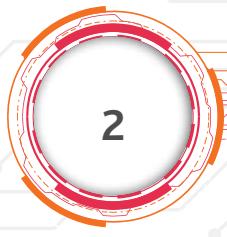




Annual Report 2018



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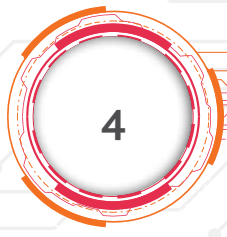
**Best Islamic Bank
in Lebanon
For 2018**

**ISLAMIC BUSINESS
& FINANCE**

Your Partner Bank

alBaraka 





Beyond Banking

We feel that banking has a crucial role to play in society and as bankers, we have an incredible responsibility for the resources in our hands. To use this responsibility wisely we rely on Shari'a principles to guide us as we participate in our customer's success: sharing in the development of families, businesses and society at large.

Our success and our customer's success are as intertwined as our beliefs. Taking part - the common effort - is our mutual reward. We see money as the means to capitalise on opportunities and create a better society for all of us.

Money is the means to enter into new opportunities and take part in common effort for mutual reward. As stewards of resources, our efforts contribute to building the community: at home and in the wider world.

Vision

"We believe society needs a fair and equitable financial system: one which rewards effort and contributes to the development of the community."

Mission

To meet the financial needs of communities across the world by conducting business ethically in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success.

Our Values

Partnership

Our shared beliefs create strong bonds that form the basis of long-term relationships with customers and staff.

Driven

We have the energy and perseverance it will take to make an impact in our customers' lives and for the greater good of society.

Neighbourly

We value and respect the communities we serve. Our doors are always open; our customers always experience a warm-hearted, hospitable welcome and accommodating service.

Peace of Mind

Our customers can rest assured that their financial interests are being managed by us to the highest ethical standards.

Social Contribution

By banking with us our customers make a positive contribution to a better society; their growth and our growth will benefit the world around us.

Our Positioning

Our intimate knowledge of our customers, communities and local markets, combined with our geographic reach and international influence make it possible for us to build lasting partnerships and create more value for the businesses, families and communities we serve.



Chairman

Mr. Adnan Ahmed Yousif



Report of the Board of Directors to the Ordinary General Assembly
On the Bank's Activities for the Financial Year Ended 31/12/2018

Distinguished Shareholders,

It gives me great pleasure to present to you, on behalf of the Board of Directors of Al-Baraka Bank s.a.l. and the Executive Management, the annual report of the year ended 31 December 2018 and a review of this year's performance.

Overview of the Lebanese Economy in 2018

Dear Gentlemen,

The Lebanese economy experienced relatively difficult conditions in 2018, and the IMF revised down its assessment of real GDP growth in Lebanon to 1% in 2018. Also, BDL estimated economic growth in Lebanon between 1.5% and 2% in 2018. The year 2018 witnessed further slowdown in economic growth, but it did not witness recession in the technical sense of the word.

This continued slowdown in economic growth prevalent in 2018 was accompanied with a wait-and-see approach among private sector investors. Private consumption witnessed moderate growth (benefiting last year from the approval of ranks and salaries series) while government spending growth provided little support for the country's economic growth.

Most real sector indicators available for 2018 witnessed decline, most notably in the construction and check-clearing movements, while improvement in indicators was almost limited to the movement of tourists and travelers through the airport, signifying weak economic performance in the past year. On the monetary level, BDL's foreign assets (excluding gold) remained at good level at USD 39.7 billion at the end of 2018 despite a large deficit in the balance of payments estimated at USD 4.8 billion. Total public debt increased in 2018 by 7% reaching USD 85,1 billion at the end of the year. As for banking activity, total assets of commercial banks operating in Lebanon reached USD 249,5 billion at the end of 2018, and private sector deposits increased by 3.3% while credit to customers decreased with the deterioration of economic movement. Bank rates assumed an upward trend in 2018 in parallel to local developments and the global rise of interest rate on USD.

Concerning the Performance of the Economic Sectors in General:

There was an increase in the number of tourists visiting Lebanon in 2018 by 8.1% and in those leaving by 6.6%. Number of flights increased by 3.4% and the movement of cargo through the airport grew by 0.5%. The number of those travelling through Beirut Airport witnessed positive growth by 7.4% compared to 2017.

The value of merchandise imports decreased by 11% in 2018 compared to 2017. Commodity imports in 2018 were distributed among a group of products including metal products that ranked first, chemical industry products, transportation equipment followed by food industries and others.

The value of merchandise exports increased by 4.4% in 2018 compared to 2017. Precious stones and precious metals ranked first followed by ordinary metals and their products, products of the food industry then products of the chemical industry and others.

Real estate market witnessed a clear decline in 2018 as the value of real estate sales decreased by 27.4% in the first 11 months of the year compared to the same period last year, which is the highest decline since 2010. Also, number of sales decreased by 18% during the same period while the median price of each transaction declined by 11.8% from USD 135 thousand to USD 119 thousand. Building permits deteriorated by about 23% as of September 2018.

BDL's suspension of subsidizing the interest rate of housing loans has been one direct cause leading to the major decline in the real estate market in 2018. A direct consequence of this was the disruption of economic movement in many economic sectors directly related to the real estate sector such as furniture stores, household and electrical appliances besides marble and granite factories not to mention the impact on the economy in general given that the real estate sector is one of the pillars of the Lebanese economy.

Performance of the Lebanese Banking Sector in 2018

Dear Gentlemen,

The total budget of commercial banks, which indicates the volume of banking activity, increased by a good rate amounting to 13.5% and deposits by 3.2% while loans to the private sector fell by 2.5%.

The rate of dollarization of resident and non-resident private sector deposits rose slightly to 70.62% as of the end of December 2018 compared to 68.72% as of the end of 2017.

Also, total deposits with commercial banks, which include deposits by resident and non-resident private sector in addition to public sector deposits, increased by 3.2% in 2018 compared to 3.9% in 2017.

Commercial banks' private funds amounted to USD 20.2 billion as of the end of December 2018, i.e. 5.4% growth compared to USD 19.1 billion at the end of 2017, constituting 8.1% of the total consolidated budget and 33.9% of total loans to the private sector.

Loans provided by commercial banks to resident private sector decreased at the end of December 2018 to USD 52,269 million compared to USD 53,615 million at the end of 2017, which amounts to a 2.5% decrease in 2018.

Loans provided by commercial banks to the public sector increased by 5.2% as of the end of December 2018.

Al-Baraka Bank s.a.l. Results at the end of 2018

Dear Sirs,

Budget items of Al-Baraka Bank s.a.l. increased in 2018 with total assets amounting to USD 449.93 million compared to around USD 389.84 million at the end of 2017.

Speculation and agencies with banks increased by USD 5.53 million and by 7% to reach about USD 62.78 million. Investments in Murabaha, leasing, Istisna'a, Musharaka, real estate investments, equities, Sukuk and derivatives increased to reach USD 181.34 million compared to USD 175.88 million at the end of 2017, i.e. a 3% increase.

Customer deposits increased to reach USD 315.42 million compared to USD 285.19 million at the end of 2017. Net operating income reached USD 10.99 million in 2018, an increase of USD 2.34 million compared to 2017, the majority of which coming from Murabaha income.

General investment expenditures declined in 2018 to USD 10.33 million compared to USD 10.72 million in 2017, i.e. by 4%, as a result of rationalization of expenses pursued by the Board of Directors and Executive Management

In 2018, the Bank recorded a profit of USD 0.15 million, i.e. an increase of 107% from the previous year. This confirms the validity of the decisions taken in 2018 to cover the deficit, and we shall continue with the plans and actions taken for the Bank to achieve more positive results in the future.

To keep abreast of the latest in the field of banking technologies and raise the efficiency of the automated systems used in order to improve the efficiency of banking services and operations provided to customers, the Bank has adopted a new information system IMAL from Path solution. The system is modern and effective and will help the Bank conduct operations efficiently while contributing to improve the ability to launch new products, keep up with developments and meet customers' emerging needs.

The Bank paid close attention to corporate social responsibility and it contributed to Al-Baraka Group Program for Sustainability and Social Responsibility through Al-Baraka Charitable Program, Economic Opportunities Program and Al-Qard al-Hassan Program.

Within the framework of the Charitable Program, Al-Baraka Bank s.a.l. contributed to supporting education through the funding of the scholarship program for gifted and needy students. The Bank also provided initiatives for community development, the promotion of artistic, literary and cultural works, and the support of sound scientific research on Islamic banking, Islamic economy, law and finance.

Al-Baraka Bank s.a.l. also contributed to supporting charitable work at a sum of USD 301,205 in the fields of education, community development, culture, arts, literature, women empowerment, environment and sustainability, special needs services, medical assistance, training and development.

The Bank also provided financing in accordance with Islamic Sharia at USD 80,219,542 in the field of community development as well as small, medium and micro enterprises and entrepreneurs, and achieved outstanding results in terms of job creation amounting to 1748 jobs in 2018.

The Bank provided USD 362,260 loans within Al-Qard al-Hassan Program to support miscellaneous activities.

Lastly,

I am pleased to thank BDL for its continuous support for all the Bank's programs and activities as well as its guidance to develop these programs and activities in conformity with Islamic banking standards.

I also extend my thanks to the members of the honorable Shariah Supervisory Board for their appreciated efforts and valuable guidance and for their noble contributions.

Sincere thanks go as well to all members of the Board of Directors for their efforts, and to the Executive Management and all employees at Al-Baraka Bank s.a.l. for their earnest efforts throughout the past year.

Many thanks to our dear clients and loyal investors who have provided us with their trust and support.

Wa Assalamu Alaikom wa Rahmatu Allah wa Barakatoh

On Behalf of the Board of Directors

Adnan Ahmad Yussef

Chairman - General Manager



Board Member - General Manager
Mr. Mutasim Mahmassani



In the Name of God, the Most Gracious, the Most Merciful and Prayers and Peace upon the Most Merciful of Our Messengers Mohammad, His Family and Companions

Dear Shareholders,

Assalamu Alaikom wa Rahamtu Allah wa Barakatohu,

The Lebanese economy experienced relatively difficult conditions in 2018, and the IMF revised down its assessment of real GDP growth in Lebanon to 1% in 2018. While 2018 witnessed further slowdown in economic growth, there was no recession in the technical sense of the word, i.e. negative growth or net contraction in Lebanon's real economy. Continued growth slowdown during 2018 is related to a state of anticipation among private sector investors who are hesitant about investment in various economic sectors in Lebanon.

Amidst these difficult conditions we endeavored to maintain the stable position of the Bank.

We also worked rigorously to increase the Bank's share of the local market by launching new services and products in addition to signing partnerships and protocols to sustain the Bank's competitive edge and create opportunities to attract new categories of customers.

Indeed, it is this effort which has enabled the Bank to win the award of the "Best Islamic Bank in Lebanon" for 2018 awarded by the prominent Journal of Islamic Economics and Finance.

Such awards are highly telling as they mean that we are on the correct path and that we must preserve what we have achieved so far while working towards further accomplishments.

Dear Gentlemen,

Our accumulated achievements would not have been possible without the diligent follow-up and prudent guidance of the Board of Directors, which enabled AL-Baraka Bank to maintain its position as the most prominent Islamic bank on the national level.

In recognition of this trend and in response to the needs of the market and the requirements of customers, especially those concerned with investment, the Bank introduced "Al-Baraka Distinctive Deposit." This account combines the flexibility of the current account with the Mudaraba investment account which is the common profit according to the Islamic Mudaraba system. This feature enables the deposit account holder to use the deposit in withdrawals and deposits while at the same time receiving profits.

The Bank signed a cooperation agreement with LibanPost, the official supplier of mail in Lebanon, to allow the Bank customers to submit applications via more than 100 LibanPost branches across different Lebanese areas. These applications include financing, banking services and bank cards.

Besides, the Bank signed a group of protocols with prestigious companies working in the field of clean energy to provide funding to those willing to buy such equipment at competitive prices and conditions.

