

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
Al Baraka Islamic Bank B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 2019 (REVIEWED)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF AL BARAKA ISLAMIC BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Al Baraka Islamic Bank B.S.C.(c) (the "Bank") and its subsidiary ("the Group") as of 30 September 2019, comprising of the interim consolidated statement of financial position as at 30 September 2019, the related interim consolidated statement of income for the three and nine months period then ended and the related interim consolidated statement of cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the nine-month period then ended and other explanatory information. 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.



13 November 2019
Manama, Kingdom of Bahrain

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019 (Reviewed)

	Notes	Reviewed 30 September 2019 BD '000	Audited 31 December 2018 BD '000
ASSETS			
Cash and balances with banks and financial institutions		111,280	70,622
Receivables	3	160,184	268,567
Ijara Muntahia Bittamleek and ijara receivables	4	106,086	107,330
Musharaka	5	92,974	102,502
Investments	6	271,222	205,328
Investments in real estate		1,976	1,975
Investment in joint venture		5,545	5,531
Premises and equipment		25,105	20,965
Goodwill		5,414	6,096
Other assets	7	28,466	33,100
TOTAL ASSETS		808,252	822,016
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY			
Liabilities			
Due to banks and financial institutions		17,515	21,724
Current accounts		126,466	103,897
Medium term financing		23,101	23,026
Other liabilities	8	42,466	42,879
Total liabilities		209,548	191,526
Equity of investment accountholders		492,978	531,864
Subordinated debts		5,292	6,589
Owners' equity			
Share capital		51,445	46,167
Perpetual additional tier 1 capital		41,847	41,470
Reserves		(1,659)	1,805
Accumulated losses		(753)	(8,210)
Equity attributable to parent's shareholders		90,880	81,232
Non-controlling interest		9,554	10,805
Total owners' equity		100,434	92,037
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY		808,252	822,016
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		204,769	155,521
CONTINGENCIES AND COMMITMENTS	9	80,852	113,890


Khalid Rashid Al-Zayani
Chairman


Adnan Ahmed Yousif
Deputy Chairman


Hamad Abdulla Aloqab
Chief Executive Officer

The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months period ended 30 September 2019 (Reviewed)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		BD '000	BD '000	BD '000	BD '000
INCOME					
Income from jointly financed sales		3,991	4,202	13,208	12,488
Income from jointly financed, other financings and investments	10	5,158	4,387	14,284	13,518
Income from jointly financed assets		9,149	8,589	27,492	26,006
Return on equity of investment accountholders before Group's share as a Mudarib		(8,481)	(6,836)	(23,025)	(20,073)
Group's share as a Mudarib		567	1,450	2,595	4,860
Return on equity of investment accountholders		(7,914)	(5,386)	(20,430)	(15,213)
Group's share as a Mudarib and Rabalmaal		1,235	3,203	7,062	10,793
Group's income from self financed sales		333	158	487	421
Group's income from self financed, other financings and investments	10	4,369	3,482	11,875	8,204
Revenue from banking services	11	863	1,335	2,456	3,776
Other income	12	555	539	1,514	1,364
Group's Mudarib / Agency fee from off-balance sheet equity of investment account holders & wakala pool		600	5	807	14
TOTAL OPERATING INCOME		7,955	8,722	24,201	24,572
OPERATING EXPENSES					
Staff expenses		(2,903)	(3,078)	(8,705)	(9,739)
Depreciation		(1,660)	(578)	(2,713)	(1,637)
Other operating expenses		(1,649)	(2,743)	(7,089)	(8,389)
TOTAL OPERATING EXPENSES		(6,212)	(6,399)	(18,507)	(19,765)
NET OPERATING INCOME		1,743	2,323	5,694	4,807
Allowance for impairment - net	13	(1,184)	(3,016)	(3,479)	(6,338)
NET INCOME/ (LOSS) BEFORE TAXATION		559	(693)	2,215	(1,531)
Taxation		(83)	24	(234)	91
INCOME/ (LOSS) FOR THE PERIOD		476	(669)	1,981	(1,440)
Attributable to:					
Equity shareholders of the Parent		485	(670)	1,802	(1,451)
Non-controlling interest		(9)	1	179	11
		476	(669)	1,981	(1,440)

