

## **Your Partner Bank**

### **Press Release (Local)**

#### **ABG Total Assets Increased by 9% to Exceed US\$ 25 Billion by end of 2017**

**20 February 2018**

MANAMA: The financial results of Al Baraka Banking Group BSC (ABG), the leading Islamic banking group based in the Kingdom of Bahrain, for the year 2017 showed good increases in assets items, with total assets increase by 9%, financing and investment portfolio by 9%, customer accounts by 8% and total equity by 25% compared to end of December 2016.

The year 2017 was an exceptional year regarding the decrease in local currencies of a number of Arab and ME countries where ABG units operate. The profits results, therefore, were affected by the decrease of local currencies of four major banking units of the Group against the US dollar, which was reflected in the reported figures of the profits in US dollar for 2017 compared to the same period in 2016: total operating income decreased by 7% to reach US\$ 1 billion compared to US\$ 1.1 for the same period last year, net operating income decreased by 15% to US\$ 430 million from US\$ 507 for the year 2016, net income decreased by 23% to US\$ 207 million compared to US\$ 268 million for the year 2016 and net income attributable to equity holders of the Parent decreased by 15% to US\$ 129 million in 2017 compared to US\$ 152 million in 2016. In addition to the effect of the decline in local currencies, the net income was also affected by the increase in the amount of prudential provisions under the conservative approach followed by the Group.

In regards to the fourth quarter results, the net income decreased by 17% for the fourth quarter of 2017 to reach US\$ 53 million from US\$ 64 million for the same period in 2016. Net income attributable to the parent for the

fourth quarter of 2017 decreased by 8% to reach US\$ 32 million from US\$ 35 million.

During 2017, 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. The group sees that the results of the year 2018 will see a marked improvement, as the values of the local currencies are either towards stability or improvement.

We are pleased to announce that all the Group's units have received respectable credit ratings from the International Islamic Rating Agency, which reflects the Group's keenness to ensure that all of its units are complying with the high international professional standards in all areas and the importance of the credit rating, especially the Islamic credit rating, in achieving this goal.

On the other hand, the consolidated balance sheet items of Al Baraka Banking Group achieved good increases at the end of 2017 compared to December 2016, where total assets grew by 9% to reach US\$ 25.5 billion compared to US\$ 23.4 billion at end of 2016, 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 December 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 December 2017 also increased over its December 2016's level by 8% and reached US\$20.7 billion compared to US\$ 19.2 billion, representing 81% of total assets, which indicates the continued customer confidence and loyalty in the Group and growing customer base.

Total equity reached US\$ 2.5 billion at the end of December 2017, increasing substantially by 25% compared to December 2016. This reflects the issuance of US\$ 400 million Additional Tier 1 Perpetual Sukuk by the Group during May 2017. 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 December 2017.

Commenting on these results, HE Sheikh Saleh Abdullah Kamel, Chairman of Al Baraka Banking Group said "We are pleased with the financial results achieved by the Group in 2017, given the slowdown in global economic growth, the continuation of a number of political and economic risks surrounding the countries in the region, and the operational conditions of some of our units".

For his part, Mr. Abdulla Ammar Al Saudi, Deputy Chairman of ABG said "From the beginning, the Group has followed an approach that is characterized by wisdom and hedge based on the continuation of cautious expansion and growth strategies with focusing on assets quality, and at the same time, building human, technical and material capabilities of the Group to face the various risks."

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 2017, most notably is the depreciation of currencies in some countries in which our units operate, which affected the growth rates 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 2017 are good, given the excellent profits results reported by the most of our units in their countries. Based on the performance of our units, we are now confident that the Group owns strong fundamentals, sustainable resources and a wide geographical diversity that will enable us to continue to grow and achieve good profits and also to continue maximizing the returns to our shareholders and investors in the coming years."

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 675 branches at the end of December, following the opening of new branches. The total staff of the Group's branches reached 12,795 at the end of December 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 opened our banking unit BTI Bank in Casablanca, Morocco during December last year with our partners, the Moroccan Bank for Foreign Commerce (BMCE Bank), a large and well-established bank in the Moroccan market. The new Bank will be under the management of Al Baraka Banking Group as a part of its units

network. The Bank is expected to have a wide network of branches comprising 37 branches by 2022 in various Moroccan cities, supported by ATM banking and online channels. 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. It is also a key gateway to the Group's future plans for expansion in African countries”.

“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. 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 the coming period”.

“The social responsibility represents a core pillar in the business model of the Group. The Sustainability and Social Responsibility Report 2016 showed that the Group excelled in achieving all targeted goals for the social responsibility program for 2016. The program covered the years 2016-2020 and its goals are linked to SDG 2030 goals of the United Nations. Under this program the Group is committed to provide more than US\$ 635 million in the form of finance and support for job creation, education, and healthcare goals”.

“During 2017, we 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 2018, we will implement this system in five banking units of the Group, followed by the rest of the units”.

In this context, we are pleased to note the initiative of Al Baraka Banking Group in cooperation with a number of other Islamic banks to launch the world’s first fintech Islamic consortium “ALGO Bahrain”, for Islamic banks in Bahrain. The ALGO era is set to revive the growth of the global Islamic banking industry by promoting financial inclusion, creating new employment opportunities and channeling fresh investment to critical economic sectors across the GCC and emerging markets. The ALGO model will bring down the cost of innovation for member banks while accelerating their speed to market. This will have a direct impact on improving profitability and growth of the banks.

“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. ABG and its four banking units received these awards for their prominent role in the Islamic banking sector. Moreover, three banking units of ABG won the Islamic Business and Finance Awards 2017. Mr. Adnan Ahmed Yousif, P&CE of the Group also won CSR in Islamic Banking Award 2017 for his outstanding contribution in this field”.

“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”.

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 16 countries, which in turn provide their services through over 675 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.