Dear Gentlemen,

The Bank this year achieved growth in profitability compared to the previous year; and we are seeking to maintain this accomplishment and to further develop and achieve better results in the near term, God willing.

The Bank is keen to continue to develop its operations and maintain growth in the coming years to achieve a steady and rising growth in profitability and return on investment rates to attain greater proportion of the local market. To this end, the Bank has provided distinctive banking products and quality services compatible with the financing and investment activities parallel to ensuring a continuous reduction in operating expenses while maintaining the highest quality standards in providing banking services to all customers.

Increasing the level of integration among the Bank's departments is still a top priority addressed in accordance with effective mechanisms and systems that lead to further cooperation in performance

and accuracy in implementation, as well as an orderly system of operations which accurately implements and controls the various banking transactions.

The Bank started the process of introducing a new information system to upgrade the current one and update its infrastructure to keep pace with the continuous development of information technology related both to hardware and software. This is to maintain highest levels of accuracy and effectiveness in the implementation of operations which would in turn ensure the flow of information and statistics necessary to develop work and meet the requirements of disclosure, transparency and good banking management.

In addition, the Bank embarked on a program for Digital Banking Transformation with all accompanying challenges and changes, but which will definitely open the way towards new horizons in banking activity.

With our focus on human capital and our conviction that it is still the most important factor in delivering the best customer service, we commenced a number of training and development programs that develop staff and provide them with expertise. In this respect, more than 150 training sessions were held for employees in partnership with prestigious universities in the country.

The Bank has maintained administrative development program by nominating managers to participate in a range of courses and conferences. The program also noted career planning for middle-management employees who have remarkable potentials to enhance their skills and expand their banking talents, work on refining and acquiring these skills at the operational level in addition to providing several training programs and internal workshops.

We are quite positive that we would be able to further enhance the position of the Bank and strengthen its standing in the Islamic banking market in Lebanon.

Distinguished Gentlemen,

Social responsibility is a major commitment for Al-Baraka Bank s.a.l., and even lies at the core of its banking principles which it seeks to establish in the community as part of the goals of social responsibility embraced by Al-Baraka Group.

This year, the Bank worked on a vital and important issue: empowering women and helping them gain the necessary expertise to be a productive element in society. Therefore, we launched "Tamkeen" (Empowerment), a unique program that combines financing and habilitation where participants benefited from the financing of their microenterprise while being subject to a habilitation program aimed to teach them the principles of marketing, accounting and management.

The Bank paid major attention to persons with special needs by sponsoring their sports activities and encouraging those skilled among them to develop their abilities.

Health support had its share in the social responsibility activities of the Bank through providing treatment for chronic diseases and for needy categories who receive no support.

Besides, the Bank continued to sponsor miscellaneous activities focused on the support of charitable projects, as well as cultural, social, sports and youths activities.

Lastly,

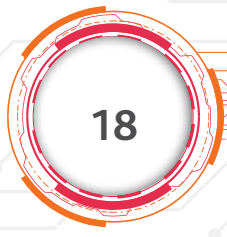
I sincerely thank BDL for its unrelenting support and encouragement, and for its effective role in maintaining the stability of the Lebanese banking sector.

I extend my thanks as well to the members of the Board of Directors for their support and guidance throughout the last year while at the same time I express my appreciation for the genuine efforts made by all employees. I also thank the members of the Shariah Supervisory Board for their valuable efforts and contributions towards the operation of the Bank in accordance with Shariah provisions. Many thanks go to our valued customers who have given us their trust and support, and we assure you all of our constant commitment to achieving the best results and accomplishments.

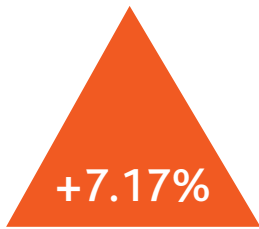
Member of Board of Directors - General Manager
Mutassim Mahmassani

Financial Indicators

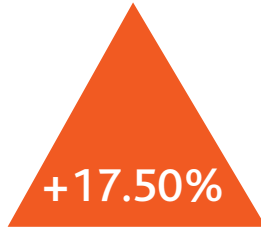




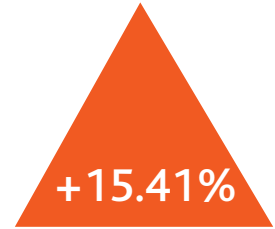
Financial Indicators



Total Financing



Total Deposits



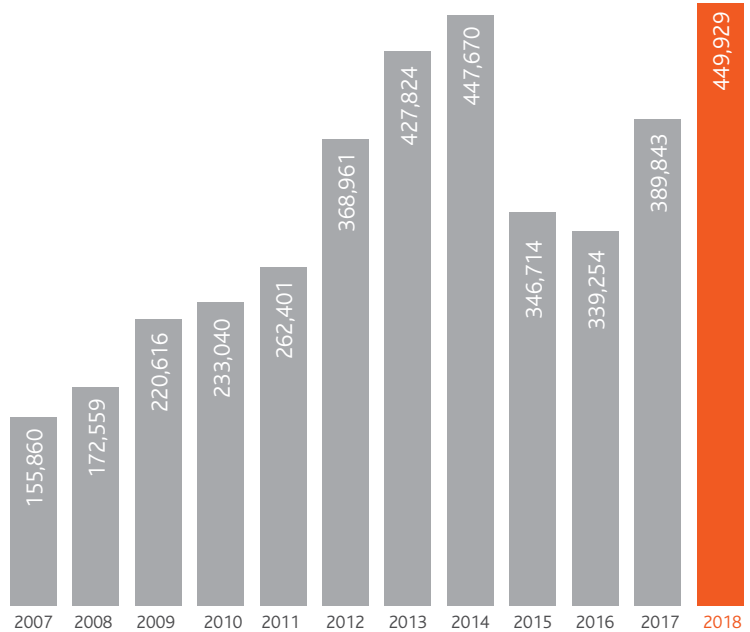
Total Assets

Amounts in Thousand Dollars

Item/Year	Total Assests	Total Financing	Total Investments	Total Provisions for Doubtful	Total Deposits	Total Shareholders Equity
2007	155,860	33,186	84,802	10,328	123,623	18,260
2008	172,559	55,852	71,520	10,358	129,052	30,453
2009	220,616	68,734	96,772	8,316	179,771	27,943
2010	233,040	80,079	102,914	8,055	191,504	27,043
2011	262,401	70,958	117,697	7,996	225,168	787,24
2012	368,961	152,104	95,211	7,871	317,229	24,839
2013	427,824	177,750	98,480	4,293	378,839	23,315
2014	447,670	160,352	107,555	4,308	408,047	23,994
2015	346,741	114,931	110,860	3,973	308,553	24,862
2016	339,254	129,347	78,840	3,757	305,961	22,161
2017	389,843	149,417	85,023	3,133	354,788	20,083
2018	449,929	160,136	83,983	7,502	416,887	19,879

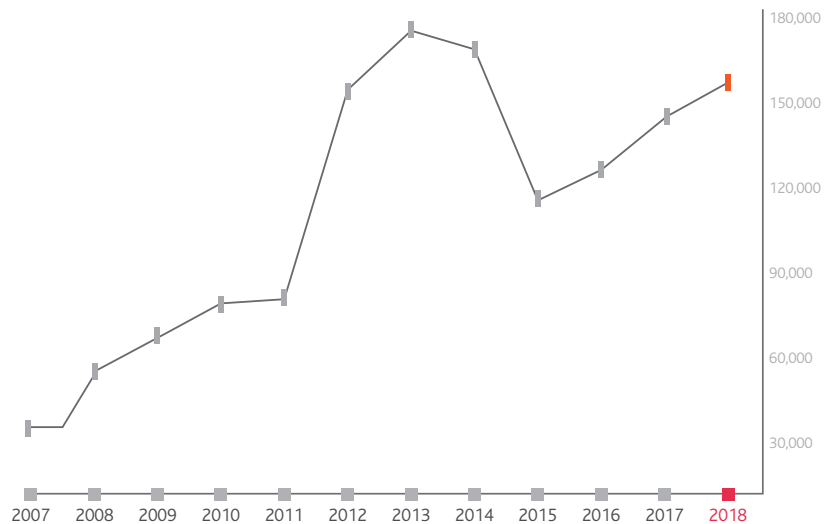
Total Assets

Year	Total Assets
2007	155,860
2008	172,559
2009	220,616
2010	233,040
2011	262,401
2012	368,961
2013	427,824
2014	447,670
2015	346,741
2016	339,254
2017	389,843
2018	449,929



Total Financing

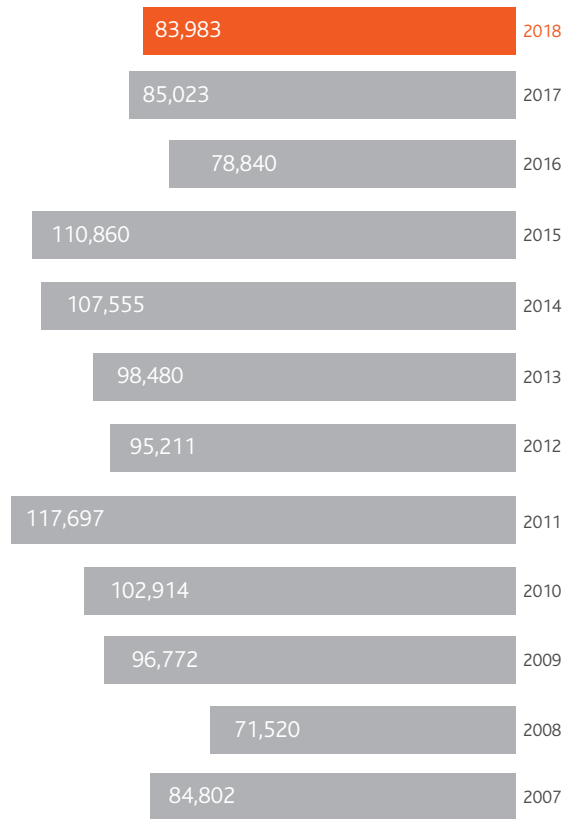
Year	Total Financing
2007	33,186
2008	55,852
2009	68,734
2010	80,079
2011	70,958
2012	152,104
2013	177,750
2014	160,352
2015	114,931
2016	129,347
2017	149,417
2018	160,136





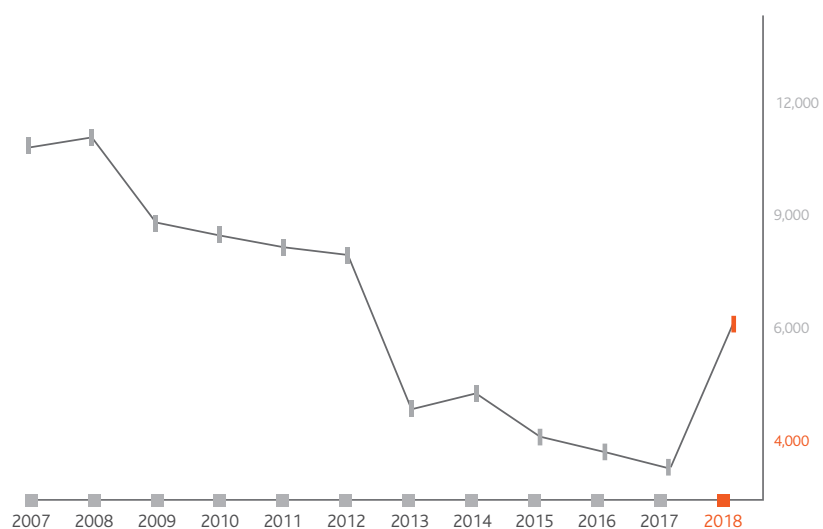
Total Investments

Year	Total Investments
2007	84,802
2008	71,520
2009	96,772
2010	102,914
2011	117,697
2012	95,211
2013	98,480
2014	107,555
2015	110,860
2016	78,840
2017	85,023
2018	83,983



