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Press Release (Local)

Net Income attributable to Al Baraka Banking Group's shareholders increase by 3% to US\$ 35 million in first quarter of 2018

7th May 2018

The financial results of Al Baraka Banking Group BSC (ABG), the leading Islamic banking group based in the Kingdom of Bahrain, for the first quarter of 2018 showed good increases in income, with total operating income increased by 3%, net income by 11% and net income attributable to the parent's shareholders by 3% compared to the same period last year.

During the first quarter of 2018, the fluctuations of local currencies in a number of Arab and ME countries where ABG units operate against the US dollar continued, which affected the reported growth figures of both income and balance sheet items in terms of US dollar. However, due to prudent policies in selecting high-quality assets, rationalizing expenses, increasing spending efficiency, expanding branches after extensive feasibility studies, and offering more innovative products and services through our banking subsidiaries, the Group was able to achieve good profits results, where total operating income increased by 3% to reach US\$ 257 million during the first quarter of 2018 compared to the same period last year. Net income attributable to the parent's shareholders increased by 3% to US\$ 35 million during the first quarter of 2018 compared to US\$ 34 million for the same period last year. The total net income achieved a good growth of 11% to reach US\$ 57 million during the first quarter of 2018 compared to US\$ 52 million for the same period last year.

During the first quarter of 2018, Al Baraka Banking Group continued to implement business and markets expansion initiatives and diversification of

income sources through its banking units located in 16 countries, which their operations in their countries achieved a noticeable growth in all financial and investment activities, and most of them reported a large jump in profits. However, as motioned earlier, the growth rates of assets were affected by the decline in value of local currencies against the US dollar, the currency of reporting the Group's consolidated statements. Therefore, the consolidated balance sheet items of Al Baraka Banking Group reduced from US\$ 25.5 billion at end of December 2017 to US\$ 25.1 billion at the end of March 2018 showing a decrease of 1%.

Operating assets (financing and investments) amounted to US\$ 19.0 billion as at the end of March 2018, showing a decline of 1% from US\$ 19.1 as at end of December 2017. Customer accounts as at the end of March 2018 reached US\$20.4 billion, a decline of 1% from end of December 2017 level US\$ 20.7 billion, and represents 81% of total assets.

Total equity reached US\$ 2.4 billion at the end of March 2018 compared to US\$ 2.5 billion in December 2017, decreasing by 6% due to distribution of cash dividends for 2017 to shareholders during the first quarter of the year and the implementation of the new AAOIFI accounting standard (FAS 30).

HE Sheikh Saleh Abdullah Kamel, Chairman of Al Baraka Banking Group, said the Group continued its successful performance as evident by its ability to maintain its high quality of assets and strength of liquid assets, in addition to improve financial returns from all core businesses and at the same time keep up with its socially responsible Islamic banking model.

For his part, Mr. Abdulla Ammar Al Saudi, Vice Chairman of ABG, said that "The Group and its subordinate units are in a privileged position to take advantage of the opportunities generated in their local markets to fulfill the financing needs of citizens and development programs. They were able to overcome all the adverse financial and economic developments and continued expanding branches and financing products, as well as serving further their communities."

Mr. Adnan Ahmed Yousif, Member of the Board of Directors and President & Chief Executive of Al Baraka Banking Group, said "The international and regional developments and conditions continued in the first quarter of 2018, which formed serious challenges for us, including the international economic fluctuations, regional security tensions, in addition to decline of currencies value of some of our units' countries against the US dollar, the currency of the Group's consolidated reports. But despite all these developments, we were able not only to maintain our strong profits and operational positions, but also to enhance our precautionary measures in the context of sound policies and strategies developed by the Group and are

implemented by all units. We are very pleased to see the contribution of all our banking units in the positive results of the Group".

With regard to the Group's plans to expand its branch network, the President & Chief Executive said that "the total number of branches of our units reached 679 branches at the end of March 2018, increasing by 4 branches compared to December 2017, due to opening new branches by our units. The total staff of the Group's branches reached 12,755, which reflects the clear role of our units in creating rewarding jobs to citizens in their communities. In addition, this policy is one of main pillars of growth in businesses and profits in the Group. "

In terms of regional and international geographical expansion, and following the opening of our banking unit BTI Bank in Casablanca, Morocco in December last year, the Bank has started offering various Islamic banking products and services after being approved by the relevant authorities. The bank is also opening five new branches as part of its strategy to open 37 branches by 2022 in various Moroccan cities, supported by ATM banking and online channels.

