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Press Release (Local)

ABG Achieved US\$ 97 Million Net Income Attributable to Equity Holders of the Parent, and Total Assets Increase by 6% to Around US\$ 25 Billion in the First Nine Months of 2017

13 November 2017

MANAMA: The financial results of Al Baraka Banking Group B.S.C. (ABG), the leading Islamic banking group based in the Kingdom of Bahrain, for the first nine months of the year 2017 showed good increases in assets, with total assets increasing by 6%, financing and investment portfolio by 9%, customer accounts by 6% and total equity by 24% compared to end December 2016.

Mr. Abdulla Ammar Al Saudi, Deputy Chairman of ABG, who chaired the board meeting that approved the financial results said, "the financial and operating results we achieved during the first nine months of 2017 are good by all standards, taking into account the current international and regional banking situations and slowdown in economic growth in major countries and the fluctuation of currencies. We would like to emphasize that our cautious and selective approach, together with the extreme caution exercised towards the markets and customers in implementing our financial and investment programs has achieved the suitable results".

The overall profitability of the Group was affected during the period as a result of the decrease in local currencies in five countries in which ABG Units are operating. This effects could be noted from the reported figures for the same period compared to that of last year, where total operating income decreased by 7% to US\$ 735 million from US\$ 789 million for the same period last year and net operating income by 12% to US\$ 318 million from US\$ 362 million for the same period last year.

Net income, in addition to the effect of the decline in local currencies, was also affected by the increase in the amount of prudential provisions, resulting in a net profit of US\$ 154 million for the first nine months of 2017, a decrease of 24% from US\$ 204 million for the same period last year. Net income attributable to Equity Holders of the Parent for the first nine months of 2017 was US\$ 97 million, down by 17% compared from US\$ 116 million for the same period last year.

For the third quarter of 2017 the net income was less by 32% to reach US\$ 41 million compared to US\$ 61 million for the same period last year. While net income attributable to the parent for the third quarter of 2017 was US\$ 27 million, a 24% decrease from US\$ 35 million for the same period last year.

During the first nine months of 2017, Al Baraka Banking Group has continued to implement its business plan in order to maintain markets expansion initiatives and diversification of source of income through its banking units located in 15 countries.

On the other hand, the consolidated balance sheet items of Al Baraka Banking Group achieved good increases at the end of September 2017 compared to end of December 2016, where total assets grew by 6% to reach US\$ 24.9 billion, though the growth rates of these assets were also affected by the decline in value of local currencies in some countries where the Group operates against the US dollar, the currency of reporting the Group's consolidated statements. The Group maintained a large portion of these assets in the form of liquid assets in order to seize the financing opportunities and to face the fluctuations in the markets.

Operating assets (financing and investments) amounted to US\$ 19.1 billion as at the end of September 2017 compared to US\$ 17.5 billion at the end of December 2016, a good increase of 9%.

Customer accounts as at the end of September 2017 also increased over its end of December 2016's level by 6% and reached US\$20.4 billion, representing 82% of total assets, which indicates the continued customer confidence and loyalty in the Group and growing customer base and expansion in the branch network.

Total equity reached US\$ 2.5 billion at the end of September 2017, increasing substantially by 24% compared to December 2016. This reflects the issuance of US\$ 400 million Additional Tier 1 Perpetual Sukuk by the Group during last May. As an indication of the strength of the capital base of

the Group, the total equity to total assets ratio reached 10% at the end of September 2017.

On this occasion, Mr. Adnan Ahmed Yousif, Member of the Board of Directors and President & Chief Executive of Al Baraka Banking Group said "ABG has encountered many challenges during the past months, most notably is the depreciation of currencies in some countries in which our units operate, which affected the growth rate of the balance sheet items and income. We have been able to compensate for this effect by increasing the volume of business in the Group units significantly. Therefore, we consider the results that we achieved during the half nine months of 2017 are good and highlighted once more our determination to continue to invest our substantial financial resources and expertise and the wide geographic network of the subsidiary units of the Group in maximizing the returns to our shareholders and the investors".

He added: "We are very pleased to see the contribution of all our banking units in the positive results of the Group as evidenced by the excellent results recorded and the cash dividends distributed to its shareholders. We expect the Group's results to improve during the next year 2018, God willing."