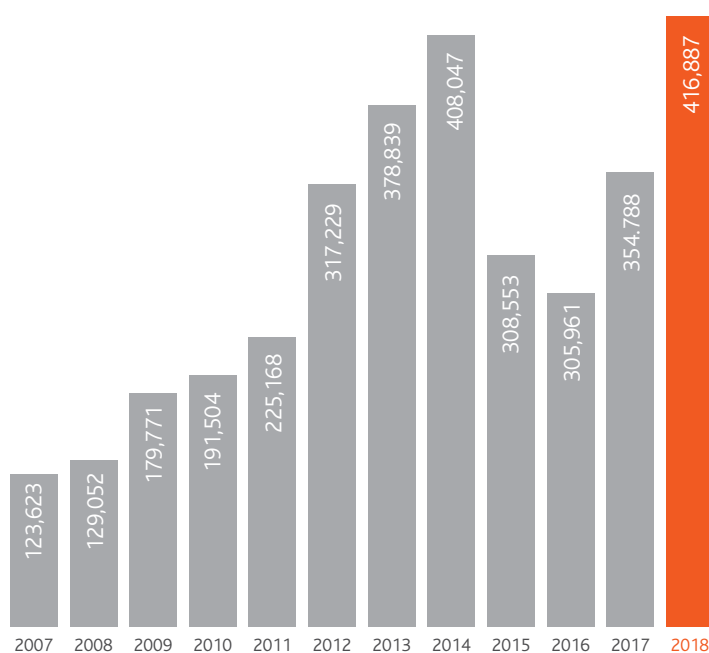
Total Provisions For Doubtful

Year	Total Provisions for Bad Loans
2007	10,328
2008	10,358
2009	8,316
2010	8,055
2011	7,996
2012	7,871
2013	4,293
2014	4,308
2015	3,973
2016	3,757
2017	3,133
2018	7,502



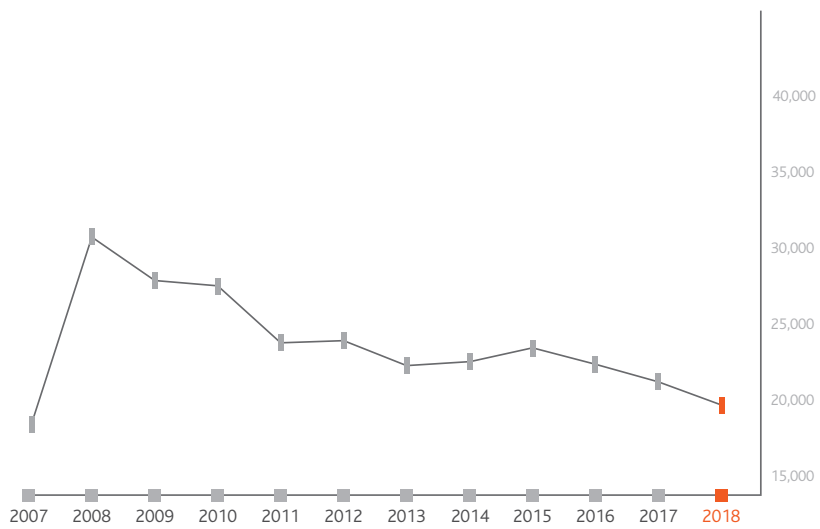
Total Deposits

Year	Total Deposits
2007	123,623
2008	129,052
2009	179,771
2010	191,504
2011	225,168
2012	317,229
2013	378,839
2014	408,047
2015	308,553
2016	305,961
2017	354,788
2018	416,887



Total Shareholders' Equity

Year	Total Shareholders' Equity
2007	18,260
2008	30,453
2009	27,943
2010	27,043
2011	24,787
2012	24,839
2013	23,315
2014	23,994
2015	24,862
2016	22,161
2017	20,083
2018	19,879



Board Members and Executive Management





Mr. Adnan Ahmad Yousif
Chairman - General Manager



Mr. Saleh Al Yousef
Vice Chairman



Mr. Mutasim Mahmassani
Board Member
General Manager



Me. Joseph Khoury Helou
Board Member



Mr. Hachem Abou Abboud
Board Member



Mr. Farouk Mahfouz
Board Member



Dr. Hussein Said Saifan
Board Member



Mr. Hisham Al Shaar
Board Member

Mr. Adnan Ahmad Yousif
Chairman - General Manager

Mr. Adnan Ahmad Yousif is an eminent Bahraini banker with a Master's degree in Business Management from the University of Hull, UK. He has been Executive Chairman of Al Baraka Banking Group since 2004 and he serves as Board Member as well. Mr. Yousif serves as Director on the Boards of Jordan Islamic Bank, Banque Al Baraka D'Algerie, Al Baraka Turk Participation Bank, Al Baraka Bank Ltd. - South Africa, Al Baraka Bank Egypt, Al Baraka Bank Lebanon, Al Baraka Bank Syria, Al Baraka Bank Sudan, and Al Baraka Bank (Pakistan) Ltd. He is also Board Member of Al Baraka Islamic Bank- Bahrain and Al Baraka Bank Tunisia. Mr. Adnan Youssef enjoys international banking experience spanning over 42 years and covering many financial institutions and social organizations. He was twice recipient of "Islamic Banker of the Year" award granted by the World Islamic Banking Conference in December 2004 and December 2009. He was elected in 2007 Chairman of World Union of Arab Banks and was re-elected for the position in April 2010 for another period of three years. He also received the 2012 Excellence in Leadership and Institutional Performance Award for "Wise Leadership" category in the field of Arab banking bestowed by the Arab Administrative Development Organization, a specialized organization stemming from the League of Arab States, in collaboration with Tatweej Academy. He was also granted Award for Excellence in Achievement for 2012 granted by American Finance House "LARIBA" in recognition of his leading role in development and operation of the largest Islamic banking group on the international level.

Mr. Saleh Al Yousef
Vice Chairman

Mr. Saleh Al Yousef is a prominent Kuwaiti businessman with a Bachelor of Commerce degree from Kuwait University and over 35 years of banking experience. He has been Chairman of Board of Directors and Managing Director of the Industrial Bank of Kuwait from 1988 to 2005. Prior to that, Mr. Al Saleh has held several executive positions at the Industrial Bank of Kuwait and Central Bank of Kuwait and served as Chairman of Board of Directors of ABC Islamic Bank - Bahrain and of the Supervisory Board of Arab Banking Corporation - Frankfurt. He was also a Board Member of Securities Group Kuwait in 1986 as well as of a number of financial institutions including Gulf Bank - Kuwait, Arab Banking Corporation - Bahrain and Ahli United Bank - London. In addition, Mr. Yousef has been Chairman and Managing Director of Afkar Holding Company until September 2010, and Board Member of Gulf Investment Corporation until April 2010. He is currently Vice Chairman of Al Baraka Bank.

Mr. Mutasim Mahmassani
Board Member – General Manager

Mr. Mutasim Mahmassani has been General Manager and Board Member of Al Baraka Bank SAL since 2006. He is also a member of World Union of Arab Bankers. Mr. Mahmassani has an accumulated experience of more than 41 years earned through different administrative positions he has held in a number of international and regional banks covering various aspects of banking industry. In addition, he has assumed chairmanship and membership of administrative boards in a number of financial institutions and real estate companies. Mr. Mahmassani has received his Bachelor's and Master's degrees in business administration from the American University of Beirut.

Me. Joseph Khoury Helou
Board Member

Me. Joseph Khoury Helou is a prominent lawyer and descendent of a family renowned for serving the law and the judiciary. His father, Wajih Khoury Helou, was a judge during the French Mandate and his grandfather was also a judge during the Ottoman era. He received his education at Collège Notre-Dame de Jamhour then completed his high studies at Université Saint-Joseph de Beyrouth (USJ) where he received a Bachelor's degree in Lebanese and French Law. After his graduation in 1979, he was appointed Head of Legal Affairs Unit at the Lebanese Ministry of Justice. In 1982, he was appointed unique judge in Beirut to look into commercial and financial cases. Motivated by his will to return to practicing attorneyship, he resigned from the judiciary in the same year and founded his law firm under the name of Joseph Khoury Helou and Associates. The firm services included a number of institutions and companies covering industry, real estate, maritime trade, proxies, commerce, hospitalization and tourism.

Me. Joseph Khoury Helou has authored a number of legal research papers and studies in addition to a number of articles published in L'Orient Le Jour. He is Board Member of Al Baraka Bank SAL and the Bank Attorney.

Mr. Farouk Mahfouz
Board Member

Mr. Farouk Mahfouz is Board Member of Al Baraka Bank SAL He holds a Bachelor's degree in Accounting in addition to Bachelor's and Master's degrees in Economics and Political Studies. Mr. Mahfouz has extensive experience in banking industry which he started through work as auditor at Audit Department then in the Banking Control Commission of Lebanon. He also served as Head of Lending Department at National Bank for Industrial and Touristic Development S.A.L and he was appointed as Assistant Manager at MEBCO Bank (Middle East Banking Company) then by the Council of Ministers as member of Audit Committee and representative of National Deposit Guarantee Institution (NDGI) where he served for 21 years. He is also member of Risk Committee at BBAC (Bank of Beirut and the Arab Countries SAL). Mr. Mahfouz has experience in different sectors including his work as accounting advisor for Arab Security Force, then Arab Deterrent Force, state representative at Télé Liban Board of Directors, and financial advisor to the Board. In addition, he has worked as consultant to the office of the Prime Minister for ministries affairs and was delegated to reconsider social services system for employees at Civil Servants' Cooperative. He has also headed a committee at the Ministry of National Education to prepare sample budget to be presented annually by private schools to the Ministry. He participated in a number of scientific conferences and seminars in Lebanon and abroad and delivered many seminars related to deposit insurance and banking supervision.

Dr. Hussein Said Saifan
Board Member

Dr. Hussein Said Saifan, of Jordan nationality, is Board Member at Al Baraka Bank and holds a Bachelor's degree with major in Accounting and a minor in Economics and Statistics from the University of Jordan in addition to Master's and Doctorate's degrees in Islamic banks. Dr. Saifan has a banking experience spanning over 32 years earned through different administrative positions he assumed lastly as Vice General Manager/ Jordan Islamic Bank. He is also member on Boards of Directors and Boards of Managers as follows:

- Vice Chairman of Board of Managers at Sanabel AlKhair for Financial Investments LLC
- Vice Chairman of Board of Directors of the Industrial Commercial and Agricultural Co. Ltd. (production)
- Vice Chairman of Board of Managers at Future Applied Computer Technology LLC
- Vice Chairman of Board of Managers at Ajloun National Corporation for Culture and Education LLC
- Vice Chairman of Board of Managers at Ajloun National Company for Investment and Development LLC
- Board Member of Islamic Insurance Company PLC
- Vice Chairman of Board of Managers at Omareyah Schools Company LLC
- Member of Accounting and Auditing Standards Board at Accounting and Auditing Organization for Islamic Financial Institutions/Bahrain
- Board Member of Shariiaa College/ World Islamic Sciences and Education University
- Board Member of Securities Depository Center (Jordan Securities Market)
- Board Member of Hajj Fund
- Underwriter licensed from Jordan Securities Commission/ Jordan since 31/5/2005

Dr. Saifan has particular interest in academic and training issues where he chairs Board of Trustees at Ajloun National Private University. He has been a member on several M.A and Ph.D. committees at Yarmouk University, World Islamic Science and Education University, and Arab Academy for Banking and Financial Sciences. He has designed and executed many training programs related to banking and financial operations and accounting, auditing, and banking and Shariiaa supervision.

Mr. Hachem Abou Abboud
Board Member

Mr. Hachem Abou Abboud is Board Member of Al Baraka Bank SAL with a degree in civil engineering from University of Montreal and an MBA in Financial Sciences. Mr. Abou Abboud has over 24 years of experience gained through the different administrative positions he has held at Federal Business Development Bank in Canada which covered different aspects of banking industry. In 1994, he was appointed as Board Member and General Manager of Al-Tawfeek Company for Investment Funds, a subsidiary of Dallah Al Baraka Group specialized in investment in the Lebanese market with around \$60 million investment portfolio. Al-Tawfeek Company is in charge today of supervising different investments in the Lebanese market including Broumana Oasis where Mr. Hachem Abou Abboud holds the position of the General Manager, Al Baraka SAL, Mechref Project and Tripoli Hospital.

