

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2019 (REVIEWED)**



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

### *Introduction*

We have reviewed the accompanying interim consolidated statement of financial position of Al Baraka Islamic Bank B.S.C.(c) (the "Bank") and its subsidiary ("the Group") as of 30 June 2019, and the related interim consolidated statements of income, changes in owners' equity, cash flows and changes in off-balance sheet equity of investment accountholders for the six month 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 the 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.

5 August 2019  
Manama, Kingdom of Bahrain

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

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 (Reviewed)

	Notes	30 June 2019 BD '000	Audited 31 December 2018 BD '000
<b>ASSETS</b>			
Cash and balances with banks and financial institutions		80,834	70,622
Receivables	3	216,167	268,567
Ijara Muntahia Bittamleek and ijara receivables	4	104,597	107,330
Musharakas	5	86,358	102,502
Investments	6	256,697	205,328
Investments in real estate		1,976	1,975
Investment in joint venture		5,545	5,531
Premises and equipment		19,778	20,965
Goodwill		5,290	6,096
Other assets	7	33,106	33,100
<b>TOTAL ASSETS</b>		<b>810,348</b>	<b>822,016</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Due to banks and financial institutions		21,193	21,724
Current accounts		96,440	103,897
Medium term financing		22,900	23,026
Other liabilities	8	42,879	42,879
<b>Total liabilities</b>		<b>183,412</b>	<b>191,526</b>
<b>Equity of investment accountholders</b>		<b>521,196</b>	<b>531,864</b>
<b>Subordinated debts</b>		<b>5,646</b>	<b>6,589</b>
<b>Owners' equity</b>			
Share capital		46,167	46,167
Perpetual additional tier 1 capital	15	47,125	41,470
Reserves		(1,278)	1,805
Accumulated losses		(1,240)	(8,210)
<b>Equity attributable to parent's shareholders</b>		<b>90,774</b>	<b>81,232</b>
Non-controlling interest		9,320	10,805
<b>Total owners' equity</b>		<b>100,094</b>	<b>92,037</b>
<b>TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS, SUBORDINATED DEBTS AND OWNERS' EQUITY</b>		<b>810,348</b>	<b>822,016</b>
<b>OFF-BALANCE SHEET ITEMS:</b>			
<b>EQUITY OF INVESTMENT ACCOUNTHOLDERS</b>		<b>194,185</b>	<b>155,521</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	9	<b>84,593</b>	<b>113,890</b>

  
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.

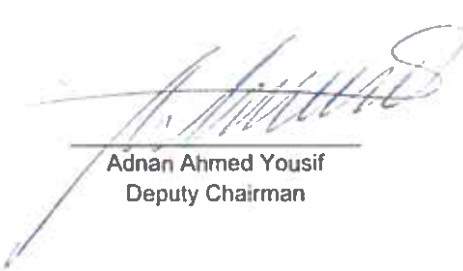
**Al Baraka Islamic Bank B.S.C. (c)**

**INTERIM CONSOLIDATED STATEMENT OF INCOME**

For the six month period ended 30 June 2019 (Reviewed)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 BD '000	2018 BD '000	2019 BD '000	2018 BD '000
<b>INCOME</b>					
Income from jointly financed		4,500	4,024	9,217	8,286
Income from jointly financed, other financings and investments	10	4,697	4,281	9,126	9,131
Income from jointly financed assets		9,197	8,305	18,343	17,417
Return on equity of investment accountholders before Group's share as a Mudarib		(7,415)	(6,283)	(14,544)	(13,238)
Group's share as a Mudarib		789	1,269	2,028	3,409
Return on equity of investment accountholders Group's share as a Mudarib and Rabalmal		2,571	3,291	5,827	7,588
Group's income from self financed sales		53	138	154	264
Group's income from self financed, other financings and investments	10	4,236	3,043	7,506	4,722
Revenue from banking services	11	748	1,479	1,593	2,442
Other income	12	608	444	959	825
Group's Mudarib / Agency fee from off-balance sheet equity of investment account holders		203	3	207	9
<b>TOTAL OPERATING INCOME</b>		<b>8,419</b>	<b>8,398</b>	<b>16,246</b>	<b>15,850</b>
<b>OPERATING EXPENSES</b>					
Staff expenses		(2,746)	(3,339)	(5,802)	(6,661)
Depreciation		(502)	(581)	(1,053)	(1,059)
Other operating expenses		(2,728)	(2,761)	(5,440)	(5,646)
<b>TOTAL OPERATING EXPENSES</b>		<b>(5,976)</b>	<b>(6,681)</b>	<b>(12,295)</b>	<b>(13,366)</b>
<b>NET OPERATING INCOME</b>		<b>2,443</b>	<b>1,717</b>	<b>3,951</b>	<b>2,484</b>
Allowance for impairment - net	13	(1,371)	(3,147)	(2,295)	(3,319)
<b>NET INCOME / LOSS BEFORE TAXATION</b>		<b>1,072</b>	<b>(1,430)</b>	<b>1,656</b>	<b>(835)</b>
Taxation		33	41	(153)	65
<b>INCOME / LOSS FOR THE PERIOD</b>		<b>1,105</b>	<b>(1,389)</b>	<b>1,503</b>	<b>(770)</b>
Attributable to:					
Equity shareholders of the Parent		1,023	(1,386)	1,316	(780)
Non-controlling interest		82	(3)	187	10
		<b>1,105</b>	<b>(1,389)</b>	<b>1,503</b>	<b>(770)</b>