Khalid Rashid Al-Zayani
Chairman

Adnan Ahmed Yousif
Deputy Chairman

Hamad Abdulla Aloqab
Chief Executive Officer

The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months period ended 30 September 2019 (Reviewed)

	Equity attributable to shareholders of the Parent											
	Share capital	Perpetual Additional Tier1 capital	Statutory	General	Employee defined benefit plan	Cumulative changes in fair value	Revaluation of premises and equipment	Foreign exchange	Retained earnings / (accumulated losses)	Total	Non-controlling interest	Total owners' equity
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January 2019	46,167	41,470	8,557	3,275	(12)	390	269	(10,674)	(8,210)	81,232	10,807	92,039
Cumulative changes in fair value	-	-	-	-	-	(838)	-	-	-	(838)	(5)	(843)
Foreign currency translation reserve	-	-	-	-	-	-	-	(2,627)	-	(2,627)	(1,428)	(4,055)
Issuance of share capital	5,278	-	-	-	-	-	-	-	-	5,278	-	5,278
Issuance of perpetual tier 1 capital	-	11,310	-	-	-	-	-	-	-	11,310	-	11,310
Write down of perpetual tier 1 capital	-	(5,655)	-	-	-	-	-	-	5,655	-	-	-
Redemption of perpetual AT-1 capital	-	(5,278)	-	-	-	-	-	-	-	(5,278)	-	(5,278)
Movement in actuarial gain and losses	-	-	-	-	1	-	-	-	-	1	1	2
Net income for the period	-	-	-	-	-	-	-	-	1,802	1,802	179	1,981
Balance at 30 September 2019	51,445	41,847	8,557	3,275	(11)	(448)	269	(13,301)	(753)	90,880	9,554	100,434
Restated balance as of												
1 January 2018	46,167	-	8,557	3,275	(44)	364	450	(5,246)	31	53,554	13,514	67,068
Cumulative changes in fair value	-	-	-	-	-	(14)	-	-	-	(14)	(9)	(23)
Foreign currency translation reserve	-	-	-	-	-	-	-	(2,903)	-	(2,903)	(1,520)	(4,423)
Remeasurement gains on defined benefit plan	-	-	-	-	5	-	-	-	-	5	3	8
Issuance of AT-1 Capital	-	41,470	-	-	-	-	-	-	-	41,470	-	41,470
Net(loss) income for the period	-	-	-	-	-	-	-	-	(1,451)	(1,451)	11	(1,440)
Balance at 30 September 2018	46,167	41,470	8,557	3,275	(39)	350	450	(8,149)	(1,420)	90,661	11,999	102,660

The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months period ended 30 September 2019 (Reviewed)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2019	2018
	BD '000	BD '000
OPERATING ACTIVITIES		
Net income/ (loss) before taxation	2,215	(1,531)
Adjustments for :		
Depreciation	2,713	1,637
Provision for impairment - net	3,479	6,338
Gain on sale of premises and equipment	(5)	-
Gain on sale of investments	(2,109)	(693)
Dividend income	-	(80)
Share of gain from investment in joint venture	(14)	(17)
Operating profit before changes in operating assets and liabilities	6,279	5,654
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	(14,233)	(10,383)
Receivables	36,690	(14,890)
Ijara Muntahia Bittamleek and ijara receivables	1,297	6,591
Musharaka	9,296	11,788
Other assets	4,530	4,023
Other liabilities	(379)	5,391
Due to banks and financial institutions	(4,209)	(6,689)
Current accounts	22,569	1,220
Equity of investment accountholders	(38,886)	(4,641)
Tax paid	(126)	(169)
Net cash from / (used) in operating activities	22,828	(2,105)
INVESTING ACTIVITIES		
Purchase of investments	(161,157)	(66,591)
Sale of investments	107,209	34,180
Net (purchase) / sale of premises and equipment	(6,847)	439
Net cash used in investing activities	(60,795)	(31,972)
FINANCING ACTIVITIES		
Subordinated debts	(1,297)	(2,615)
Medium term financing	76	(1,333)
Issuance of perpetual tier 1 capital	-	18,850
Net cash (used in) / from financing activities	(1,221)	14,902
Foreign currency translation adjustments	(3,375)	(3,570)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(42,563)	(22,745)
Cash and cash equivalents at 1 January	103,701	120,557
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	61,138	97,812
For the purpose of the interim statement of cash flows, cash and cash equivalents comprise the following:		
Cash in hand	13,675	14,764
Balances with central banks in unrestricted account	5,905	5,974
Balances with other banks and financial institutions	41,558	11,618
Receivables - international commodities	-	65,456
	61,138	97,812