Mr. Hisham Al Shaar
Board Member

Mr. Hisham Al Shaar is Board Member of Al Baraka Bank holding a Bachelor's degree in law from Université Saint Joseph (USJ) in addition to pursuing a session in general management at University of Washington. He started his career as a lawyer at Dr. Subhi Mahmassani law office then he was appointed a judge. He started his career in the public field which spanned more than 54 years as Advocate General then as Inquiry Judge in Mount Lebanon. Later, he was appointed as Director General of the Lebanese Ministry of Justice and then of the Internal Security Forces (ISF). He then headed the Central Inspection until his appointment as Secretary General of the Council of Ministers and he continued to serve as consultant to the office of the Prime Minister after his retirement. He is currently the Acting Governor and Executive Manager of the Islamic Development Bank in Jeddah. Mr. Al Shaar worked for 5 years as Acting Chair of Civil Service Council and Acting South Lebanon Governor. He was assigned as government commissioner for many years to the National Council for Scientific Research and Committee for Liquidation of Troubled Banks. He has represented Lebanon in many Arab and international economic conferences and participated in the meetings of 11th session of UN General Assembly and meetings of Islamic countries.

Departments

Mr. Rachad Halwani
Information Security

Mrs. Mounira A. Khalek
Compliance

Mr. Jamal Al Zeenni
Internal Audit

Sh. Bilal Al Malla
Sharia'a Audit

Mr. Abdul Hamid Al Taki
Marketing, Products Development & Direct Sales

Mrs. Samah Freij
Quality Management

Miss. Sawsan Sabra
Credit Admin.

Miss. Jamal Agha
Electronic Banking Services

Mr. Fahd Yehia
Treasury & Correspondent Banking

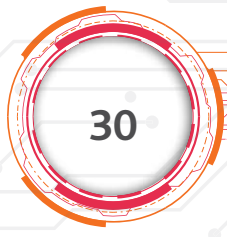
Mr. Wassim Al Moallem
Bad Debt

Mr. Zaher Joumaa
Corporate & SMEs

Mrs. Nawal Hamadeh
Personnel & Administration

Mr. Mazen Itani
Retail

Mr. Bassam Abou Mogleh
Public Relation & Media



Board Members and Executive Management

30

Mrs. Leila Al Halabi
Operations & Trade Finance

Mr. Ziad Mikati
Branches Management

Me. Mazen Hamdan
Legal

Mr. Nassim Hajjar
Finance

Mrs. Hiba Hassan
Risk Management

Mr. Samer Jabr
Internal Control

Mrs. Yuranna Abou Haka
Information Technology (IT)

Sharia Supervisory Board





**Mufti Sheikh
Abedlatif Darian**
Sharia Supervisory Board
Chairman



**Dr. Abedalsatar
Abou Ghida**
Secretary General of
Sharia Board



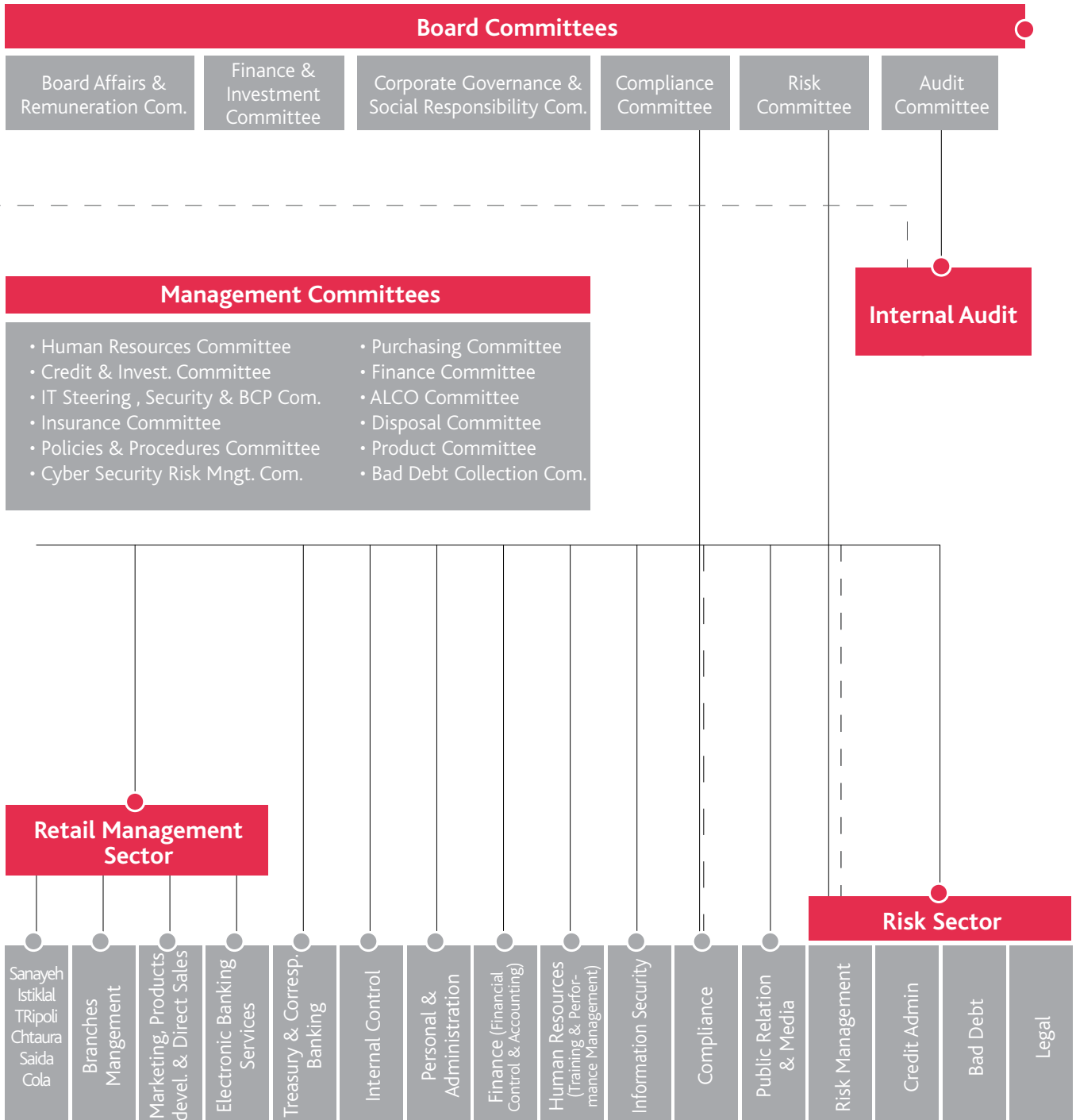
**Mufti Sheikh
Khalil Al Mais**
Deputy Secretary General
of Sharia Board

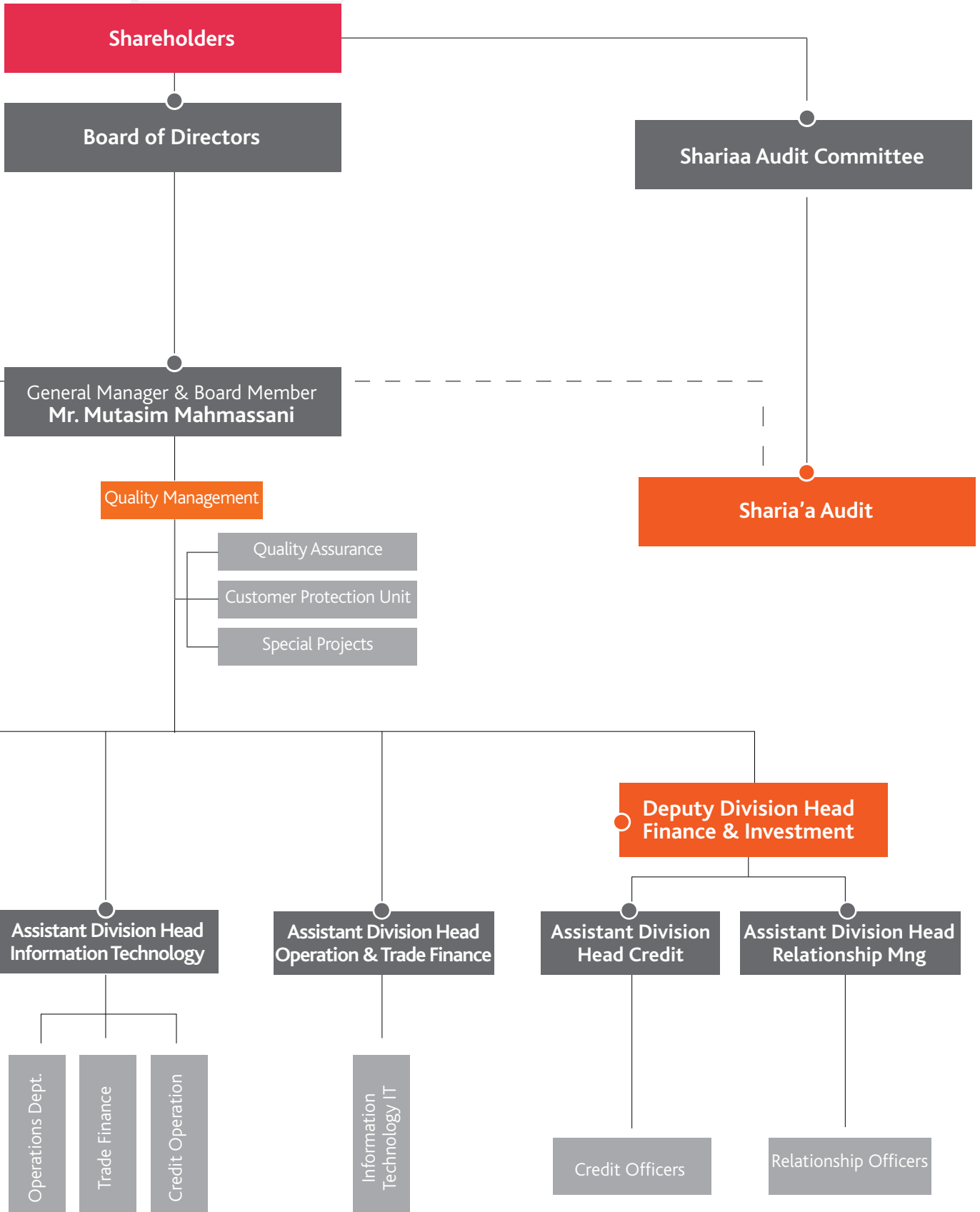


**Sheikh
Hassan Awwad**
Sharia Board
Member



**Sheikh Dr.
Oussama Al Rifai**
Sharia Board
Member





Corporate Governance



Best Banking Practices provide the framework for future corporate development and performance, with a view to enhance confidence in the activities of the bank, as a recipient of depositors' and shareholders' funds, as well as to enable it to contribute to the development of the Lebanese banking sector.

Thus, Al Baraka Bank S.A.L. has developed the necessary framework and bylaws related to Best Banking Practices, based on the document issued in February 2006 by the international Basel Committee, which contains internationally recognized rules and recommendations, and which do not conflict with the laws and regulations in force in Lebanon, and which are also consistent with all the decrees of the Bank of Lebanon related to Best Banking Practices.

Board of Directors

Members of the Board of Directors have to be qualified to merit their positions and to be clearly aware of their role in Best Practice, while being able to express sensible views related to the bank's affairs. Final responsibility rests with the Board, and the success of the bank relies on the Board's good discharge of its authority. For this reason, Best Practice requires that the supervisory authorities verify that the bank has the qualified managers to ensure the growth and sustainability of the institution.