  
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 six month period ended 30 June 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	8,558	3,275	(12)	390	269	(10,674)	(8,211)	81,232	10,805	92,037
Cumulative changes in fair value	-	-	-	-	-	19	-	-	-	19	14	33
Foreign currency translation reserve	-	-	-	-	-	-	-	(3,105)	-	(3,105)	(1,687)	(4,792)
Remeasurement gains on defined benefit plan	-	-	-	-	2	-	-	-	-	2	1	3
Issuance of perpetual tier 1 capital	-	11,310	-	-	-	-	-	-	-	11,310	-	11,310
Written off of perpetual tier 1 capital	-	(5,655)	-	-	-	-	-	-	5,655	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	1,316	1,316	187	1,503
<b>Balance at 30 June 2019</b>	<b>46,167</b>	<b>47,125</b>	<b>8,558</b>	<b>3,275</b>	<b>(10)</b>	<b>409</b>	<b>269</b>	<b>(13,779)</b>	<b>(1,240)</b>	<b>90,774</b>	<b>9,320</b>	<b>100,094</b>
Balance at 1 January 2018	46,167	-	8,558	3,275	(44)	364	450	(5,246)	4,500	58,024	14,242	72,266
Transition adjustment on adoption of FAS 30 as of 1 January 2018	-	-	-	-	-	-	-	-	(4,469)	(4,469)	(728)	(5,197)
<b>Restated balance as of 1 January 2018</b>	<b>46,167</b>	<b>-</b>	<b>8,558</b>	<b>3,275</b>	<b>(44)</b>	<b>364</b>	<b>450</b>	<b>(5,246)</b>	<b>31</b>	<b>53,555</b>	<b>13,514</b>	<b>67,069</b>
Cumulative changes in fair value	-	-	-	-	-	53	-	-	-	53	37	90
Foreign currency translation reserve	-	-	-	-	-	-	-	(2,369)	-	(2,369)	(1,239)	(3,608)
Remeasurement gains on defined benefit plan	-	-	-	-	3	-	-	-	-	3	3	6
Perpetual tier 1 capital	-	41,470	-	-	-	-	-	-	-	41,470	-	41,470
Net loss for the period	-	-	-	-	-	-	-	-	(782)	(782)	10	(772)
<b>Balance at 30 June 2018</b>	<b>46,167</b>	<b>41,470</b>	<b>8,558</b>	<b>3,275</b>	<b>(41)</b>	<b>417</b>	<b>450</b>	<b>(7,615)</b>	<b>(751)</b>	<b>91,930</b>	<b>12,325</b>	<b>104,255</b>