The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)

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

For the nine months period ended 30 September 2019 (Reviewed)

	<i>Balance at 1 January 2019 BD '000</i>	<i>Write offs BD '000</i>	<i>Net deposits/ withdrawals BD '000</i>	<i>Gross income BD '000</i>	<i>Mudarib's/ agency fee BD '000</i>	<i>Balance at 30 September 2019 BD '000</i>
Wakala Bi Al-Istithmar Pool (note 16)						
Receivables	-	-	82,109	923	(642)	82,390
Investments	-	-	2,900	92	(64)	2,928
On balance sheet jointly financed assets	122,813	-	(79,674)	6,135	(3,418)	45,856
	122,813	-	5,335	7,150	(4,124)	131,174
Others						
Receivables	29,118	-	32,957	626	(101)	62,600
Investments	3,590	(525)	7,930	-	-	10,995
	32,708	(525)	40,887	626	(101)	73,595
	155,521	(525)	46,222	7,776	(4,225)	204,769
Wakala Bi Al-Istithmar Pool						
On Balance sheet equity of Investment Accountholders	89,090	-	16,781	6,714	(5,031)	107,554
Receivables	28,655	-	(579)	426	(18)	28,484
Investments	3,617	-	58	-	-	3,675
	32,272	-	(521)	426	(18)	32,159
	121,362	-	16,260	7,140	(5,049)	139,713

The attached explanatory notes 1 to 17 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITY

Al Baraka Islamic Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Bank operates under a Retail Banking license number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has seven commercial branches in the Kingdom of Bahrain. The Bank is 92% (2018: 91%) owned by Al Baraka Banking Group B.S.C. (the "Parent").

The principal activities of the Bank and its subsidiary (the "Group") are taking demand, saving and investment accounts, providing Murabaha finance, Ijara and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The Bank's registered office is at Bahrain Bay, P.O. Box 1882, Manama, Kingdom of Bahrain.

These interim condensed consolidated financial statements were approved by the Board of Directors on 13 November 2019.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the nine month period ended 30 September 2019 have been prepared in accordance with the guidance given by International Accounting Standard 34 "Interim Financial Reporting". 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 adoption of new standard effective from 1 January 2019 as stated in note 2.5. The annual consolidated financial statements for the year ended 31 December 2018 were prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and in conformity with the Bahrain Commercial Companies Law and the CBB and Financial Institutions Law. For matters which are not covered by FAS, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards ("IFRS"). The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. In addition, results for the nine month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

2.2 Accounting convention

The interim condensed consolidated financial statements are prepared on historical cost basis, except for investment in real estate, equity-type instruments through equity, equity-type instruments through profit or loss and land owned by the Bank (classified as premises and equipment) that have been measured at fair value.

The interim condensed consolidated financial statements are presented in Bahraini Dinars, being the reporting currency of the Group. All values are rounded off to the nearest Bahraini Dinar (BD) thousand unless otherwise indicated.

2.3 Share Capital

During the period, the Bank has issued 140,000 ordinary shares against cash consideration of BD 5.3 million through right issuance, to reinstate compliance with the consolidated core equity ratio ("CET1"), which is to maintain the minimum requirements of 9% prescribed as per rule CA-2.2.1 of Volume II of CBB rule book.

2.4 Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and its subsidiary after elimination of inter company transactions and balances.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.4 Basis of consolidation (continued)**

The following is the principle subsidiary of the Bank, which is consolidated in these interim condensed consolidated financial statements:

	<i>Ownership for 2019 / 2018</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/ offices at 30 September 2019</i>
Held directly by the Bank				
Al Baraka Bank (Pakistan) Limited*	59.13%	2004	Pakistan	191

*Al Baraka Bank (Pakistan) Limited became a subsidiary on 21 December 2010.

Investment in Itqan Capital

The Bank has ownership interest of 83.07% with Itqan Capital (the "Company"). The Bank via a management agreement dated 1 July 2012 assigned the control to govern the financial and operating policies of the Company to the Ultimate Parent. The Bank has authorised the Ultimate Parent to represent it in the shareholders' meetings and to exercise control on the Company to do any or all acts and deeds and exercise all powers of the Bank pursuant to the Charter Document referred in the management agreement and or under any applicable laws.