Members of the Board of Directors

The bank shall be managed by a Board composed of three members at least and twelve members at most, elected by the General Assembly from among the shareholders. The General Assembly may dismiss the members of the Board. A majority of the members at least must be Lebanese nationals. The term of the elected members of the Board shall be three years at most, and they may be reelected successively. When forming the Board of Directors, the following issues must be verified:

- Verifying that the board members and members of the senior executive committee in the bank are known for their integrity, honesty, experience and commitment to carrying out the tasks entrusted to them.
- Verifying the professionalism of board members, which would allow them to engage more and more in the tasks assigned to them, and to deeply comprehend the required analyses in the various committees they belong to.
- Verifying that the board members have adequate knowledge of various banking activities and their risks.
- Verifying that the board members devote sufficient time for monitoring and control tasks.
- Appointment and evaluation of the criteria related to non-executive managers in the board:
 - To further affirm the importance of oversight usually entrusted to non-executive members, the individuals who take part in the board or in the bank's management without being part of the executive management, must have the appropriate competences, independence and experience to discharge their responsibilities.
 - Non-executive board members must collectively possess adequate qualifications, competences and experience in financial affairs, to allow them, in general, to contribute effectively in the Board of Directors.

Membership Table

Name	Nationality	Board of Directors Membership	Member-ship Nature	Finance & Investment Comm.	Committees Membership				
					Audit Comm.	Board Remuneration Allowances & Affairs Comm.	Corporate Governance & Social Responsibility Comm.	Risk Comm.	Compliance Comm.
Adnan Ahmad Yousif	Bahraini	President	non-Executive	President			President		
Saleh Mohammad Al Yousef	Kuwaiti	Vice President	Independent		President	Member			
Mutasim Mahmassani	Lebanese	Member	Executive	Member				Member	Member
Hachem Abou Abboud	Lebanese	Member	Independent	Member				Member	Member
Hisham Al Shaar	Lebanese	Member	Independent		Member		Member		
Joseph Khoury Helou	Lebanese	Member	Independent				Member		President
Farouk Mahfouz	Lebanese	Member	Independent		Member	Member		Member	
Hussein Said Saifan	Jordanian	Member	Independent	Member		President		President	

The current Board of Directors was elected on 20-5-2016 for three years

Functions of the Board of Directors

Training And Capacity-Building:

- Ensuring that the bank is taking the adequate steps to train and develop the professional capacities of the members, and that the Board of Directors is following-up the proper execution of these measures intended to impart the required capacities.
- Concerning the mechanism for appointment and resignation:
- Verifying that the bank is implementing a mechanism for the appointment, extension of the term, or resignation of board members or executives

Notification Of Supervisory Authorities:

- Notifying the supervisory authorities of everything related to the appointment, extension of the term, or resignation of board members or members of senior management.
- Providing the supervisory authorities with the information that allows them to assess the qualifications of senior management members to discharge the tasks that will be entrusted to them.
- The approval of the supervisory authorities of the appointments of board members.

- Informing the supervisory authorities of the distribution of tasks among managers in various departments, and changes that may occur later.

The Assessment Of The Qualifications Of Executive Managers:

- The responsibility for assessing the required qualifications rests with the bank's management, while the supervisory authority shall evaluate the system the bank follows in the process.

Remunerations:

- Verifying that the rules followed in determining the allowances and remunerations of board members and senior executive management are in line with its goals, values and interests, and that the remunerations given to board members are linked to the results achieved by the bank over the longer term.

The bank should be managed in a transparent manner:

- The shareholders and market participants and other bank stakeholders must have access to a sufficient amount of transparent information about the structure of the bank's shareholders and its goals, so that they can evaluate the effectiveness of the Board of Directors and senior executive manager in running the bank.

Knowledge of structure and activities

- The Board of Directors and senior executive management must be aware, each within the scope of its responsibilities, of the bank's operational structure, especially when the bank is active in a legal environment or by means of organizational structures that lack in transparency or may hinder transparency.

The Board Of Director's Activity Organization

- The board must convene at least four times and whenever needed; the executive management shall propose the issues it believes are important for the agenda of each meeting.
- The bank must provide the board members with adequate information, sufficiently before board meetings, to enable them to take appropriate decisions.
- The responsibilities of board members must be clearly defined in line with relevant legislation; the bank must provide each member of the board upon his election with a letter explaining the rights, responsibilities and duties of the board member
- All banking operations that require the approval of the Board, for example, must be clarified in writing.
- Members and committees of the board may directly communicate with executive management.
- Members and committees of the board, where appropriate, may use the help of external sources to discharge the responsibilities entrusted to them in the best manner.
- The bank shall put in place an organizational structure that shows the reporting line, and a part of the organizational structure shall be disclosed to the public, showing the levels of upper management in the bank.

Board of Directors Attendance

Name	Number of Meetings	Number of Meetings Attended By Member
Adnan Ahmad Yousif	4	4/4
Saleh Mohammad Al Yousef	4	4/4
Mutasim Mahmassani	4	4/4
Hachem Abou Abboud	4	4/4
Hisham Al Shaar	4	4/4
Joseph Khoury Helou	4	3/4
Farouk Mahfouz	4	4/4
Hussein Said Saifan	4	4/4

Activities of the Board

The Bank Is Committed To The Following Policies:

- Appointing a General Manager who meets the required qualities for integrity, technical competence and financial experience.
- Obtaining the approval of the Board when appointing some executive managers, and ensuring that they have the required experience for their posts.
- The Board approves succession plans for executive managers in the bank, which shall include the qualifications and requirements that the occupants of these posts must have.
- Evaluating the performance of the General Manager by the Board on an annual basis.
- Evaluating the performance of the Board as a whole, and each member individually, through the Nomination and Remuneration Committee annually, and to consider the outcome of the assessment in order to act accordingly.
- The Board shall determine the objectives of the bank, and direct executive management to draft a strategy to achieve these objectives. The executive management shall draft action plans that are in line with those strategies, and ensure that it reviews performance and achievements, in accordance with the action plans, and take corrective action where necessary.
- The Board shall ensure that the bank meets the requirements of high integrity in its activities.

Powers of the Board of Directors

The Board of Directors has wide powers to enforce the decisions of the General Assembly, and carry out all the activities required to ensure that the project progresses in its normal course, activities that are not considered matters of daily business for the Board, especially the powers which include, but are not limited to, the following:

- Establishing branches for the bank where it deems necessary, either in Lebanon or abroad, provided that the approval of the Bank of Lebanon is obtained first.
- Plans the bank's policies in all the fields of investments it is engaged in, and following up and monitoring the implementation of these policies in accordance with the principles specified by it.
- Authorizes the acquisition or exchange of funds or immovable assets as well as their sale at its discretion, bearing in mind that the acquisition of such funds or assets in order to collect non-performing or doubtful loans, and then selling them, is considered part of daily business.
- Acquiring real estate or property in accordance with the provisions of law No. 575 dated 11/2/2004 concerning the establishment of Islamic banks in Lebanon.
- Establishing all Lebanese or foreign companies, contributing to their establishment and the established companies, or those that will be established, with all the [facilitating] introductions in accordance with the conditions it deems appropriate. The bank participates in all partnerships provided that the provisions of Islamic law are satisfied with respect to the purpose and activities of these companies.
- Sets budgets, inventories, and accounts to be submitted to the General Assembly of the shareholders, and approves all proposals put forward to the Assembly and sets the agenda.
- The Board of Directors determines the strategic goals and the management's values and ethics, and shall circulate them in the bank and oversee compliance by everyone and at different levels.
- Identifying strategic objectives and corporate values for the bank in question, in addition to the guidelines that explain how these values can be adhered to. This requires that these values be public and circulated to all employees in the organization. It is very important that the Board and senior management give a good example by strictly abiding by these values (Tone at the Top).
- The Board verifies that the code of professional ethics addresses issues and behaviors that are contrary to professional ethics or in violation of laws and regulations, such as issues of corruption or unduly accepting gifts, or questionable practices among the employees of the organization (such as giving facilities or preferential revenues) or engaging in internal or external illegal activities.
- Compliance plays an important role in maintaining and adhering to the policy set for the institution, and in avoiding legal and administrative risks and financial losses resulting from the reputation of the bank becoming tainted, as a result of failing to respect the rules that govern the work of the institution, be they legal, regulatory or related to professional and ethical standards, or the directives of the executive branch, especially those pertaining to the strategy set by the Board of Directors.

- The Board shall ensure that the policies set and implemented by senior management, will include the organizational and administrative framework and measures that can detect and anticipate potential conflicts of interest, and seek to prevent this, or at least deal with it appropriately in a manner that does not conflict with the interests of the customers and regulations in force.
- The Board shall establish a hierarchy and clearly define responsibility and accountability for officials, and to make their observance mandatory at all levels in the bank.
- Management shall set, in written, the qualifications, duties, responsibilities and tasks of the constituent units of the institution, in addition to the jurisdictions of the employees working in them. The Board shall monitor the compliance of executive management to the policies set by it.
- Ensuring that senior executive management exercises strict oversight of the bank, in accordance with the policy set for it.
- Ensuring that senior management has a system of internal control in place, which would prevent making and implementing administrative decisions by any one person (the principle of dual control, at the least).

Obligations of the Board of Directors

The Board of Directors shall implement the decisions of the General Assembly meetings and be responsible for the bank's overall management. The Board shall undertake, but is not limited to, the following:

- Preparing a summary statement of the bank's assets and liabilities at the end of the first six months of each fiscal year.
- Preparing the balance sheet, the annual budget, and the accounting of profits and losses for the previous fiscal year and all other reports mentioned in the laws and regulations.
- Preparing an annual report on the bank's activities during the previous fiscal year, and submitting appropriate proposals especially concerning the distribution of dividends.
- Publishing the annual budget pertaining to the previous fiscal year, and a list of board members and auditors within two months from the date the ordinary annual General Assembly of shareholders approves the annual accounts, in accordance with the provisions of Article 101 of the Commerce Law.
- Establishing the necessary legal and regulatory reserves
- The Board of Directors must remedy immediate risks by:
 - Identifying and understanding the purpose of and risks resulting from offering and trading bank stocks and certificates of deposits related to them in regulated financial markets.
 - Placing ceilings on the bank's operations in line with relevant legislation and regulations, and ensuring that senior executive management has policies and frameworks in place for the identification and management of risks in these operations.

- Developing the appropriate policies and measures to allow a periodic assessment to determine the extent of the bank's need for issuing these products and instruments as part of its evaluation of the performance of the management, and approving only the trade of complex instruments and financial instruments whose financial and legal risks can be evaluated and managed.
- Identifying, measuring and managing important risks, including reputational risk due to engaging in this kind of operations.

As part of its responsibility to ensure the implementation of effective corporate governance in all matters relating to Al-Baraka Bank, the Board of Directors has established a written compliance policy governing the Bank's compliance with all laws and regulations, in particular those stipulated by BDL and other local regulatory bodies. The Board has delegated responsibility for monitoring compliance to the Bank's General Manager. This responsibility is performed through the Compliance Department which is responsible for all aspects of compliance including: developing effective compliance risk management policies and procedures for the Bank, assisting the Executive Management and staff in risk management, advising on applicable laws, regulations and standards, disseminating policies and guidelines to staff to ensure their compliance, ensuring an effective compliance methodology, preparing periodic reports to the Board on compliance controls, as well as establishing operational controls and a robust framework for KYC and AML.

The Bank is committed to complying with the growing global regulatory requirements. In accordance with the Group's Compliance Policy, approved by the Board of Directors, the Bank has entrusted the Director of Compliance to assist the Executive Management in ensuring that the Bank observes the approved compliance policy, in particular to ensure that all activities of the Bank are conducted in accordance with applicable laws and regulations to meet best practices. Remarkably, the Bank updates policies whenever necessary and there is a continuing trend to promote a culture of compliance through investment in advanced systems and effective staff training. The Bank has no hesitation in rejecting acts that involve the risk of violating the text or spirit of applicable laws, rules and regulations.

Chairman of the Board and the General Manager

The Board shall appoint the Chairman and the General Manager, preferably not the same person for both posts.

