

Al Baraka Banking Group B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 JUNE 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 June 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 six 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.



6 August 2019
Manama, Kingdom of Bahrain

Al Baraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 (Reviewed)

		<i>Audited</i>
		30 June 31 December
		2019 2018
	Notes	US\$ '000 US\$ '000
ASSETS		
Cash and balances with banks	3	4,210,897 5,008,009
Receivables	4	10,451,815 10,303,868
Mudaraba and Musharaka financing	5	3,436,798 2,718,906
Ijarah Muntahia Bittamleek	6	1,770,587 1,770,833
Investments	7	3,302,560 3,067,008
Property and equipment		428,024 406,564
Other assets	8	640,875 556,050
TOTAL ASSETS		24,241,556 23,831,238
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		
LIABILITIES		
Customer current and other accounts		5,640,663 5,325,924
Due to banks		1,189,731 1,178,758
Long term financing	9	312,671 976,891
Other liabilities	10	1,012,613 971,310
Total liabilities		8,155,678 8,452,883
EQUITY OF INVESTMENT ACCOUNTHOLDERS	11	13,912,609 13,122,368
OWNERS' EQUITY		
Share capital	14	1,242,879 1,242,879
Treasury shares		(8,834) (9,203)
Share premium		18,588 18,829
Perpetual tier 1 capital		400,000 400,000
Reserves		166,121 165,551
Cumulative changes in fair values		31,825 31,929
Foreign currency translations	14	(934,514) (861,313)
Retained earnings		556,236 519,587
Proposed appropriations	14	- 37,286
Equity attributable to parent's shareholders and Sukuk holders		1,472,301 1,545,545
Non-controlling interest		700,968 710,442
Total owners' equity		2,173,269 2,255,987
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		24,241,556 23,831,238



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 six months ended 30 June 2019 (Reviewed)

	Notes	Three months ended		Six months ended	
		30 June 2019 US\$ '000	30 June 2018 US\$ '000	30 June 2019 US\$ '000	30 June 2018 US\$ '000
INCOME					
Net income from jointly financed contracts and investments		342,380	331,680	684,866	661,844
Return on equity of investment accountholders before Group's share as a Mudarib		(303,667)	(299,235)	(600,730)	(582,210)
Group's share as a Mudarib		86,323	98,238	169,081	194,805
Return on equity of investment accountholders		(217,344)	(200,997)	(431,649)	(387,405)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)		125,036	130,683	253,217	274,439
Mudarib share for managing off-balance sheet equity of investment accountholders		5,474	2,166	6,872	2,893
Net income from self financed contracts and investments		37,653	76,300	83,682	151,804
Fees and commission income		42,457	26,656	82,508	76,935
Other operating income	15	30,501	43,999	48,060	51,800
		241,121	279,804	474,339	557,871
Profit paid on long term financing		(15,143)	(24,489)	(31,995)	(45,938)
TOTAL OPERATING INCOME		225,978	255,315	442,344	511,933
OPERATING EXPENSES					
Staff expenses		76,738	77,100	160,983	166,546
Depreciation and amortisation		10,296	11,242	20,252	22,785
Other operating expenses		41,504	39,674	91,399	100,185
TOTAL OPERATING EXPENSES		128,538	128,016	272,634	289,516
NET INCOME FOR THE PERIOD BEFORE NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT AND TAXATION					
Net allowance for credit losses / impairment	16	97,440	127,299	169,710	222,417
		(18,088)	(45,292)	(28,465)	(58,767)
NET INCOME FOR THE PERIOD BEFORE TAXATION		79,352	82,007	141,245	163,650
Taxation		(25,196)	(17,221)	(45,873)	(41,895)
NET INCOME FOR THE PERIOD		54,156	64,786	95,372	121,755
Attributable to:					
Equity holders of the parent		32,167	39,292	56,162	74,284
Non-controlling interest		21,989	25,494	39,210	47,471
		54,156	64,786	95,372	121,755
Basic and diluted earnings per share - US cents	13	1.33	1.91	3.27	4.75



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 six months ended 30 June 2019 (Reviewed)