The financial statements of the Company are not consolidated as it is controlled by the Ultimate Parent pursuant to the terms of the management agreement. The Ultimate Parent consolidates the financial statements of the Company in its consolidated financial statements which are prepared in accordance with AAOIFI standards and the same was approved by the CBB.

The investment acquired is initially recognised at cost, being the fair value of consideration given including acquisition charges associated with the investment. Subsequently, the investment is carried at cost less impairment losses, if any.

2.5 New standards, interpretations and amendments adopted by the Group

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 new standards and interpretations effective as of 1 January 2019.

2.5.1 Adoption of FAS 28 - Murabaha and Other Deferred Payment Sale

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 setting 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 or 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.

2.5.2 Adoption of FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar)

The Group has early adopted FAS 31, from 1 January 2019 which has a mandatory date of initial application of 1 January 2020. This standard provides detailed guidance on recognition and disclosures requirements for Islamic finance transactions entered under such mode.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.5 New standards, interpretations and amendments adopted by the Group (continued)

2.5.2 Early adoption of FAS 31 - Investment Agency (Al-Wakala Bi Al-Istithmar) (continued)

a) Wakala as Muwakkil (Principal)

At the inception of the transaction, the Bank as "principal /(investor)" shall evaluate the nature of investment as either:

- a. pass-through investment – as a preferred option; or
- b. Wakala venture.

Pass through Investment

A pass-through investment is an investment in which the involvement of the agent, as well as, the options for transferability of the instrument are limited and the investor principally takes a direct exposure on the underlying assets. On initial recognition, the asset shall be recognized underlying the Wakala arrangement applying the initial recognition principles as applicable in line with respective FAS, and in absence thereof, in line with the generally accepted accounted principles applicable to such balances.

Wakala Venture

Investments, under a Wakala agency contract, in transferable instruments or the investment is made in a single asset (or pool of assets) where such asset(s) are subject to frequent changes throughout the term of the contract i.e. there are routine changes or replacements over the term of arrangement (unless it constitutes a business) at the discretion of the agent; or the role of the agent is not limited whereby the agent performs day-to-day asset management function and, where applicable, is also responsible for replacement of assets or recoveries against them. On initial recognition, these assets will be recognized at cost in Wakala Venture. Subsequently, the carrying amount is adjusted to incorporate gains/ losses net of agents remuneration and impairments, if any.

b) Wakala as Wakeel (Agent)

These transaction will be recognized as an agency arrangement under off-balance sheet approach whereby, at inception of arrangement, since the Bank does not control the related assets / business, it does not record the assets and related income and expenditure in its books of account.

The agency remuneration, including fixed and variable components thereof, will be recognized on an accrual basis i.e. when the relevant services are provided. Any expenses, including losses reimbursable will be recognized when due.

c) Multi level arrangements

The Bank maintains multi-level investment arrangements to invest funds received under "Wakala "to invest as "Mudaraba" in jointly financed assets. The funds invested under such arrangements are recorded and disclosed as "On Balance Sheet Equity Accountholders" in statement of financial position.

d) Transition

The Bank has applied the off balance sheet approach on transaction executed after the creation of a separate Wakala Pool during the current financial period. The deals entered before creation of the pool were being duly reported as investment in On Balance Sheet Jointly Financed Assets under multilevel arrangements under the statement of changes in Off balance sheet Equity of Investment Account Holders. Accordingly transition impact on adoption of FAS 31 is disclosed on "Statement of Off Balance Sheet Equity of Investment Accountholders".