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 six month period ended 30 June 2019 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2019</b>	<b>2018</b>
	<b>BD '000</b>	<b>BD '000</b>
<b>OPERATING ACTIVITIES</b>		
Net income / loss before taxation	1,656	(837)
Adjustments for :		
Depreciation	1,053	1,059
Provision for impairment - net	2,295	3,320
Gain on sale of premises and equipment	(5)	-
Gain on sale of investments	(1,010)	(68)
Share of gain from investment in joint venture	(14)	(11)
Operating profit before changes in operating assets and liabilities	<b>3,975</b>	<b>3,463</b>
Net changes in operating assets and liabilities:		
Balances with central banks in mandatory reserves	(2,929)	(15,327)
Receivables	13,685	(3,862)
Ijara Muntahia Bittamleek and ijara receivables	2,789	1,916
Musharakas	15,829	9,695
Other assets	(5)	3,827
Other liabilities	(120)	246
Due to banks and financial institutions	(532)	(2,234)
Current accounts	(7,457)	2,553
Equity of investment accountholders	47,784	284
Tax paid	-	(65)
Net cash from in operating activities	<b>73,019</b>	<b>496</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(102,418)	(30,912)
Sale / redemption of investments	62,855	3,086
Net sale of premises and equipment	140	395
Net cash (used in) / from investing activities	<b>(39,423)</b>	<b>(27,431)</b>
<b>FINANCING ACTIVITIES</b>		
Subordinated debts	(943)	(1,874)
Medium term financing	(126)	(1,535)
Issuance of perpetual tier 1 capital	-	18,850
Net cash (used in) / from financing activities	<b>(1,069)</b>	<b>15,441</b>
Foreign currency translation adjustments	(3,987)	(2,909)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>28,540</b>	<b>(14,403)</b>
Cash and cash equivalents at 1 January	<b>103,701</b>	<b>120,557</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>132,241</b>	<b>106,154</b>
For the purpose of the interim cash flows statement, cash and cash equivalents comprise the following:		
Cash in hand	15,029	13,852
Balances with central banks in unrestricted account	4,246	6,334
Balances with other banks and financial institutions	22,721	21,681
Receivables - international commodities	90,245	64,287
	<b>132,241</b>	<b>106,154</b>

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 six months period ended 30 June 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 June 2019 BD '000</i>
<b>Wakala Bi Al-Istithmar Pool</b>						
Receivables	-	-	55,518	225	(184)	55,559
Investments	-	-	2,892	18	(17)	2,893
	-	-	58,410	243	(201)	58,452
On balance sheet equity of investment accountholders	122,813	-	(25,341)	5,003	(2,980)	99,495
	122,813	-	33,069	5,246	(3,181)	157,947
<b>Others</b>						
Receivables	29,118	-	(3,391)	155	(6)	25,876
Investments	3,590	(525)	7,297	-	-	10,362
	32,708	(525)	3,906	155	(6)	36,238
	155,521	(525)	36,975	5,401	(3,187)	194,185
<b>Wakala Bi Al-Istithmar Pool</b>						
On Balance sheet equity of investment accountholders	89,090	-	9,797	3,280	(2,265)	99,902
Receivables	28,655	-	2,018	135	(6)	30,802
Investments	3,617	-	15	-	-	3,632
	32,272	-	2,033	135	(6)	34,434
	121,362	-	11,830	3,415	(2,271)	134,336

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



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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 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's compliant forms of financing as well as managing investors' money on the basis of Modaraba 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 5 August 2019.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The interim condensed consolidated financial statements for the six month period ended 30 June 2019 have been prepared in accordance with the guidance given by *International Accounting Standard 34 "Interim Financial Reporting"*. 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 six month period ended 30 June 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 Regulatory non-compliance**

**CBB rule book volume 2 - Capital Adequacy Module**

As at 30 June 2019, the Bank's consolidated core equity ratio (CET1) is 7.13%, which is in breach of minimum requirements of 9% prescribed as per rule CA-2.2.1 of Volume II of CBB rule book as of 30 June 2019.

Subsequent to period ended 30 June 2019, the Bank duly commenced the process of issuance of 140,000 ordinary shares against cash consideration of BD 5.3 million through right issuance, to sustain compliance with the consolidated CET1 ratio as prescribed CA-2.2.1.

**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 June 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 consolidated financial statements:

	<i>Ownership for 2019 / 2018 incorporation</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/ offices at 30 June 2019</i>
<i>Held directly by the Bank</i>				
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 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.

##### 2.5.2 Early 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 June 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 principal (investor) shall evaluate the nature of investment as either:

- a. a pass-through investment – as a preferred option; or
- b. a 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 recognize underlying the Wakala arrangement in books of account 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 an agency arrangement under off-balance sheet approach whereby, at inception of arrangement, since the Bank does not control the related assets / business and hence 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.