The role of the Chairman of the Board of Directors:

- Establishing a constructive relationship between the Board and the senior executive management of the bank, and between executive and non-executive members.
- Creating a culture – during Board meetings – that encourages constructive criticism in the issues where there is a difference of views between the members, and also encourages discussions and voting over these issues.
- Ensuring that board members and shareholders receive sufficient information in a timely manner
- Ensuring that high standards of best banking practice are observed at the bank

Committees of the Board of Directors

- Where appropriate, the Board may form committees to carry out specific tasks for a defined period of time, which the Board may delegate powers and responsibilities to.

Good Banking Practice Unit

This unit comprises:

- One or more members from among the non-executive members of the Board, one or more members from the advisory body in the Islamic bank, the head of internal audit, and the head of the Sharia auditing unit.
- The Good Banking Practice unit is responsible for the following:
 - Supervision, coordination and development of the necessary bylaws related to good banking practice, and following up their implementation by all departments in the bank and the advisory body.
 - Protecting the interests of bank customers by submitting proposals to senior executive management with respect to issuing internal instructions and guidelines related to all aspects of dealings between the bank and its customers, including disclosure, transparency and the distribution of dividends.
 - Providing the Board of Directors each six months or whenever necessary with reports and recommendations based on the results it reaches through the exercise of its functions.

Best Practice Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Adnan Ahmad Yousif	2	2/2
Hisham Al Shaar	2	2/2
Joseph Khoury Helou	2	1/2

Audit Committee

This committee comprises:

- Three non-executive members from the Board of Directors including at least with accounting, financial management, or auditing experience.
- The committee meets at least each quarter and whenever needed. The committee may request to meet with any manager in the bank to query him about any issue related to the scope of his work, and shall submit its reports on the results of its functions directly to the Board.

- The Audit Committee shall assist the Board in discharging its responsibilities and oversight role, particularly with regard to the following:
 - The qualifications and independence of the auditor and the internal audit unit respectively
 - Control of the integrity of financial statements, and reviewing the standards for disclosures adopted in the bank
 - Ensuring the adequacy and effectiveness of internal control procedures.
 - Monitoring the bank's adherence to the directives of the Bank of Lebanon and the circulars of the Banking Control Commission.

Committee Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Saleh Mohammad Al Yousef	4	4/4
Hisham Al Shaar	4	4/4
Farouk Mahfouz	4	4/4

Sharia Supervisory Board

The SSB comprises:

- Ordinary General Assembly meetings shall appoint the body known as the Sharia Supervisory Board (SSB), which shall comprise no less than three members. Its views shall be binding to the Islamic bank.

The SSB handles the following functions:

- Monitoring the operations and activities of the bank in terms of their compliance with Islamic rulings.
- Expressing the Islamic legal opinion on the format of the contracts required for the bank's activities and operations.
- Reviewing any issues assigned to it in accordance with the instructions of the Central Bank issued in this regard.
- Expressing the Islamic legal opinion to the Board of Directors and the General Manager with regard to the bank's transactions.

Board Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Al Mufti Sheikh Abdul Latif Derian	4	4/4
Al Mufti Sheikh Khalil al-Mayss	4	4/4
Sheikh Dr. Osama al-Rifai	4	3/4
Sheikh Dr Abdul Sattar Abu Ghuddah	4	4/4
Judge Sheikh Hassan Awad	4	4/4

Board Affairs and Remuneration Committee

The committee comprises:

- At least three non-executive members provided that they are in their majority independents, including the head of the committee.

The committee shall:

- Name the members of the Board, taking into consideration the capacities and qualifications of the nominees. In case of re-nomination, the committee shall take into account their attendance, and the quality and effectiveness of their participation in the meetings.
- Following well defined and recognized foundations in assessing the effectiveness of the Board, where the criteria for assessing performance shall be objective, and includes a comparison with other banks and similar financial institutions.
- Reviewing the remunerations granted to the executive management and recommending remunerations (including monthly salaries and other benefits for the General Manager).
- The Committee also reviews the remunerations (including salaries) given to the rest of the executive management.
- Disclosing a summary of the remuneration policy at the bank in the annual report of the Bank, and determining the remuneration of the members of the Board, each individually, and the highest salaries that were paid during the year to executives who are not members of the Board.
- It is also responsible for qualifying, educating and mentoring new Board members and organizing other seminars and training programs from time to time for Board members.

Committee Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Hussein Said Saifan	2	2/2
Saleh Mohammad Al Yousef	2	2/2
Farouk Mahfouz	2	2/2

Risk Management Committee

The committee comprises:

- At least three non-executive members, who do not hold any managerial positions in the bank. The chairman of the committee and its members shall be appointed and their remunerations determined by the Board

The committee shall:

- Submit reports and recommendations every six months or whenever necessary to the Board of Directors, based on the results it reaches through the exercise of its functions.
- The committee shall review and assess risk management policies and strategies in the bank before they are adopted by the Board, particularly with the following:
 - liquidity.
 - Investment and financing.
 - Credit risk, including financial centers.
 - Status of reserves.
 - The adequacy of insurance policies in covering risk.
 - The adequacy of the regulatory and economic capitals of the bank.
 - Operational risks in all of the bank's divisions and departments.
 - Review and assessment of the risk measurement methods used in the bank.
 - The limits of exposure to risk at the level of the country, currency, time limits, instruments, markets and the respective sectors
 - New products and services before their launch.

Keeping pace with the rapid developments and growing complexities that arise in the management of risk within the bank, and submitting periodic reports to the Board about these developments

Committee Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Hussein Said Saifan	4	4/4
Hachem Abou Abboud	4	4/4
Farouk Mahfouz	4	4/4
Mutasim Mahmassani	4	4/4

Executive Committee

The Board of Directors appoints the members of the Executive Committee, choosing them from among the members of the Board and/or bank employees. The Executive Committee reports to the Board, which has the right to control it, supervise it and hold it accountable for its tasks. The Committee must also submit periodic reports on its functions to the Board of Directors.

The committee comprises:

At least three members and at most seven; a majority of the members should be selected from the Board, for a term of three years. The Committee shall convene at least four times per year, and may convene whenever needed.

The committee shall:

- In general, set a policy for lending, products and services adopted in the bank in coordination with the Board, particularly relative to specifying the conditions for facilities in line with the provisions of Islamic law.
- Approving facilities in accordance with the schedule approved by the Board of Directors.
- Monitoring the activities and decisions of the Credit Committee to ensure their compliance with the decisions of the Board and the Executive Committee.
- Studying the issues referred to it by the Board; however, this committee's opinion is not binding to the Board.
- Preparing reports for the Board on all the activities of the bank's departments and branches, and proposing ideas for the development of the bank
- It is the responsibility of the Executive Committee to prepare the master plan for operations, and reviewing and expressing opinions on financings and investments deferred to it by the Delegated Member/General Manager, as well as studying all products and services that the bank plans to launch and express its opinion.
- One of the primary tasks of the Executive Committee is to study investment operations within the powers granted to it by the Board of Directors, according to the bank's lending policy. The committee shall also monitor investments and trade transactions undertaken by the General Manager, and defer its decisions and recommendations to the Board if they go beyond its jurisdictions.

Committee Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Adnan Ahmad Yousif	4	4/4
Mutasim Mahmassani	4	4/4
Hachem Abou Abboud	4	4/4
Hussein Said Saifan	4	4/4

Compliance Committee

- The Committee consists of at least three Board of Directors members
- The Chairman of the Committee should be independent and have the necessary practical skills and expertise
- The Committee convenes at least once every quarter and whenever necessary at the request of the Chairman or two of its members

The Compliance Committee Unit has the following duties and responsibilities:

- Supporting the Board of Directors in exercising its functions and supervisory role within fighting money laundering and terrorist financing as well as understanding the relevant risks and assisting the Board to make appropriate decisions in this regard
- Developing a written non-compliance risk management policy that includes the basic principles to be followed by the Bank Management and employees, and developing guidelines on the enforcement of the policy of prohibition on dealing and non-violation of domestic and international regulations of the sanctions policy
- Developing a Know-Your-Customer (KYC) form including the basic information to be provided about customers, and verifying proper application and effectiveness of procedures and regulations pursued to combat money laundering and terrorist financing

Committee Meetings

Name	Number of Meetings	Number of Meetings Attended By Member
Joseph Khoury Helou	4	4/4
Hachem Abou Abboud	4	4/4
Mutasim Mahmassani	4	4/4

Monitoring and Control

The financial institution must be subjected to monitoring from both internal and external bodies, which should be independent in the exercise of this oversight.

Department of Internal Audit

- Regulatory regimes compel the financial institution to adopt internal monitoring of the various activities of the bank, proportionately to the size and nature of its work (the principle of proportionality), and also contain the standards that must be adopted to evaluate the quality of internal control.
- The Board of Directors ensures that effective control is in place over the operations of the bank, and verifies that the recommendations of the internal auditing unit are given full attention by the audit committee. It also ensures that the senior executive management translates these recommendations into measures that strengthen the administrative and organizational structures of the institution. Therefore, it shall seek to fortify the independence of internal control regimes.
- The bank shall provide the internal audit department the sufficient number of qualified personnel, which should be trained and remunerated appropriately.
- The internal audit department shall have the right to access any information and contact any employee in the bank. The department shall be given the authority that would enable it to discharge the tasks entrusted to it as required.
- The internal audit department shall report to the Audit Committee of the Board of Members, and shall directly submit the results of its functions to it.
- The Board shall include in the annual report of the bank a report on the extent of the adequacy of internal monitoring and control systems over financial reporting

Department of Sharia Audit

The primary objective of Islamic law auditing is to ensure that the bank's management has adhered to its responsibilities in implementing the provisions and principles on transactions in Islamic law, in accordance with the decisions of the SSB.

The Islamic law auditor shall check all the activities of the bank, and prepare a guide for Islamic law monitoring and procedures. This auditor shall prepare forms for Islamic law auditing for all the activities carried out by the bank and its branches, and prepare an annual Islamic law monitoring and auditing plan covering all the activities of the bank and its branches, in addition to following up the implementation by the concerned departments and divisions of all directives issued by the SSB, including fatwas, decisions and instructions. All these functions shall be subject to the approval of the SSB.

Risk Management Department

The main objectives of this department is to identify, measure, specify, plan, evaluate, and maintain high standards, policies and limits, and distribute jurisdictions to reduce and mitigate risks pertaining to financing, markets and operations.

Compliance Department

The compliance department seeks to verify the compliance of the bank and its internal policies with all laws, regulations, instructions, orders and rules of conduct, standards and sound banking practices issued by local and international regulatory authorities. It shall determine, evaluate advise, guide and monitor with regard to compliance, as well as submit reports to the Board regarding the extent of compliance in the bank.

External Auditing

Pursuant to the Banking Law and all provisions contained in any other relevant legislation, the bank is committed to signing an agreement with an external auditor to audit the bank's operations. The external auditor shall discharge all his responsibilities in line with the requirements of international auditing standards. The external auditor shall meet with the auditing committee without the presence of executive management, at least once per year.

Communication through the Website

Press releases are published on the Bank's website and in at least one local newspaper in both Arabic and English. Persons authorized to issue public statements by the Bank shall not make any statement or declaration at a private meeting between one person and another prior to publishing the relevant information on the Bank's website or in the local press as appropriate.

The Bank has effective procedures for handling complaints from its shareholders and stakeholders. A competent department has been established where all complaints received are forwarded to the concerned department, the Executive Management and the Board of Directors. In accordance with the BDL disclosure requirements, the Bank maintains financial information for at least three years on its website.

A detailed report on the Bank's activities and progress in the area of social responsibility and sustainability is posted on the Bank's website.

Sharia Supervisory Board Report



In the Name of Allah the Merciful

**Legal Annual Report by the Sharia Supervisory Board
at Al Baraka Bank SAL
For the financial year that ended on 31/12/2018**

Praise be to Allah, prayer and peace be upon His messenger, his family and his companions
To the shareholders of Al Baraka Bank SAL,

May the peace, mercy and blessing of Allah be upon you,

According to Lebanese banks Law No. 575/2004 and its provisions regarding Islamic banks and their Statutes, the Sharia Board provides the following report:

The Sharia Supervisory Board has observed, through the reports of the internal legal audit department, the principles used and the contracts related to the transactions and applications put forward by the Bank during the financial period that ended on 31/12/2018. It also conducted its supervision to express an opinion as to whether the Bank complies with the provisions and principles of the Islamic Sharia, as well as the fatwas, resolutions, and specific instructions issued.