Off balance sheet Wakala pool assets as at adoption date - 30 June 2019

BD '000

Murabaha	15,742
Wakala	26,438
Investments	2,892
Commodities	13,381
	58,453

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

3 RECEIVABLES

	30 September 2019			Audited 31 December 2018		
	Self financed BD '000	Jointly financed BD '000	Total BD '000	Self financed BD '000	Jointly financed BD '000	Total BD '000
Commodities and wakala placement placement with FIs	-	41	41	1,755	67,416	69,171
Salam financing	-	30,125	30,125	-	29,151	29,151
Istisna'a financing	-	40,721	40,721	-	34,327	34,327
Murabaha financing	866	97,837	98,703	955	125,204	126,159
Bills receivables and other wakala financing	-	25,801	25,801	-	48,123	48,123
Gross receivable	866	194,525	195,391	2,710	304,221	306,931
Deferred profits	(20)	(8,408)	(8,428)	(21)	(10,073)	(10,094)
	846	186,117	186,963	2,689	294,148	296,837
Less: Allowance for credit losses	(140)	(26,639)	(26,779)	(140)	(28,130)	(28,270)
Net receivables	706	159,478	160,184	2,549	266,018	268,567

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. The amounts presented are gross of credit losses allowances.

	30 September 2019				Audited 31 December 2018			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Good (1-4)	63,226	525	-	63,751	74,854	9,644	-	84,498
Satisfactory (5-7)	30,760	56,887	-	87,647	67,509	109,264	-	176,773
Default (8-10)	-	-	35,565	35,565	-	-	35,566	35,566
	93,986	57,412	35,565	186,963	142,363	118,908	35,566	296,837

4 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES

	30 September 2019			Audited 31 December 2018		
	Self financed US '000	Jointly financed US '000	Total US '000	Self financed US '000	Jointly financed US '000	Total US '000
Ijara Muntahia Bittamleek	10,062	87,960	98,022	10,623	88,731	99,354
Ijara income receivables	3,075	11,126	14,201	2,216	11,418	13,634
	13,137	99,086	112,223	12,839	100,149	112,988
Less: Allowance for credit losses	(76)	(6,061)	(6,137)	(44)	(5,614)	(5,658)
	13,061	93,025	106,086	12,795	94,535	107,330

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

4 IJARA MUNTAHIA BITTAMLEEK AND IJARA 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. The amounts presented are gross of credit losses allowances.

	30 September 2019				Audited 31 December 2018			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Good (1-4)	88,511	129	-	88,640	84,666	2,043	-	86,709
Satisfactory (5-7)	891	9,936	-	10,827	999	15,426	-	16,425
Default (8-10)	-	-	12,756	12,756	-	-	9,854	9,854
	89,402	10,065	12,756	112,223	85,665	17,469	9,854	112,988

5 MUSHARAKA

	30 September 2019			Audited 31 December 2018			
	Self financed BD '000	Jointly financed BD '000	Total BD '000	Self financed BD '000	Jointly financed BD '000	Total BD '000	
Musharaka		15,820	79,935	95,755	18,163	87,210	105,373
Less: Allowance for credit losses		-	(2,781)	(2,781)	-	(2,871)	(2,871)
		15,820	77,154	92,974	18,163	84,339	102,502

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. The amounts presented are gross of credit losses allowances.

	30 September 2019				Audited 31 December 2018			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Good (1-4)	81,644	1,103	-	82,747	91,526	1,837	-	93,363
Satisfactory (5-7)	5,757	3,538	-	9,295	4,319	5,070	-	9,389
Default (8-10)	-	-	3,713	3,713	-	-	2,621	2,621
	87,401	4,641	3,713	95,755	95,845	6,907	2,621	105,373

6 INVESTMENTS

	30 September 2019			Audited 31 December 2018		
	Self financed BD '000	Jointly financed BD '000	Total BD '000	Self financed BD '000	Jointly financed BD '000	Total BD '000
i) Equity-type instruments at fair value through statement of income						
Quoted						
Listed equity shares	-	74	74	-	296	296
	-	74	74	-	296	296

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

6 INVESTMENTS (continued)

ii) Equity-type instruments at fair value through equity

Quoted

Listed equity shares	11,293	124	11,417	3,312	140	3,452
Unquoted						
Unlisted equity shares	23,877	126	24,003	22,719	142	22,861
Managed funds	377	-	377	377	-	377
Real estate funds	617	-	617	3,558	566	4,124
	36,164	250	36,414	29,966	848	30,814

Less: Provision for impairment	(2,382)	(178)	(2,560)	(1,891)	(184)	(2,075)
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Total equity investments	33,782	72	33,854	28,075	664	28,739
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iii) Debt-type instruments at amortised cost

Quoted

Sukuk	103,664	13,390	117,054	69,504	34,388	103,892
Unquoted						
Sukuk	49,348	71,795	121,143	67,691	5,730	73,421
	153,012	85,185	238,197	137,195	40,118	177,313