The Bank also maintains funds under multi-level arrangements duly invested in on balance sheet equity of investments accountholders. These transaction are duly accounted for in accordance with requirements of FAS 27 Investment Accounts. In this respect, the requisite disclosures of underlying wakala arrangements are duly made in "Statement of Off Balance Sheet Equity of Investment Accountholders".

**c) 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 Equity of Investment Accountholders 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".

<b>Off balance sheet Wakala pool assets as at 30 June 2019</b>	<b>BD '000</b>
Murabaha	15,742
Wakala	26,438
Investments	2,891
Commodities	13,381
	58,452
	58,452

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

3 RECEIVABLES

	30 June 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	-	90,379	90,379	1,755	67,416	69,171
Salam financing	-	28,008	28,008	-	29,151	29,151
Istisna'a financing	-	36,799	36,799	-	34,327	34,327
Murabaha	835	89,603	90,438	955	125,204	126,159
Bills receivables	-	4,022	4,022	-	48,123	48,123
Gross receivable	835	248,811	249,646	2,710	304,221	306,931
Deferred profits	(20)	(8,590)	(8,610)	(21)	(10,073)	(10,094)
	815	240,221	241,036	2,689	294,148	296,837
Less: Allowance for credit losses	(140)	(24,729)	(24,869)	(140)	(28,130)	(28,270)
Net receivables	675	215,492	216,167	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 June 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)	82,519	2,612	-	85,131	74,854	9,644	-	84,498
Satisfactory (5-7)	79,227	43,844	-	123,071	67,509	109,264	-	176,773
Default (8-10)	-	-	32,834	32,834	-	-	35,566	35,566
	161,746	46,456	32,834	241,036	142,363	118,908	35,566	296,837

4 IJARA MUNTAHIA BITTAMLEEK AND IJARA RECEIVABLES

	30 June 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
Ijara Muntahia Bittamleek	10,619	86,224	96,843	10,623	88,731	99,354
Ijara income receivables	3,127	10,462	13,589	2,216	11,418	13,634
	13,746	96,686	110,432	12,839	100,149	112,988
Less: Allowance for credit losses	(79)	(5,756)	(5,835)	(44)	(5,614)	(5,658)
	13,667	90,930	104,597	12,795	94,535	107,330

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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 June 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)	88,021	160	-	88,181	84,666	2,043	-	86,709
Satisfactory (5-7)	1,395	9,038	-	10,433	999	15,426	-	16,425
Default (8-10)	-	-	11,818	11,818	-	-	9,854	9,854
	89,416	9,198	11,818	110,432	85,665	17,469	9,854	112,988

## 5 MUSHARAKA

	30 June 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		13,978	75,185	89,163	18,163	87,210	105,373
Less: Allowance for credit losses		-	(2,805)	(2,805)	-	(2,871)	(2,871)
		13,978	72,380	86,358	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 June 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)	74,933	855	-	75,788	91,526	1,837	-	93,363
Satisfactory (5-7)	5,247	5,354	-	10,601	4,319	5,070	-	9,389
Default (8-10)	-	-	2,774	2,774	-	-	2,621	2,621
	80,180	6,209	2,774	89,163	95,845	6,907	2,621	105,373

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

6 INVESTMENTS

	30 June 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		
<b>i) Equity-type instruments at fair value through statement of income</b>								
<b>Quoted</b>								
Listed equity shares	-	84	84	-	296	296		
	-	84	84	-	296	296		
<b>ii) Equity-type instruments at fair value through equity</b>								
<b>Quoted</b>								
Listed equity shares	12,145	121	12,266	3,312	140	3,452		
<b>Unquoted</b>								
Unlisted equity shares	23,877	123	24,000	22,719	142	22,861		
Managed funds	377	-	377	377	-	377		
Real estate funds	617	-	617	3,558	566	4,124		
	37,016	244	37,260	29,966	848	30,814		
Less: Provision for impairment	(2,281)	(174)	(2,455)	(1,891)	(184)	(2,075)		
<b>Total equity investments</b>	<b>34,735</b>	<b>154</b>	<b>34,889</b>	<b>28,075</b>	<b>664</b>	<b>28,739</b>		
<b>iii) Debt-type instruments at amortised cost</b>								
<b>Quoted</b>								
Sukuk	93,457	19,947	113,404	69,505	34,388	103,893		
<b>Unquoted</b>								
Sukuk	38,486	70,956	109,442	67,691	5,730	73,421		
	131,943	90,903	222,846	137,196	40,118	177,314		
Less: Allowance for credit losses	(962)	(76)	(1,038)	(883)	(138)	(1,021)		
<b>Total debt-type investment</b>	<b>130,981</b>	<b>90,827</b>	<b>221,808</b>	<b>136,313</b>	<b>39,980</b>	<b>176,293</b>		
<b>Total investments</b>	<b>165,716</b>	<b>90,981</b>	<b>256,697</b>	<b>164,388</b>	<b>40,940</b>	<b>205,328</b>		
	30 June 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)	65,436	-	-	65,436	62,576	-	-	62,576
Satisfactory (5-7)	149,932	6,610	-	156,542	100,116	13,754	-	113,870
Default (8-10)	-	-	868	868	-	-	868	868
	215,368	6,610	868	222,846	162,692	13,754	868	177,314