	<i>Six months ended</i>	
	30 June 2019 US\$ '000	30 June 2018 US\$ '000
OPERATING ACTIVITIES		
Net income for the period before taxation	141,245	163,650
Adjustments for:		
Depreciation and amortisation	20,252	22,785
Depreciation on Ijarah Muntahia Bittamleek	95,641	92,834
Unrealised gain on equity and debt-type instruments at fair value through statement of income	(5,343)	(6,379)
Gain on disposal of property and equipment	(3,083)	(7,940)
Gain on disposal of investment in real estate	(381)	(926)
Gain on disposal of equity-type instruments at fair value through equity	(89)	(582)
Gain on disposal of equity and debt-type instruments at fair value through statement of income	(3,700)	(163)
Net allowance for credit losses / impairment	28,465	58,767
Income from associates	(4,522)	(2,988)
Operating profit before changes in operating assets and liabilities	268,485	319,058
Net changes in operating assets and liabilities:		
Reserves with central banks	62,154	(559,237)
Receivables	(165,387)	601,283
Mudaraba and Musharaka financing	(719,317)	(292,735)
Ijarah Muntahia Bittamleek	(97,946)	(61,939)
Other assets	(96,896)	(56,434)
Customer current and other accounts	314,739	(131,963)
Due to banks	10,973	26,220
Other liabilities	69,759	(80,467)
Equity of investment accountholders	792,453	(220,819)
Taxation paid	(65,954)	(90,771)
Net cash from (used in) operating activities	373,063	(547,804)
INVESTING ACTIVITIES		
Net purchase of investments	(229,867)	(75,404)
Net (purchase) disposal of property and equipment	(34,595)	19,197
Net movement in associates	(93)	1,961
Net (purchase) disposal of investment in associates	(1,962)	1,443
Net cash used in investing activities	(266,517)	(52,803)
FINANCING ACTIVITIES		
Dividends paid to equity holders of the parent	(37,286)	(24,134)
Net movement in treasury shares	128	568
Profit distributed on perpetual tier 1 capital	(15,750)	(15,750)
Profit distributed on perpetual tier 1 capital issued by subsidiaries	1,880	-
Long term financing	(664,220)	(141,795)
Net change in non-controlling interest	(30,455)	(33,289)
Net cash used in financing activities	(745,703)	(214,400)
Foreign currency translation adjustments	(95,619)	(180,136)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(734,776)	(995,143)
Cash and cash equivalents at 1 January	2,917,794	2,861,182
CASH AND CASH EQUIVALENTS AT 30 JUNE (note 19)	2,183,018	1,866,039

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 six months ended 30 June 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	-	369	(241)	-	-	-	-	-	-	-	-	128	-	128
Net movement in other reserves	-	-	-	-	-	570	-	-	-	-	-	570	725	1,295
Net movement in cumulative changes in fair values	-	-	-	-	-	-	(104)	-	-	-	-	(104)	56	(48)
Foreign currency translations	-	-	-	-	-	-	-	-	(73,201)	-	-	(73,201)	(22,418)	(95,619)
Net income for the period	-	-	-	-	-	-	-	-	56,162	-	-	56,162	39,210	95,372
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(26,400)	(26,400)
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	-	-	-	-	-	-	-	-	1,880	-	-	1,880	(4,444)	(2,564)
Effect of change in ownership	-	-	-	-	-	-	-	-	(3,408)	-	-	(3,408)	3,408	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	389	389
At 30 June 2019	1,242,879	(8,834)	18,588	400,000	165,551	570	4,635	27,190	(934,514)	556,236	-	1,472,301	700,968	2,173,269

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 six months ended 30 June 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 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	-	188	380	-	-	-	-	-	-	-	-	568	-	568
Net movement in cumulative changes in fair values	-	-	-	-	-	-	2,191	-	-	-	-	-	1,343	3,534
Foreign currency translations	-	-	-	-	-	-	-	-	(111,008)	-	-	(111,008)	(69,128)	(180,136)
Net income for the period	-	-	-	-	-	-	-	-	74,284	-	-	74,284	47,471	121,755
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(3,961)	-	-	(3,961)	(30,484)	(30,484)
Allocation of Zakah	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,961)
Profit distribution on perpetual tier 1 capital	-	-	-	-	-	-	-	-	(15,750)	-	-	(15,750)	-	(15,750)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	46,372	46,372
At 30 June 2018	1,242,879	(9,362)	19,024	400,000	152,643	-	6,334	36,300	(817,250)	529,167	-	1,559,735	716,853	2,276,588