Less: Allowance for credit losses	(844)	(59)	(903)	(882)	(138)	(1,020)
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Total debt-type investment	152,168	85,126	237,294	136,313	39,980	176,293
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Total investments	185,950	85,272	271,222	164,388	40,940	205,328
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	30 September 2019				Audited 31 December 2018			
	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000	Stage 1 BD '000	Stage 2 BD '000	Stage 3 BD '000	Total BD '000
Good (1-4)	66,180	-	-	66,180	62,576	-	-	62,576
Satisfactory (5-7)	171,149	-	-	171,149	100,117	13,752	-	113,869
Default (8-10)	-	-	868	868	-	-	868	868
	237,329	-	868	238,197	162,693	13,752	868	177,313

Included in quoted equity type instruments, BD 9.8 million (2018: BD 2.6 million) of investments are fair valued using quoted prices in active markets.

Within unquoted investments which are held at fair value through equity are investments amounting to BD 24.1 million (2018: BD 26.5 million) which are held at cost less provision for impairment. These are mainly investments in unlisted companies whose shares are not traded on active markets. The investments are primarily in closely-held companies located in the Gulf Co-operation Council ("GCC"). The investments are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for determining a reliable fair value.

The Group's investments in sukuk held at amortised cost amounting to BD 237.3 million (2018: BD 176.3 million) have a fair value amounting to BD 237.4 million (2018: BD 176 million).

Investments stated at a carrying amount of BD 113.9 million (2018: BD 95.2 million) are placed in custody of a financial institution to secure a financing line.

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 30 September 2019 (Reviewed)

7 OTHER ASSETS

	<i>Reviewed</i> 30 September 2019 BD '000	<i>Audited</i> 31 December 2018 BD '000
Deferred tax	8,498	9,503
Collaterals pending sale	8,266	8,199
Advance against financing transactions	-	5,459
Advance against capital expenditure	1,899	2,204
Accounts receivable	6,720	1,347
Advance tax	618	854
Income receivable	153	115
Others	3,271	6,505
	29,425	34,186
Less: Provision for impairment	(959)	(1,086)
	28,466	33,100

Note 7.1

The above net deferred tax asset has been recognised in accordance with the Group's accounting policy. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realised.

8 OTHER LIABILITIES

	<i>Reviewed</i> 30 September 2019 BD '000	<i>Audited</i> 31 December 2018 BD '000
Margins received	14,704	23,221
Accounts payable	5,672	5,653
Bills payable	8,484	3,750
Security deposit against Ijara Muntahia Bittamleek	1,453	2,234
Provision for employees benefits	2,127	2,949
ECL against off balance sheet items	485	225
Charity fund	233	208
Others	9,308	4,639
	42,466	42,879

9 CONTINGENCIES AND COMMITMENTS

	<i>Reviewed</i> 30 September 2019 BD '000	<i>Audited</i> 31 December 2018 BD '000
Letters of credit	16,755	32,827
Foreign exchange contracts	38,108	46,245
Guarantees	20,838	22,286
Acceptances	4,565	11,874
Taxation	556	626
Others	30	32
	80,852	113,890

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 30 September 2019 (Reviewed)

10 INCOME FROM JOINTLY AND SELF FINANCED, OTHER FINANCINGS AND INVESTMENTS

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2019	2018
	BD '000	BD '000
Income from Musharaka	9,587	8,423
Return on investments	9,963	7,146
Income from Ijara Muntahia Bittamleek (note 10.1) - net	4,488	5,338
Gain on sale of investments	2,109	773
Rental income	12	42
	26,159	21,722

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2019	2018
	BD '000	BD '000
Income from jointly financed, other financings and investments	14,284	13,518
Group's income from self financed, other financings and investments	11,875	8,204
	26,159	21,722

10.1 Ijara Muntahia Bittamleek

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2019	2018
	BD '000	BD '000
Income from Ijara Muntahia Bittamleek	14,482	16,959
Depreciation on Ijara Muntahia Bittamleek	(9,994)	(11,621)
	4,488	5,338

11 REVENUE FROM BANKING SERVICES

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2019	2018
	BD '000	BD '000
Fees and commissions	1,715	1,764
Letters of credit and acceptances	604	1,874
Guarantees	137	138
	2,456	3,776

12 OTHER INCOME

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2019	2018
	BD '000	BD '000
Foreign exchange gain - net	1,229	1,085
Others	285	279
	1,514	1,364

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

13 ALLOWANCE FOR IMPAIRMENT - NET

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2019	2018
	BD '000	BD '000
Receivables	2,004	3,703
Ijara Muntahia Bittamleek and ijara receivables	577	1,887
Musharaka	231	371
Investments - debt type	(118)	104
Investments - equity type	627	420
Off balance sheet items	158	(147)
	3,479	6,338

14 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by management and the Board of Directors.