Included in quoted equity type instruments, BD 1.73 million (2018: BD 2.6 million) of investments are fair valued using quoted prices in active markets.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

**6 INVESTMENTS (continued)**

Within unquoted investments which are held at fair value through equity are investments amounting to BD 21.8 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 221.8 million (2018: BD 176.3 million ) has a fair value amounting to BD 223.8 million (2018: BD 176 million).

Investments stated at a carrying amount of BD 98.4 million (2018: BD 95.2 million) are placed in custody of a financial institution to secure a financing line.

**7 OTHER ASSETS**

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>BD '000 BD '000</i>
Deferred tax (7.1)	8,218 9,503
Collaterals pending sale	8,141 8,199
Advance against financing transactions	5,363 5,459
Advance against capital expenditure	1,838 2,204
Accounts receivable	2,360 1,347
Advance tax	616 854
Income receivable	118 115
Others	7,389 6,505
	<hr/>
	34,043 34,186
Less: Provision for impairment	(937) (1,086)
	<hr/>
	<b>33,106 33,100</b>
	<hr/> <hr/>

**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.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

**8 OTHER LIABILITIES**

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>BD '000 BD '000</i>
Margins received	15,219 23,221
Accounts payable	8,299 5,653
Bills payable	10,752 3,750
Security deposit against Ijara Muntahia Bittamleek	1,547 2,234
Provision for employees benefits	1,932 2,949
Advance payment from customers	- -
ECL against off balance sheet items	1,151 225
Charity fund	195 208
Others	3,784 4,639
	<b>42,879 42,879</b>

**9 CONTINGENCIES AND COMMITMENTS**

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2019 2018</i>
	<i>BD '000 BD '000</i>
Letters of credit	23,835 32,827
Foreign exchange contracts	23,920 46,245
Guarantees	24,563 22,286
Acceptances	11,718 11,874
Taxation	543 626
Others	14 32
	<b>84,593 113,890</b>

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

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Income from Musharaka	6,191	5,617
Return on investments	6,474	4,483
Income from Ijara Muntahia Bittamleek (note 10.1) - net	2,945	3,613
Gain on sale of investments	1,010	68
Dividend income	-	52
Rental income	12	20
	<b>16,632</b>	<b>13,853</b>
	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Income from jointly financed, other financings and investments	9,126	9,131
Group's income from self financed, other financings and investments	7,506	4,722
	<b>16,632</b>	<b>13,853</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

**10 INCOME FROM JOINTLY AND SELF FINANCED, OTHER FINANCINGS AND INVESTMENTS****10.1 Ijara Muntahia Bittamleek**

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Income from Ijara Muntahia Bittamleek	9,655	11,468
Depreciation on Ijara Muntahia Bittamleek	(6,711)	(7,856)
	<b>2,944</b>	<b>3,612</b>

**11 REVENUE FROM BANKING SERVICES**

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Fees and commissions	1,157	1,281
Letters of credit and acceptances	326	1,056
Guarantees	110	105
	<b>1,593</b>	<b>2,442</b>

**12 OTHER INCOME**

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Foreign exchange gain - net	714	664
Others	245	161
	<b>959</b>	<b>825</b>