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 six months ended 30 June 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	135,271	286,676	308,446	183	12,817	32,222	-	775,615
Withdrawals	(70,099)	(255,723)	(251,738)	-	(14,755)	(3,167)	-	(595,482)
Income net of expenses	-	11,917	2,997	-	7,349	1,171	-	23,434
Mudarib's share	-	(5,371)	(1,368)	-	(76)	(57)	-	(6,872)
Foreign exchange translation	-	7,502	-	-	-	344	-	7,846
At 30 June 2019	95,619	340,002	393,625	48,651	164,469	156,213	-	1,198,579
At 1 January 2018	33,196	177,793	292,657	48,411	112,345	190,788	48,190	903,380
Deposits	110,052	236,917	292,170	-	27,369	13,198	696	680,402
Withdrawals	(109,045)	(178,754)	(266,200)	(917)	(13,333)	(40,217)	(31,809)	(640,275)
Income net of expenses	-	6,066	4,045	170	2,892	(2,296)	20	10,897
Mudarib's share	-	(2,330)	(508)	-	-	(35)	(20)	(2,893)
Foreign exchange translation	-	(9,221)	-	-	-	(22,916)	-	(32,137)
At 30 June 2018	34,203	230,471	322,164	47,664	129,273	138,522	17,077	919,374

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 June 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 six months period ended 30 June 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 six months period ended 30 June 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 June 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 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 6 August 2019.

3 CASH AND BALANCES WITH BANKS

	30 June	<i>Audited</i> 31 December
	2019	2018
	US\$ '000	US\$ '000
Balances with central banks	3,216,343	3,408,489
Balances with other banks	313,744	878,930
Cash and cash in transit	681,063	720,655
Less: allowance for credit losses	(253)	(65)
	4,210,897	5,008,009

4 RECEIVABLES

	30 June	<i>Audited</i> 31 December
	2019	2018
	US\$ '000	US\$ '000
Sales (Murabaha) receivables	10,587,894	10,441,374
Ijarah receivables	91,569	87,084
Salam receivables	223,180	215,681
Istisna'a receivables	140,347	126,232
Less: allowance for credit losses	(591,175)	(566,503)
	10,451,815	10,303,868

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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 June 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)	2,354,467	245,028	-	2,599,495	2,377,079
Satisfactory (5-7)	5,766,589	1,843,443	-	7,610,032	7,741,555
Default (8-10)	-	-	833,463	833,463	751,737
Less: allowance for credit losses	(42,167)	(89,559)	(459,449)	(591,175)	(566,503)
	8,078,889	1,998,912	374,014	10,451,815	10,303,868

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

	30 June 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
Balance at 1 January	29,753	124,402	412,348	566,503
Net remeasurement of loss allowance	5,928	(63,908)	97,960	39,980
Recoveries / write-backs	-	-	(21,198)	(21,198)
Allocation from (to) investment risk reserve	11,230	35,304	(27,219)	19,315
Amounts written off	-	-	(5,810)	(5,810)
FX translation / others	(4,744)	(6,239)	3,368	(7,615)
	42,167	89,559	459,449	591,175

5 MUDARABA AND MUSHARAKA FINANCING

	Audited	
	30 June 2019 US\$ '000	31 December 2018 US\$ '000
Mudaraba financing	2,431,919	1,711,827
Musharaka financing	1,024,949	1,026,987
Less: allowance for credit losses	(20,070)	(19,908)
	3,436,798	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 June 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)	1,132,190	1,405,879	-	2,538,069	1,838,154
Satisfactory (5-7)	710,638	176,926	-	887,564	887,686
Default (8-10)	-	-	31,235	31,235	12,974
Less: allowance for credit losses	(2,266)	(2,808)	(14,996)	(20,070)	(19,908)
	1,840,562	1,579,997	16,239	3,436,798	2,718,906

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

5 MUDARABA AND MUSHARAKA FINANCING (continued)

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

	30 June 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	(730)	(5,413)	7,732	1,589	6,566
Recoveries / write-backs	-	-	(165)	(165)	(672)
Allocation from (to) investment risk reserve	11	(6)	-	5	(100)
Amounts written off	-	-	-	-	(20,902)
FX translation / others	27	88	(1,382)	(1,267)	7,992
	2,266	2,808	14,996	20,070	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 June 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)	468,237	7,230	-	475,467	463,766
Satisfactory (5-7)	929,921	384,873	-	1,314,794	1,325,653
Default (8-10)	-	-	-	-	-
Less: allowance for credit losses	(4,305)	(15,369)	-	(19,674)	(18,586)
	1,393,853	376,734	-	1,770,587	1,770,833

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

	30 June 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	356	849	-	1,205	258
Recoveries / write-backs	-	-	-	-	-
FX translation / others	(49)	(68)	-	(117)	(791)
	4,305	15,369	-	19,674	18,586