For financial reporting purposes, the Group is divided into two geographical segments, Middle East and Other Asian Countries. Other Asian Countries predominantly includes operations in Pakistan.

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. Transactions between segments are conducted at estimated market rates on an arm's length basis.

The segmental results of the Group were as follows:

	<i>Middle East</i>		<i>Other Asian Countries</i>		<i>Total</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>
	2019	2018	2019	2018	2019	2018
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Assets	467,771	479,242	340,481	342,774	808,252	822,016
Liabilities, equity of investment accountholders and Subordinated debts	398,946	419,745	308,872	310,234	707,818	729,979
	<i>Middle East</i>	<i>Other Asian Countries</i>	<i>Total</i>			
	<i>Nine months ended</i>	<i>Nine months ended</i>	<i>Nine months ended</i>			
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>			
	2019	2018	2019	2018	2019	2018
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Total operating income	12,277	12,069	11,924	12,503	24,201	24,572
Total expenses	(8,850)	(8,550)	(9,657)	(11,215)	(18,507)	(19,765)
Provision for impairment - net	(1,885)	(4,987)	(1,594)	(1,351)	(3,479)	(6,338)
Taxation	-	-	(234)	91	(234)	91
Net income for the period	1,542	(1,468)	439	28	1,981	(1,440)

Al Baraka Islamic Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

15 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Group, Shari'a supervisory board and external auditors.

The significant balances with related parties were as follows:

	Shareholders		Other Related Parties		Total	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Assets:						
Cash and balances with banks and financial institutions	16	16	3,178	68	3,194	84
Receivables	-	-	3,782	3,029	3,782	3,029
Ijara Muntahia Bittamleek and ijara receivables	-	-	43	97	43	97
Musharaka	-	82	628	717	628	799
Investments	6,747	-	29,783	32,742	36,530	32,742
Other assets	1,236	247	72	60	1,308	307
	7,999	345	37,486	36,713	45,485	37,058
Liabilities:						
Due to banks and financial institutions	2,921	1,544	1,492	235	4,413	1,779
Current accounts	54	60	1,605	7,283	1,659	7,343
Other liabilities	-	2	21	97	21	99
	2,975	1,606	3,118	7,615	6,093	9,221
Equity of investment accountholders	2,622	3,391	56,563	32,253	59,185	35,644
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	7,930	-	57,700	23,997	65,630	23,997
Contingencies and commitments	-	-	560	1,442	560	1,442

The transactions with the related parties included in the statement of income are as follows:

	Shareholders		Other Related Parties		Total	
	2019	2018	2019	2018	2019	2018
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Income						
Income from jointly financed sales	-	-	78	146	78	146
Income from jointly financed, other financings and investments	-	-	189	297	189	297
Other income	90	90	-	-	90	90
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	7	14	-	-	7	14
	97	104	267	443	364	547
Expenses						
Return on equity of investment accountholders before Group's share as a Mudarib	14	213	864	389	878	602
Other expenses	90	17	348	920	438	937
	104	230	1,212	1,309	1,316	1,539

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019 (Reviewed)

15 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>Nine months ended 30 September</i>	
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Salaries	909	1,264
Other benefits	529	715
	1,438	1,979

16 WAKALA BI AL-ISTITHMAR POOL

	<i>Reviewed 30 September</i>	<i>Audited 31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>

RECEIVABLES

Commodities and wakala placements with FIs
Murabaha
Bills receivables

	75,544	-
	3,750	-
	3,096	-
	82,390	-

Investments

Real Estate Funds

	2,928	-
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On balance sheet jointly finance assets

	45,856	122,813
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Wakala Pool

	131,174	122,813
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17 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the consolidated statement of financial position date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.