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Press Release (International)

Net Income of Al Baraka Banking Group Reaches US\$ 217 million and Total Assets nearly US\$ 24 Billion in 2018

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The financial results of Al Baraka Banking Group BSC (ABG), the leading Islamic banking group based in the Kingdom of Bahrain, for the 2018 showed a good increase in income, with an increase in the net operating income increased by 4% and net income by 5% compared to the year 2017.

During the year 2018, the fluctuations of local currencies against the US dollar in a number of Arab and Middle East countries where ABG units operate, continued. This 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, increasing spending efficiency, and continuing expansion in businesses and branches, the Group was able to achieve good profits results, where net operating income increased by 4% to US\$ 447 million in 2018 compared to 2017 after deducting all operating expenses. The net income achieved a good growth of 5% to reach US\$ 217 million in 2018 compared to 2017, despite the increase in prudential provisions in order to improve the quality of assets.

Most of the Group's banking units, spreading over 17 countries, contributed to these good results by implementing well-planned business expansion strategies, enhancing their market share, diversifying their sources of income, increasing their branch network and strengthening their relationships with customers by providing high quality and competitive products and services, despite the difficult financial and economic conditions some of them faced, especially the decline of their currencies against the dollar. Excluding the impact of currency

declines, net operating income will rise by 22% and total net income by 24% in 2018 compared to 2017.

The growth rates of assets were also affected by the decline in the value of local currencies of some countries where the Group's units operate against the US dollar, the currency of reporting the Group's consolidated statements. Therefore, the consolidated balance sheet items of Al Baraka Banking Group reached at US\$ 23.8 billion at the end of December 2018, a decrease of 6% compared to its level at the end of December 2017. 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\$ 17.9 billion as at the end of December 2018 compared to US\$ 19.1 billion at the end of December 2017, a decrease of 7%. Customer accounts as at the end of December 2018 reached US\$ 19.6 billion, a decrease of 5% compared to its level as at the end of December 2017, and represents 82% of total assets, which indicates the continued customer confidence and loyalty in the Group and a growing customer base. Excluding the impact of currency declines, total assets will rise by 11%, investment and financing portfolio by 9% and customer accounts by 10% by end of 2018 compared to end of 2017.

Total equity reached US\$ 2.3 billion at the end of December 2018 compared to US\$ 2.5 billion at the end of December 2017, decreasing by 10% due to impact of currency devaluation and the implementation of FAS 30 (IFRS 9).

With respect to the Group's results for the fourth quarter of 2018, the total net income increased by 1% to reach US\$ 53 million compared to the same period last year.

HE Sheikh Saleh Abdullah Kamel, Chairman of Al Baraka Banking Group, said "The results of the Group for the year 2018 are considered good, taking into account the financial conditions many of our banking units underwent, besides the unstable regional and international geopolitical environment. Our units were able to achieve these results while at the same time maintaining the quality of its assets and the soundness of liquidity besides improving the financial returns from all main activities".

For his part, Mr. Abdulla Ammar Al Saudi, Vice Chairman of ABG, said, "Al Baraka Banking Group and its subsidiaries have a strong presence, rich financial, technical and human resources, and extensive experience in their markets, enabling them to capitalize on the opportunities generated in these

markets, both retail and wholesale, or large projects associated with the development programs of their countries. This always enables them to generate sustainable returns.”

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 that pose serious challenges for us continued in 2018, including the economic fluctuations, regional security tensions, the decline in currencies value of some of our units' countries against the US dollar, the currency of the Group's consolidated reports. Despite all these developments, we were able to not only maintain our good profits and operational positions, but also enhance our precautionary measures in the context of sound policies and strategies developed by the Group and implemented by our units. We are very pleased to see the contribution of the majority of 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 Group's units have resumed their careful and well-planned expansion programs, where the number of new branches opened by these units has reached 23 branches during 2018, bringing the total number of branches to 698 at the end of December 2018. The total staff of the Group's branches reached 12,937, 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”.

“The Group is also planning to enter new markets in the coming period through the presence in the Indonesian market, expansion in East Asia, as well as studying the expansion in the continent of Africa through the presence in several countries, notably Kenya, Tanzania and Uganda. We will announce the details of these projects in due time”.

“The last year was characterized by the launch of “Insha” service by Al Baraka Bank Turkey in Germany to provide digital banking services in Europe. In the first phase “Insha’ will provide basic banking services such as opening bank account, account management, debit card, payment and wire transfers. Al Baraka Bank Turkey is planning to include all fundamental offers of participation banking in the second phase and aim to propagate participation banking both in digital and traditional channels throughout Europe”.

“The Islamic International Rating Agency (IIRA) assigned Al Baraka Banking Group investment grade rating of BBB+ (Long Term) / A3 (Short Term) ratings with a Stable Outlook. The rating report recognized ABG's widely diversified

presence in the MENA, Turkey, South Africa and Asia along with strong and well-reputed local partners in its subsidiaries”.

“At the beginning of last December, we launched our annual Sustainability and Social Responsibility report for 2017 for the fifth consecutive year. The report includes the progress made by the Group and its banking units in their various programs and activities under the Al Baraka Sustainable Development Program (2016-2020), which links the objectives of Al Baraka to Sustainable Development with the United Nations goals of sustainable development, and pledges more than US\$ 635 million to finance and support these goals with creating thousands of new jobs. The report shows that during the first two years (2016 and 2017) of the program, the Group and its banking units were able to contribute to the creation of 22,000 jobs out of the 51,000 jobs we committed to create during the five years, with a 43% achievement. We provided US\$ 142 million for education, with 74% achievement of the amount we promised to provide in 5 years and US\$ 243 million for healthcare; that is 56% of the amount we promised to provide within five years”.

“For the sixth successive year, ABG and four of its subsidiary banking units received the "Best Islamic Financial Institution" Award of 2018, 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 is a result of their prominent role in the Islamic banking sector and their ability to achieve consistent growth in the future”.

Mr. Adnan added: "During the year 2018, we continued to focus on the implementation of the digital transformation strategy at the Group level and the banking units, which we believe will make significant transformation in the business strategies of the units and the Group”.

“During the first nine months of 2018, we continued to focus on expanding our Shari’a-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. 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”.

The President & Chief Executive of ABG concluded his statement by praising the tireless efforts of the executive management at the Group Head Office, the executive management teams of the banking units of Al Baraka Banking Group

and related parties that were instrumental in achieving these satisfactory results for the Group.

Al Baraka Banking Group B.S.C. (“ABG”) is licensed as an Islamic wholesale bank by the Central Bank of Bahrain and is listed on Bahrain Bourse and NasdaqDubai. It is a leading international Islamic banking group providing its unique services in countries with a population totaling around one billion. It is rated BBB+ (long term) / A3 (short term) by Islamic International Rating Agency and BB (long term) / B (short term) by Standard & Poor's.

ABG and its Units offer retail, corporate, treasury and investment banking services, strictly in accordance with the principles of the Islamic Shari'a. The authorized capital of ABG is US\$ 2.5 billion.

The Group has a wide geographical presence in the form of subsidiary banking units and representative offices in 17 countries, which in turn provide their services through over 698 branches. Al Baraka Banking Group has operations in Jordan, Egypt, Tunisia, Bahrain, Sudan, Turkey, South Africa, Algeria, Pakistan, Lebanon, Saudi Arabia, Syria, Morocco and Germany in addition to one branch in Iraq and two representative offices in Indonesia and Libya.