It is the responsibility of the Bank's management to operate in accordance with the provisions of Islamic law, and to ensure said operation. Our responsibility is limited to expressing an independent opinion based on our review of the Bank's operations and to drafting a report for you.

We have conducted our review, which included the examination of the Bank's documentation and procedures based on the selection of each type of operations.

We have planned and performed our review in order to obtain all the necessary information and explanations that will provide us with sufficient evidence to give reasonable assurance that the Bank did not violate the provisions and principles of Islamic law.

In our opinion

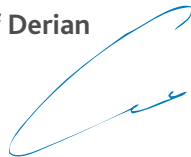
- A. All contracts, operations, and transactions conducted by the Bank during the year that ended on 31/12/2018, which we reviewed, were completed in accordance with the provisions and principles of Islamic law.
- B. The distribution of profits and charging of losses on investment accounts are in line with the foundations we adopted, in accordance with the provisions and principles of Islamic law.

- C. The Bank did not include in its revenues any amounts it received from sources or in ways that are not consistent with the provisions and principles of Islamic law, and took measures for their disbursement for charitable purposes, with the consent of the Sharia Supervisory Board.
- D. The responsibility of paying Zakat lies with the shareholders, and the Bank management is not entitled to withdraw it immediately in the absence of a relevant collection law and also because there is no Bank Statute, General Assembly resolution, or power of attorney from shareholders stipulating this. Therefore, shareholders must submit shares to Zakat upon the fulfillment of legal conditions and controls of Zakat.

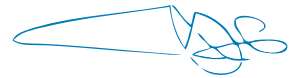
The Bank calculated Zakat on shares where it appeared that Zakat per share is 91,834.73 L.L. and every shareholder is supposed to calculate his Zakat by multiplying the number of his shares by the Zakat per share and pay it as designated in verse 60 of Sura at-Tauba.

Issued in Beirut on 11 Jumada al-Oula 1440 AH, 17 January 2019
Praise be to Allah, the Lord of the worlds.

Head of the Sharia Board,
the Grand Mufti of the Lebanese Republic
Sheikh Abdul Latif Derian



Secretary General
of the Sharia Board
Dr. Abdul Sattar Abu Ghuddah



Deputy Secretary General of the Sharia Board
The Grand Mufti of Zahle and the Bekaa
Sheikh Khalil al-Mayss



Member of the Sharia Board
Head of the Jaafari Legal Courts
Judge Sheikh Hassan Awad



Member of the Sharia Board
Sheikh Dr. Osama al-Rifai

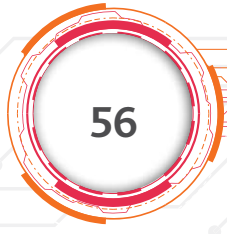


Secretary of the Sharia Board/ Legal Supervisor
Sheikh Bilal Muhammad al-Mulla



Independent Auditors' Report





Independent Auditor's Report

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To the Shareholders
Al Baraka Bank S.A.L.
Beirut - Lebanon

Opinion

We have audited the accompanying consolidated financial statements of Al Baraka Bank S.A.L. and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the Code of Ethics of the Lebanese Association of Certified Public Accountants that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a Matter

Without further qualifying our opinion, we draw attention that the Bank's consolidated accumulated losses up to December 31, 2018 amounted to LBP3.93 billion resulting in deficit in the Bank's Consolidated capital. The Bank is required to take necessary appropriate measures to restructure its capital through writing off the accumulated losses up to December 31, 2018 according to the prevailing banking laws specifically Article 134 of Law of Money and Credit.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters**Adequacy of provision for expected credit losses and for investments risk reserve in accordance with IFRS 9.**

Provision for expected credit losses and for investments risk reserve is considered a key audit matter to the financial statements since its calculation depends on management estimation of the financing facilities granted and the probability of default due to the decline in the debtors' financial and economic situation especially if the corresponding guarantees are not sufficient.

Furthermore, the first time adoption of IFRS 9 resulted in significant changes in accounting policies, disclosure requirements and judgements and estimates.

Worth mentioning that the bank's activities consist mainly of unrestricted and restricted fiduciary transactions in off-balance sheet accounts given that it operates within the Islamic banking framework.

Accordingly, investments risk reserve comprises the following:

- Provision for doubtful financing facilities
- Collective provision for financing facilities
- General reserve for investment risk

Financing facilities constitute a major portion of the Bank's financial assets and due to the importance of the judgements used in the classification of financing facilities at different stages as required by IFRS9 and the determination of the related required provision, the respective audit procedure is considered as a key audit matter.

The Bank's exposure at default amounted to LBP468billion against provisions for expected credit losses in the amount of LBP14billion as at December 31, 2018

The provision for expected credit losses is disclosed under Note 25 (L). The Bank's policy regarding the provision for expected credit losses, along with the assessment of implementation of IFRS 9 on the Bank's financial assets is disclosed under Note 2: application of new and revised International Financial Reporting Standards.

How our audit addressed the key audit matters

The audit steps performed included the understanding of the financing facilities in addition to examining the internal controls over granting, reviewing, and valuating management estimates regarding the provision for expected credit losses and for investment risk reserve.

We updated our understanding of the Bank's policy for the classification and measurement of its financial assets and liabilities in accordance with IFRS 9 and compared it to the requirements of IFRS 9 and Central Bank instructions in this respect. We updated our understanding of the Bank's methodology for the determination of provision required against the financing facilities classified within the stages (one, two and three) and assessed the reasonableness of the main assumptions and the adequacy and completion of the data used by the bank. In addition, we checked the completeness of the financing facilities included in the calculation of the expected credit losses.

We studied a sample of normal, watch list and substandard financing facilities and examined the appropriateness of the exposure at default, probability of default and loss given default used in the calculation of the provision for expected credit losses. We studied a sample of financing facilities classified as stage 3 and tested management estimates for appropriateness and checked the resulting provision calculation. We assessed the factors affecting the provision for credit losses such as the valuation of guarantees and customers' solvency, in accordance with IFRS requirements, Central Bank Circulars and

decisions of the Board of Directors and discussed these factors with management , to ensure the adequacy of the booked provisions . In addition a recomputation of the required provisions was performed ,taking into consideration its retrospective impact.

Based on the information available as at December 31,2018 and in accordance with the Central Bank of Lebanon Circular No. 143 dated November 7 ,2017, the Bank performed a detailed assessment for the impact of IFRS 9 , whereby the Bank took into consideration the reserves booked and not subject for distribution along with and the provisions previously allocated for IFRS 9 . As such , we assessed the relevance and deficiency of disclosures related to provision for financing facilities and the risks based on the expected credit losses under (Note 25 L).

Key audit matters

Evaluating the Bank's ability to continue as a going concern

The going concern assumption of the Bank is considered a key audit matter important to the financial statements due to the decline in the net financial revenues during to the previous years which led to operational losses up to the end of the year 2017.

How our audit addressed the key audit matters

We have made a specific assessment of the Bank's ability to continue as a going concern for the foreseeable future and the Bank's management appropriateness in using the going concern assumptions in the preparation of the financial statements through :

- Obtaining the projected cash flow and the financial statements for the next five years prepared by the Bank's management and the related assumptions for these projections with the documentation of the underlying data generated for the projection.
- Reviewing the terms and conditions of the granted financing facilities in addition to the requirements of debt covenants and capital adequacy ratio.
- Obtaining and reviewing risk management reports performed by regulatory authorities .
- Ensuring that there is financial support provided by the Parent Group through the use of cash contributions to capital to cover the accumulated losses or through restricted investments arrangements.

We have taken into consideration the adequacy of the Bank's assumptions regarding the going concern in Note 4 .

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank `s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank `s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit, however, we remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

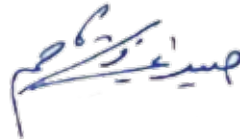
From the matters communicated with those charged with governance, we determine those matters that were most of significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Beirut, Lebanon
March 13, 2019

Deloitte & Touche



Sidani & Co.



AL BARAKA BANK S.A.L. Consolidated Statement of Financial Position

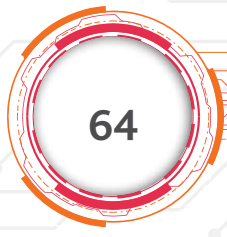
ASSETS	Notes	December 31	
		2018 LBP'000	2017 LBP'000
Cash and Central Bank	5	124,457,914	122,739,321
Deposits with banks and financial institutions	6	15,119,542	36,454,104
Financing facilities	7	14,059,799	15,998,048
Investment securities	8	441,058	436,097
Investments in Sukuk at fair value through profit or loss	9	-	3,813,221
Other assets	10	5,427,180	5,488,410
Property and equipment	11	19,132,300	19,346,253
Intangible assets	12	1,842,032	955,559
Debit balance with restricted fiduciary and investments accounts	13,26	750,705	16,174,917
Total Assets		181,230,530	221,405,930
Unrestricted fiduciary and investments assets	25	392,855,327	365,988,505
Restricted fiduciary and investments assets	26	134,997,934	69,389,533

see accompanying notes to the consolidated financial statements

LIABILITIES	Notes	December 31	
		2018 LBP'000	2017 LBP'000
Deposits from banks	14	24,744,097	52,420,257
Customers' deposits and other credit balances	15	99,690,712	84,504,204
Accounts payable and miscellaneous creditors	16	2,924,103	1,915,078
Provisions	17	2,857,382	2,902,180
Credit balance with unrestricted fiduciary and investments accounts	18,25	20,513,993	49,388,042
Total liabilities		150,730,287	191,129,761

EQUITY	Notes	December 31	
		2018 LBP'000	2017 LBP'000
Share capital	19	30,000,000	30,000,000
Shareholders' cash contribution to capital	19	3,005,542	4,238,342
Reserves	20	1,217,261	1,217,261
Cumulative change in fair value of investment securities	8	213,249	209,215
Accumulated losses	19	(4,155,917)	(2,256,741)
Profit / (Loss) for the year	19	220,108	(3,131,908)
Total Equity		30,500,243	30,276,169
Total Liabilities and Equity		181,230,530	221,405,930
Unrestricted fiduciary and investments liabilities	25	392,855,327	365,988,505
Restricted fiduciary and investments liabilities	26	134,997,934	69,389,533

see accompanying notes to the consolidated financial statements



Financial Instruments With Off-Balance Sheet Risks

Notes - 24	December 31	
	2018 LBP'000	2017 LBP'000
Commitments under documentary letters of credit	454,285	144,720
Commitments under guarantees	7,056,243	10,060,002
Issued commitments under documentary letters of credit	12,645,102	13,767,164
Financial instruments for customers	2,828,262	2,828,262

see accompanying notes to the consolidated financial statements

AL BARAKA BANK S.A.L. Consolidated Statement of Profit Or Loss

	Notes	Year-Ended December 31	
		2018 LBP'000	2017 LBP'000
Net Investment Revenues:			
Financing facilities (Murabaha and Musawama)	7	1,309,874	362,320
Commodity Murabaha with Central Bank	5	2,751,409	2,368,169
Deposits with banks	6	66,753	99,328
Investments in Sukuk	9	12,669	378,368
		4,140,705	3,208,185
Cost of funds	14	(479,127)	(42,487)
		3,661,578	3,165,698