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

7 INVESTMENTS

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Equity and debt-type instruments at fair value through statement of income (7.1)	282,633 215,160
Equity-type instruments at fair value through equity (7.2)	99,528 100,651
Debt-type instruments at amortised cost (7.3)	2,673,090 2,482,498
	<u>3,055,251 2,798,309</u>
Investment in real estate (7.4)	188,001 215,530
Investment in associates	59,308 53,169
	<u>3,302,560 3,067,008</u>

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

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Quoted investments	
Debt instruments	46,986 2,626
Equity securities	233,574 212,152
Unquoted investments	
Equity securities	2,073 382
	<u>282,633 215,160</u>

7.2 Equity-type instruments at fair value through equity

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Quoted investments	
Equity securities	42,696 45,386
Managed funds	15,384 14,214
	<u>58,080 59,600</u>
Unquoted investments	
Equity securities	40,980 42,265
Managed funds	7,910 5,194
	<u>48,890 47,459</u>
Impairment	(7,442) (6,408)
	<u>99,528 100,651</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

7 INVESTMENTS (continued)

7.3 Debt-type instruments at amortised cost

	30 June 2019 US\$ '000	Audited 31 December 2018 US\$ '000
Quoted investments		
Sukuk and similar items	1,974,933	1,447,117
	1,974,933	1,447,117
Unquoted investments		
Sukuk and similar items	713,166	1,046,983
Less: allowance for credit losses	(15,009)	(11,602)
	2,673,090	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\$ 2,873 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 June 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)	1,172,207	1,010,964	-	2,183,171	2,085,704
Satisfactory (5-7)	468,554	31,507	-	500,061	400,964
Default (8-10)	-	-	4,867	4,867	7,432
Less: allowance for credit losses	(1,357)	(9,193)	(4,459)	(15,009)	(11,602)
	1,639,404	1,033,278	408	2,673,090	2,482,498

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

	30 June 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	(848)	7,367	-	6,519	(2,038)
Allocation (to) from investment risk reserve	(31)	(692)	(2,564)	(3,287)	4,504
Amounts written off	-	-	-	-	(2,500)
FX translation / others	(98)	273	-	175	(57)
	1,357	9,193	4,459	15,009	11,602

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

7 INVESTMENTS (continued)

7.4 Investment in real estate

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Land	116,893 130,546
Buildings	71,108 84,984
	188,001 215,530

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>30 June 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Beginning balance of the period / year	215,530 211,157
Acquisition	2,943 22,477
Net loss from fair value adjustments	(821) (1,583)
Disposal	- (1,676)
Transfer	(26,599) -
Foreign exchange translation - net	(3,052) (14,845)
	(27,529) 4,373
	188,001 215,530

8 OTHER ASSETS

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Bills receivable	172,712 123,733
Goodwill and intangible assets	73,921 75,923
Collateral pending sale	212,341 229,580
Prepayments	36,530 37,082
Deferred taxation	58,510 65,032
Good faith qard fund	30,903 22,092
Others	74,308 61,124
	659,225 614,566
Less: allowance for credit losses	(18,350) (58,516)
	640,875 556,050

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

9 LONG TERM FINANCING

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Murabaha financing	40,535 557,964
Subordinated financing obtained by a subsidiary	272,136 249,287
Wakala	- 169,640
	312,671 976,891

10 OTHER LIABILITIES

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Payables	457,032 366,210
Cash margins	234,145 268,216
Managers' cheques	105,629 104,256
Current taxation	47,796 72,905
Deferred taxation	4,919 6,414
Accrued expenses	73,382 74,994
Charity fund	33,880 26,549
Others	33,473 29,371
Allowance for credit losses on unfunded exposures	22,357 22,395
	1,012,613 971,310

11 EQUITY OF INVESTMENT ACCOUNTHOLDERS

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Equity of investment accountholders	13,814,612 13,004,814
Profit equalisation reserve	4,550 5,320
Investment risk reserve	86,990 104,005
Cumulative changes in fair value attributable to equity of investment accountholders - net	6,457 8,229
	13,912,609 13,122,368

12 COMMITMENTS AND CONTINGENCIES

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>US\$ '000 US\$ '000</i>
Letters of credit	674,322 709,048
Guarantees	1,986,555 2,151,650
Acceptances	69,959 76,287
Undrawn commitments	952,278 914,940
Sharia'a compliant promise contracts	284,620 138,686
Others	127 125
	3,967,861 3,990,736