**13 ALLOWANCE FOR IMPAIRMENT - NET**

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>
Receivables	1,237	1,513
Ijara Muntahia Bittamleek and ijara receivables	302	1,345
Musharakas	314	41
Investments - debt type	17	91
Investments - equity type	547	355
Contingencies and commitments	(122)	(40)
Other assets	-	14
	<b>2,295</b>	<b>3,319</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

## 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 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Assets	484,787	479,245	325,561	342,771	810,348	822,016
Liabilities, equity of investment accountholders and Subordinated debts	412,790	419,745	297,464	310,234	710,254	729,979
	<i>Middle East</i>		<i>Other Asian Countries</i>		<i>Total</i>	
	<i>Six months ended</i>		<i>Six months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Total operating income	7,853	7,458	8,393	8,392	16,246	15,850
Total expenses	(5,786)	(5,727)	(6,509)	(7,639)	(12,295)	(13,366)
Provision for impairment - net	(1,022)	(2,527)	(1,273)	(792)	(2,295)	(3,319)
Taxation	-	-	(153)	65	(153)	65
Net income for the period	1,045	(796)	458	26	1,503	(770)

## 15 PERPETUAL ADDITIONAL TIER 1 CAPITAL

On 30 June 2019, the Bank received BD 11.3 million (in-kind investment in equity shares) Additional Tier 1 Capital, in compliance with CBB regulations, from its Ultimate Parent. In this respect, 30% of the dividend or profit to be received on such equity investments shall be distributed to the Ultimate Parent, subject to and in accordance with terms and conditions, on an annual basis. This instrument is recognized under equity in the consolidated statement of financial position and the corresponding profit payable on such balances are accounted as appropriation of profits. As per the terms and conditions, the parent will not have a right to claim the profit and such event of non-payment of profit will not be considered as event of default.

On 23 June 2019, Ultimate Parent in the extra ordinary general meeting resolved to written off the Additional Tier 1 Capital amounted to BD 5.7 million, in compliance with CBB regulations and accordingly, it has been adjusted against accumulated losses of the Bank.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019 (Reviewed)

## 16 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 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
<b>Assets:</b>						
Cash and balances with banks and financial institutions	16	16	69	68	85	84
Receivables	-	-	3,172	3,029	3,172	3,029
Ijara Muntahia Bittamleek and Ijara rece	-	-	44	77	44	77
Musharaka	-	82	628	717	628	799
Ijara income receivables	-	-	14	20	14	20
Investments	7,540	-	36,474	32,742	44,014	32,742
Other assets	880	247	127	60	1,007	307
	<b>8,436</b>	<b>345</b>	<b>40,528</b>	<b>36,713</b>	<b>48,964</b>	<b>37,058</b>
<b>Liabilities:</b>						
Due to banks and financial institutions	7,435	1,544	563	235	7,998	1,779
Current accounts	54	60	6,898	7,283	6,952	7,343
Other liabilities	-	2	930	97	930	99
	<b>7,489</b>	<b>1,606</b>	<b>8,391</b>	<b>7,615</b>	<b>15,880</b>	<b>9,221</b>
Equity of investment accountholders	2,621	3,391	35,658	32,253	38,279	35,644
<b>OFF-BALANCE SHEET ITEMS:</b>						
Equity of investment accountholders	7,297	-	20,755	23,997	28,052	23,997
Contingencies and commitments	-	-	2,093	1,442	2,093	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
<b>Income</b>						
Income from jointly financed sales	-	-	78	135	78	135
Income from jointly financed, other financings and investments	-	-	172	177	172	177
Other income	61	60	17	-	78	60
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	7	9	-	-	7	9
	<b>68</b>	<b>69</b>	<b>267</b>	<b>312</b>	<b>335</b>	<b>381</b>
<b>Expenses</b>						
Return on equity of investment accountholders before Group's share as a Mudarib	14	200	864	214	878	414
Other expenses	60	17	348	758	408	775
	<b>74</b>	<b>217</b>	<b>1,212</b>	<b>972</b>	<b>1,286</b>	<b>1,189</b>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 June 2019 (Reviewed)

**16 RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

Compensation of key management personnel is as follows:

	<i>Six months ended 30 June</i>	
	<b>2019</b>	<b>2018</b>
	<b>BD '000</b>	<b>BD '000</b>
Salaries	<b>877</b>	852
Other benefits	<b>408</b>	491
	<b>1,285</b>	1,343

**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.