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 667 branches at the end of September 2017 compared to 697 branches earlier this year, following the merger of some branches in Pakistan due to the merger of Al Baraka Bank Pakistan. The total staff of the Group's branches reached 12,751 at the end of September 2017, 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, we are preparing to open our banking unit in Morocco in the coming weeks with our partners in the new bank, the Moroccan Bank for Foreign Commerce (BMCE Bank), a large and well-established bank in the Moroccan market. The new bank will carry the name Finance and Development Bank and will be under the management of Al Baraka Banking Group, which will be considered one of the first Islamic banks to operate in Morocco as a part of the Group's network of units. According to the prepared study, the Bank will have five branches during 2018, God willing. The entrance into the Moroccan market is a very important achievement, which is considered one of the major markets in the Maghreb and Africa, and will achieve greater diversity in building assets portfolios and revenue sources for the Group".

“During the last period of the year, our banking unit in Turkey, Al Baraka Bank Turkey launched digital banking, 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 the coming period”.

“The social responsibility represents a core pillar in the business model of the Group, where we launched recently Sustainability and Social Responsibility Report 2016. The Report includes Al Baraka progress during 2016 regarding its various programs and activities. The report includes country-wide global overview of achievements, and a global overview of all social responsibility programs. The Report also includes impact assessment of various Al Baraka social responsibility programs and the first year assessment of the Al Baraka SDG Goals (2016- 2020), which we announce last year with the commitment to provide more than US\$ 635 million in the form of finance and support to these goals. Al Baraka SDG Goals (2016-2020) focus on (Job Creation, Education, and Healthcare), and are linked with seven (7) of the Sustainable Development Goals 2030. We are pleased to note that our achievements during the first year of the program have far exceeded the targets set, which demonstrated our intention of fully implement these goals”.

"In the past months of 2017, we have continued to focus on creating greater synergy between the Group's banking units in the area 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 coming year, we will implement this system in five banking units of the Group, followed by the rest of the units”.

“For the fifth year in a row, Al Baraka Banking Group and four of its subsidiary banking units received the Best Islamic Financial Institution Award of 2017, as part of the annual awards that the Global Finance magazine, which is specialized in banking and finance, awards to international banks and financial institutions. The winning of these awards by ABG and its four subsidiary banking units for the fifth successive year was announced in a final result statement by the magazine's Award Committee,

which included in its membership, a number of economists and editors of Global Finance, international financial advisors and a number of bank managers and experts in the field of banking. ABG and its four banking units received these awards for their prominent role in the Islamic banking sector, their ability to achieve consistent growth in the future and meeting professional standards in terms of the quality of products and services offered to clients, as well as for their originality and innovation in services and customer service, continued development and innovation in banking operations and other important criteria such as strategic relationships, geographic reach, profitability and robustness of financial position”.

“We are pleased also that Dagong Global Credit Rating Company Limited (Dagong) and Islamic International Rating Agency (IIRA) have together reaffirmed the international investment grade credit rating of ABG at BBB+/A3 (Triple B Plus / A Three) and raised its outlook to Stable from Negative. In addition, IIRA has reaffirmed ABG's national scale rating at A+(bh)/A2(bh) (Single A Plus / A Two). The ratings reflect the comprehensive analysis of the Groups repayment environment, wealth creation capability, repayment sources and repayment capability. IIRA has also re-confirmed the Group's overall fiduciary score in the range of 76-80, which indicates strong fiduciary standards and a well-developed matured governance structure, wherein rights of various stakeholders are well defined and protected. The fiduciary score is an aggregation of scores assigned to its three sub-sections, namely Corporate and Sharia Governance as well as Asset Manager Quality”.

The President & Chief Executive of the Group added, “For the remaining part of 2017, we expect the fluctuations in regional and international markets will continue, which creates difficult business environment for international banks, but we will continue our precious policy and investment of our large financial and technical resources in addition to wide geographical network of the units of the Group towards maximizing the returns for our shareholders and the investors in the Group”.

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\$ 1.5 billion, while total equity is at about US\$ 2.5 billion.

The Group has a wide geographical presence in the form of subsidiary banking units and representative offices in fifteen countries, which in turn provide their services through over 650 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.