At 30 June 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>Six months ended</i>	
	30 June 2019 US\$ '000	<i>30 June 2018 US\$ '000</i>	30 June 2019 US\$ '000	<i>30 June 2018 US\$ '000</i>
Net income attributable to the equity holders of the parent for the period - US\$ '000	32,167	39,292	56,162	74,284
Less: Profit distributed on perpetual tier 1 capital	(15,750)	(15,750)	(15,750)	(15,750)
Net income attributable to the shareholders equity	16,417	23,542	40,412	58,534
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)	(8,782)	(9,748)	(8,905)	(9,818)
Weighted number of shares outstanding at end of the period - (in thousands)	1,234,097	1,233,131	1,233,974	1,233,061
Earnings per share - US cents	1.33	1.91	3.27	4.75

14 OWNERS' EQUITY

	<i>Audited</i>	
	30 June 2019 US\$ '000	<i>31 December 2018 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		
1,206,679,374 (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 June 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 June 2019</i>	<i>31 December 2018</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
Banque Al Baraka D'Algerie	Algerian Dinar	56,590	56,455
Al Baraka Bank (Pakistan) Limited	Pakistani Rupees	31,619	24,111
Al Baraka Bank Egypt	Egyptian Pound	128,386	138,794
Al Baraka Turk Participation Bank	Turkish Lira	547,677	468,562
Al Baraka Bank Limited	South African Rand	18,397	19,174
Al Baraka Bank Sudan	Sudanese Pound	85,863	87,051
Al Baraka Bank Tunis	Tunisian Dinar	32,287	33,519
Al Baraka Bank Syria	Syrian Pound	33,534	33,534
BTI Bank	Moroccan Dirham	161	113
		934,514	861,313

15 OTHER OPERATING INCOME

	<i>Six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Foreign exchange gain*	41,796	43,860
Gain on sale of property and equipment	6,264	7,940
	48,060	51,800

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

16 NET ALLOWANCE FOR CREDIT LOSSES / IMPAIRMENT

	<i>Six months ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Cash and balances with banks	188	4
Receivables	18,782	61,764
Mudaraba and Musharaka financing	1,424	(7,014)
Ijarah Muntahia Bittamleek	1,205	117
Investments	8,147	(1,043)
Other assets	(285)	(534)
Other liabilities	(996)	5,473
	28,465	58,767

Al Baraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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		Major shareholders	Other related parties	Six months ended	
	US\$ '000	US\$ '000			30 June 2019	30 June 2018
Net income from jointly financed contracts and investments	1,320	41	12	-	1,373	1,144
Net (loss)/income from self financed contracts and investments	(1,531)	-	-	-	(1,531)	917
Return on equity of investment accountholders	213	231	736	-	1,180	428
Fees and commission income	252	-	-	-	252	236

The significant balances with related parties were as follows:

	Directors and key management personnel		Major shareholders	Other related parties	Audited	
	US\$ '000	US\$ '000			30 June 2019	31 December 2018
Assets						
Receivables	2,074	495	-	-	2,569	2,724
Mudaraba and Musharaka financing	-	1,703	-	-	1,703	-
Investments	23,120	-	-	167	23,287	22,799
Ijarah Muntahia Bittamleek	-	160	-	-	160	204
Other assets	1,381	247	-	137	1,765	1,705
Liabilities						
Customer current and other accounts	8,279	1,058	4,312	322	13,971	26,359
Due to banks	753	-	462	-	1,215	15,139
Equity of investment accountholders	12,335	7,168	7,152	-	26,655	26,094
Off-balance sheet equity of investment accountholders	16,483	6,742	23,620	-	46,845	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 June 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 June 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	12,351,411	3,026,926	8,012,842	11,594,671	2,907,485	7,338,507
North Africa	2,736,417	1,429,941	1,033,616	2,743,750	1,429,458	1,042,643
Europe	7,517,421	3,223,029	3,851,479	7,919,036	3,662,996	3,768,663
Others	1,636,307	475,782	1,014,672	1,573,781	452,944	972,555
	24,241,556	8,155,678	13,912,609	23,831,238	8,452,883	13,122,368

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

Segment	Six months ended 30 June 2019			Six months ended 30 June 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	221,360	104,441	54,470	205,510	93,186	60,849
North Africa	72,865	42,452	24,107	61,559	27,243	14,311
Europe	104,255	10,080	9,807	202,302	94,606	42,380
Others	43,864	12,737	6,988	42,562	7,382	4,215
	442,344	169,710	95,372	511,933	222,417	121,755

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

19 CASH AND CASH EQUIVALENTS

	<i>Six months ended</i>	
	30 June 2019 US\$ '000	30 June 2018 US\$ '000
Balances with central banks excluding mandatory reserve	1,188,217	636,069
Balances with other banks	313,744	593,637
Cash and cash in transit	681,057	636,333
	2,183,018	1,866,039