We are also pleased to commend the success of our unit in Turkey, Al Baraka Bank Turkey in issuing the Turkey's first ever US\$ 205 million tier 1 perpetual sukuk and the country's first Basel 3 compliant publically-listed tier 1 instrument in last February. This pioneering transaction marks a key milestone for the Turkish Participation Banking Sector and a significant and critical innovation for the Turkish Banking Sector. This issue confirms the Bank's strong position in the Turkish market and the high level of confidence it enjoys locally and internationally. The issuance will greatly enhance the Bank's capital base, position it among the best Turkish banks in terms of capital adequacy and enable it to continue to expand its business. This step followed the launch of digital banking by the Bank last year, which represents a qualitative leap in the banking services offered by the Bank to customers of all categories in the Turkish market as a whole. We will be rolling out this move in several other countries where our banking units are located during this year, God willing.

The social responsibility represents a core pillar in the business model of the Group. Within this context and during last February, Al Baraka signed a statement of intent with the United Nations to work jointly on areas of mutual interest, including the promotion of the Sustainable Development Goals and Agenda 2030. The Statement of Intent outlines a number of activities that support the Agenda for Development 2030, and the Sustainable Development Goals. In 2016, Al Baraka Banking Group launched its Goals for 2016-2020, which are linked to the Sustainable Development Goals, making Al Baraka one of the first global financial institutions to make

progress towards the SDGs. Building on a relationship of common values, the United Nations will facilitate with other UN agencies to work towards mutual goals.

During the first quarter of 2018, we continued to focus on expanding Sharia-compliant investment and banking products base through our banking units and creating greater synergy between them in the areas of compliance, AML / CFT, FATCA, CRS, and other international legislation to strengthen the Group's position in addressing the challenges of de-risking procedures by international correspondent banks. We have also continued to provide modern training programs through Al Baraka Academy, and online to all employees of the Group and its banking units, which are related to compliance legislation, sanctions, KYC and others.

In the field of IT, we have completed the study of the transition to a new core banking system that is more sophisticated and responsive to the needs of the expansion of the Group. During the next months, we will implement this system in five banking units of the Group, followed by the rest of the units.

As part of its strategic initiatives to develop technological financial solutions and enhance the infrastructure for the successful transformation of digital banking, Al Baraka Banking Group announced at the end of February its strategic partnership with the with Bahrain FinTech Bay, the largest FinTech Hub in the MENA, in order to establish an innovation culture and embracing the development of Islamic Finance in the age of digitalization and technological disruption. It is worth mentioning that the Group has recently announced the launch of world's first Islamic FinTech consortium ALGO along with its partners, in addition to number of FinTech activities taking place in Al Barakas subsidiary in Turkey such as the establishment of Al Baraka Garage, which acts as an accelerator for technology and FinTech startups, also the organization of Al Baraka FinTech Hackathon, where it has received more than 500 applications from all over Turkey.

For the fifth year in a row, Al Baraka Banking Group and six of its units won Islamic Finance News Awards 2017 through the annual comprehensive referendum conducted by the Islamic Finance News magazine, which reflects the leading status that ABG and its banking units enjoy after successful career filled with achievements over the last years from one side and the good reputation as well as the distinguished banking position that these units enjoy in the Islamic banking sector locally, regionally and globally from the other side

The President & Chief Executive of ABG concluded his statement by praising the tireless efforts of the executive management at Group Head Office, the

executive management teams of the banking units of Al Baraka Banking Group and related parties that played an instrumental role in achieving these satisfactory results for the Group.

Al Baraka Banking Group (B.S.C) is licensed as an Islamic wholesale bank by the Central Bank of Bahrain, listed on Bahrain Bourse and Nasdaq Dubai stock exchanges. It is a leading international Islamic banking group providing its unique services in countries with a population totaling around one billion. It is jointly rated BBB+ (long term) / A3 (short term) on the international scale and A+ (bh) (long term) / A2 (bh) (short term) on the national by Islamic International Rating Agency & Dagong Global Credit Rating Company Limited, and by Standard & Poor's at BB (long term) / B (short term).

Al Baraka offers retail, corporate, treasury and investment banking services, strictly in accordance with the principles of the Islamic Shari'a. The authorized capital of Al Baraka is US\$ 2.5 billion, while total equity is at about US\$ 2.4 billion.

The Group has a wide geographical presence in the form of subsidiary banking units and representative offices in 16 countries, which in turn provide their services through over 679 branches. Al Baraka currently has a strong presence in Turkey, Jordan, Egypt, Algeria, Tunisia, Sudan, Bahrain, Pakistan, South Africa, Lebanon, Syria, Iraq, Saudi Arabia and Morocco, including two representative offices in Indonesia and Libya.