted number of shares outstanding at end of the period - (in thousands)	**1,232,990**	1,232,813
Earnings per share - US cents	**2.84**	2.76

* The number of shares of the previous period has been adjusted on account of the bonus issue made during 2017.

14 OWNERS' EQUITY

	31 March 2018 US$ '000	*Audited 31 December 2017 US$ '000*
Share capital		
Authorised:		
Ordinary shares 2,500,000,000 (2017: 1,500,000,000) of US$ 1 each	**2,500,000**	1,500,000

	31 March 2018 US$ '000	*Audited 31 December 2017 US$ '000*
Issued and fully paid up:		
At beginning of the period / year 1,206,679,374 (2017: 1,149,218,451) shares of US$1 each	**1,206,679**	1,149,218
Issued during the period / year 36,200,381 bonus shares (2017: 57,460,923) of US$1 each	**36,200**	57,461
At end of the period / year 1,242,879,755 (2017: 1,206,679,374) shares of US$1 each	**1,242,879**	1,206,679

Appropriations

At the Annual General Meeting held on 20 March 2018 (2017: 20 March 2017), the shareholders of the Group resolved to distribute US$ 24,134 thousand (2017: US$ 11,396 thousand) as cash dividends and US$ 36,200 thousand (2017: US$ 57,461 thousand) as bonus shares.

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*	*31 March 2018 US$ '000*	*Audited 31 December 2017 US$ '000*
Banque Al Baraka D'Algerie (BAA)	Algerian Dinar	**53,690**	54,401
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	**14,912**	12,078
Al Baraka Bank Egypt (ABE)	Egyptian Pound	**138,238**	138,837
Al Baraka Turk Participation Bank (ATPB)	Turkish Lira	**394,255**	378,186
Al Baraka Bank Limited (ABL)	South African Rand	**12,204**	13,857
Al Baraka Bank Sudan (ABS)	Sudanese Pound	**83,411**	49,719
Al Baraka Bank Tunis (ABT)	Tunisian Dinar	**25,184**	25,859
Al Baraka Bank Syria (ABBS)	Syrian Pound	**33,454**	33,454
BTI Bank	Moroccan Dirham	**(334)**	(149)
		755,014	706,242

15 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.

16 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

	31 March 2018 US$ '000	*Audited 31 March 2017 US$ '000*
Receivables	**4,721**	32,511
Mudaraba and Musharaka financing	**4,727**	1,132
Ijarah Muntahia Bittamleek	**(478)**	-
Investments	**(2,001)**	290
Other assets	**(852)**	(957)
Other liabilities	**7,358**	(4,064)
	13,475	28,912

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	Three months ended 31 March 2018 US$ '000	Three months ended 31 March 2017 US$ '000
Net income from jointly financed contracts and investments	527	14	13	-	**554**	550
Net income from self financed contracts and investments	-	-	-	-	**-**	2
Return on equity of investment accountholders	168	38	90	1	**297**	223
Fees and commission income	35	-	-	-	**35**	166

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	31 March 2018 US$ '000	Audited 31 December 2017 US$ '000
Assets						
Receivables	1,851	-	665	-	**2,516**	2,615
Investments	36,783	-	-	282		37,848
Mudaraba and Musharaka financing	-	797	2,079	-	**2,876**	-
Ijarah Muntahia Bittamleek	-	-	338	-	**338**	382
Other assets	1,229	1	403	109	**1,742**	587
Liabilities						
Customer current and other accounts	7,214	6,280	1,363	73	**14,930**	10,352
Due to banks	428	364	-	-	**792**	-
Other liabilities	-	14	4	-	**18**	-
Equity of investment accountholders	22,489	3,999	7,577	70	**34,135**	20,537
Off-balance sheet equity of investment accountholders	16,541	9,654	7,693	-	**33,888**	33,426

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

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:

	31 March 2018			*Audited 31 December 2017*		
	Assets US$ '000	***Liabilities US$ '000***	***Equity of investment accountholders US$ '000***	*Assets US$ '000*	*Liabilities US$ '000*	*Equity of investment accountholders US$ '000*
Segment						
Middle East	**11,255,095**	**3,017,468**	**6,927,654**	11,154,872	2,976,028	6,827,712
North Africa	**2,761,891**	**1,427,249**	**1,074,205**	2,691,890	1,355,042	1,042,965
Europe	**9,341,156**	**3,724,371**	**4,992,325**	9,538,495	4,034,513	4,847,691
Others	**1,748,828**	**508,921**	**1,081,564**	2,067,954	694,858	1,163,741
	25,106,970	**8,678,009**	**14,075,748**	25,453,211	9,060,441	13,882,109

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

	Three months ended 31 March 2018			*Three months ended 31 March 2017*		
	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*
Segment						
Middle East	**97,598**	**35,893**	**23,532**	96,767	41,579	28,948
North Africa	**28,321**	**12,036**	**7,470**	24,134	8,284	5,297
Europe	**108,778**	**43,159**	**23,202**	97,190	41,233	10,299
Others	**21,921**	**4,030**	**2,765**	30,780	10,051	6,966
	256,618	**95,118**	**56,969**	248,871	101,147	51,510

19 CASH AND CASH EQUIVALENTS

	Three months ended	
	31 March 2018 US$ '000	*31 March 2017 US$ '000*
Balances with central banks excluding mandatory reserve	**1,638,234**	1,439,972
Balances with other banks	**549,782**	716,520
Cash and cash in transit	**663,392**	558,612
	2,851,408	2,715,104