see accompanying notes to the consolidated financial statements

	Notes	December 31	
		2018 LBP'000	2017 LBP'000
Net Fees And Commissions Income On Banking Services:			
Fees and commissions income		1,631,175	1,385,161
Fees and commissions expense		(535,229)	(492,098)
	21	1,095,946	893,063
Gain on exchange		738,115	732,260
Dividend income - Investment in securities		13,643	-
Loss on sale of fixed assets		-	(101)
Provision for financing facilities	10	(22,745)	(22,190)
Bank's share from income of unrestricted fiduciary and investments agreements	25 (n)	8,197,753	7,087,910
Bank's share from income of restricted fiduciary and investments agreements	26	2,865,414	1,164,731
		11,792,180	8,962,610
Net financial revenues		16,549,704	13,021,371
Staff costs	22	(8,603,153)	(9,122,687)
General operating expenses	23	(5,642,434)	(4,931,841)
Depreciation and amortization	11,12	(2,084,009)	(2,098,751)
Profit/(loss) for the year		220,108	(3,131,908)
Other comprehensive income		4,034	-
Total comprehensive income/ (loss) for the year		224,142	(3,131,908)

see accompanying notes to the consolidated financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year-Ended December 31	
	2018 LBP'000	2017 LBP'000
Profit/(loss) for the year	220,108	(3,131,908)
Other comprehensive income		
<i>Items that are not subsequently transferable to profit and loss</i>		
Change in fair value of investment in securities through other comprehensive income - Note 8	4,034	-
Total comprehensive income/(loss) for the year	224,142	(3,131,908)

see accompanying notes to the consolidated financial statements

AL BARAKA BANK S.A.L. Consolidated Statement of Changes In Equity

	Share Capital	Cash Contribution to Capital	Legal Reserve	General Banking Risk Reserve	Special Reserve	General Reserve for Financing Facilities	Cumulative Change in Fair Value of Investment Securities	(Accumulated Losses)/ Retained Earning	Profit/(Loss) for the year	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance at January 1, 2017	30,000,000	4,238,342	309,393	108,954	196,914	602,000	209,215	1,147,378	(3,404,119)	33,408,077
Allocation of 2016 loss	-	-	-	-	-	-	-	(3,404,119)	3,404,11	-
Total comprehensive income / (loss) for the year 2017	-	-	-	-	-	-	-	-	(3,131,908)	(3,131,908)
Balance as at December 31, 2017	30,000,000	4,238,342	309,393	108,954	196,914	602,000	209,215	(2,256,741)	(3,131,908)	30,276,169
Increase in capital (Note 19)	1,232,800	(1,232,800)	-	-	-	-	-	-	-	-
Extinguishment of accumulated losses up to the end of 2016 (Note 19)	(1,232,800)	-	-	-	-	-	-	1,232,800	-	-
Change in fair value (Note 8)	-	-	-	-	-	-	4,034	-	-	4,034
Allocation of 2017 loss	-	-	-	-	-	-	-	(3,131,908)	3,131,908	-
Total comprehensive profit for the year 2018	-	-	-	-	-	-	-	-	220,108	220,108
Difference in exchange	-	-	-	-	-	-	-	(68)	-	(68)
Balance as at December 31, 2018	30,000,000	3,005,542	309,393	108,954	196,914	602,000	213,249	(4,155,917)	220,108	30,500,243

see accompanying notes to the consolidated financial statements

AL BARAKA BANK S.A.L. Consolidated Statement of Cash Flow

	Notes	December 31	
		2018 LBP'000	2017 LBP'000
Cash Flows From Operating Activities:			
Profit/(loss) for the year		220,108	(3,131,908)
Adjustments for:			
Depreciation and amortization	11 & 12	2,084,009	2,098,751
Provisions for employees' end of service indemnity	17	152,686	325,973
Additional provisions for tax	17	369,520	-
Provision for contingencies	17	75,375	-
Decrease /(increase) in financing facilities	7	1,938,249	(12,853,509)
Increase in customers' deposits and other credit balances	15	15,186,508	1,282,671
(Increase) / decrease in compulsory reserve with the Central Bank of Lebanon		(7,004,205)	11,321,250
Decrease /(increase) in deposits with the Central Bank of Lebanon		205,408	(7,677,854)
Decrease in deposits with banks		-	1,537,060
(Increase) / decrease in other assets	10	(28,689)	398,351
(Decrease)/increase in transitory account with unrestricted fiduciary and investments accounts	18	(28,874,049)	1,576,511
(Decrease)/increase in deposits from banks	14	(27,676,160)	48,522,639
Increase/(decrease) in accounts payable and miscellaneous creditors	16	1,098,944	(53,954)
Decrease in transitory account with restricted fiduciary and investments accounts	13	15,424,212	9,370,003
Settlement of provisions and other movements	17	(642,379)	(171,342)
Other		(993)	-
Net cash (used in)/generated by operating activities		(27,471,456)	52,544,642

see accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flow

	Notes	December 31	
		2018 LBP'000	2017 LBP'000
Cash Flows From Investing Activities:			
Decrease/(increase) in investment in Sukuk at fair value through profit or loss	9	3,813,221	(3,813,221)
Net increase in property and equipment and intangible assets		(2,756,531)	(394,972)
Net cash generated by/(used in) investing activities		1,056,690	(4,208,193)
(Decrease)/increase in cash and cash equivalents		(26,414,766)	48,336,449
Cash and cash equivalents - Beginning of year	28	74,555,892	26,219,443
Cash and cash equivalents- End of year	28	48,141,126	74,555,892

see accompanying notes to the consolidated financial

AL BARAKA BANK S.A.L. Notes To The Consolidated Financial Statements

Year Ended December 31, 2018

1. Bank's Organization And Activities

Al Baraka Bank S.A.L. (the "Bank") was incorporated in Lebanon during 1991. Effective November 6, 1992 a majority stake of the Bank's equity was transferred to Dallah Al Baraka Group. The Bank operates within the Islamic Banking guidelines in the context of the Fiduciary Contracts Law Number 520 dated June 6, 1996, and Islamic Banking Law Number 575 dated February 11, 2004 and consequently, the Bank's activities consist mainly of fiduciary transactions in off-balance sheet accounts.

The consolidated financial statements comprises the Bank and Dilmun Real Estate S.A.L. accounts (the Bank).

Dilmun Real Estate S.A.L. is a Lebanese joint stock company registered on December 29, 2011 in the Beirut Commercial Register under number 1014734. The company is subject to the applicable Lebanese laws governing the joint stock companies. The company's activities consist of owning money and real estates in Lebanon and other countries for renting and reselling, in addition to shares and bank accounts. It also provides commercial and services operation (except monetary services), buying and renting real estate taking into consideration decree 11614/69 concerning non-Lebanese right in real estate ownership in Lebanon. The company is also eligible to share with any other company, the execution of the above mentioned activities specially owing shares in other local and foreign companies performing the same activities.

The Company is fully owned by Al Baraka Bank S.A.L. as at December 31, 2018 and 2017.

Here below is a summary of the Islamic financial instruments carried-out by the Bank:

Murabaha:

A contract to sell goods at cost plus and agreed upon profit margin, whereby the seller (the Bank) informs the buyer (the client) of the selling price and the profit that will be recognized.

Musawama:

A contract to sell goods at cost plus profit margin, however, the seller (the Bank) does not inform the buyer (the client) about the profit that will be earned from the transaction.

Wakala:

A contract upon which the Bank is given the power of attorney to represent the mandator (the client) for trading and investing in transactions that are Islamically acceptable.

Istisnaa:

A contract between the Bank and the client whereby the Bank orders the manufacture or acquisition of a specified commodity by the client for an agreed upon price between the Bank and the client.

Mudaraba:

A contract between the Bank and the client whereby the Bank provides capital and the client invest with this capital and the profits or losses of the Mudaraba operation are distributed between the two parties according to an agreed upon ratio.

Sukuk:

An Islamic Financial Certificate that complies with Sharia Islamic Law.

2. Application Of New And Revised International Financial Reporting Standards (IFRSs)**2.1 New and Amended IFRSs standards Applied with No Material Effect on the Financial Statements**

The following new and revised IFRSs and amendments to IFRSs and Interpretations, which became effective for annual periods beginning on or after January 1, 2018, have been adopted in these financial statements. The application of these revised IFRSs has had no material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 Presentation of financial statement and IAS 28 Investment in Associates and Joint Venture.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration: The interpretation addresses foreign currency transactions or parts of transactions where:
 - there is consideration that is denominated or priced in a foreign currency;
 - the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
 - the prepayment asset or deferred income liability is non-monetary.
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.
- Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.
- IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

- The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:
 - Step 1: Identify the contract(s) with a customer.
 - Step 2: Identify the performance obligations in the contract.
 - Step 3: Determine the transaction price.
 - Step 4: Allocate the transaction price to the performance obligations in the contract.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

2.2 New and Amended IFRS Standards Applied with Material Effect On the Financial Statements

In the current year, the Bank has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after January 1, 2018. The Bank has applied IFRS 9 retrospectively in accordance with the transition provisions set out in IFRS 9 which allow an entity not to restate comparatives. (Accordingly, the changes in measures arising on initial application were incorporated through an adjustment to opening retained earnings as at January 1, 2018). The adoption of IFRS 9 led to changes in the accounting policies for the determination of financial assets and liabilities, and measurement and the decrease in value of financial assets. Additionally, the Bank adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

The adoption of IFRS 9 resulted in changes in the accounting policies related to the classification and measurement of financial assets and liabilities and the impairment of financial assets.

During 2017, the Bank has performed a detailed impact assessment of IFRS 9. Thus, upon the Bank's adoption of IFRS 9, this assessment was based on that time available information and was subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018.

Additionally, in accordance with Central Bank of Lebanon basic circular 143 dated 7 November 2017, the Bank may use reserves not subject for distribution and deferred liabilities previously appropriated to cover additional required impairment provisions under IFRS 9.

Based on the above, and after the adoption of IFRS 9 as of December 31, 2018, there is no significant impact on the bank's equity after taking into consideration the previously established provisions.

2.3 New and revised IFRSs in issue but not yet effective

The Bank did not adopt the below new and revised issued IFRS but not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances. 	January 1, 2019
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or financing contracts taking into consideration that IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17.	January 1, 2019
Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation whereby it amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture where the equity method is not applied.	January 1, 2019
Amendment to IAS 19 relating to employees benefits	January 1, 2019
Amendment to IAS 1 relating to definition of material	January 1, 2020
Amendment to IFRS 3 Business Combinations relating to definition of a business	January 1, 2020
Amendments to References to Conceptual Framework in IFRS standards – amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-22 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

January 1, 2021

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011):

Relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Effective date deferred indefinitely. Adoption is still permitted.

Management is still in the process of assessing the impact of IFRS 16 on the consolidated financial statements upon adoption on January 1, 2019.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments except for IFRS 16, may have no material impact on the financial statements of the Group in the period of initial application.

3. Significant Accounting Policies

Statement of Compliance:

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

The assets and liabilities of the fiduciary and restricted accounts are presented separately from the Bank's assets and liabilities and their details are reflected separately in the statement of fiduciary assets and liabilities as disclosed in Notes 25 and 26 whereby the same accounting principles applied to Banks' own accounts are adopted.

Accounts under assets and liabilities are listed according to their nature and presented in the financial position in an approximate order according to its liquidity.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Al Baraka Bank S.A.L. and Dilmun Real Estate S.A.L. controlled by the Bank.

	# of Share	% of Ownership	Approval Date of the Central Bank of Lebanon re Ownership
Dilmun Real Estate S.A.L.	2,970	99%	January 29, 2014

The Bank acquired Dilmun Real Estate S.A.L. shares from Al Baraka Islamic Bank SAB for LBP9.04billion (USD6million) through a Musawama agreement dated November 20, 2012. The Central Bank of Lebanon preliminary approval was granted on February 5, 2014.

Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Bank. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the Bank loses control over a subsidiary, then adjustments are made to the financial statements of the said subsidiary and the following is to be done:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Bank had directly disposed of the related assets or liabilities.

All intra-group transactions and balances between the Bank and its subsidiary are eliminated in preparing the consolidated financial statements.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for the following:

1. Assets and liabilities held for trading.
2. Financial instruments designated at fair value through profit or loss.
3. Investments in equities.
4. Other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest
5. Derivative financial instruments measured at fair value.

The principal accounting policies are set out below:

A. Foreign Currencies:

Transactions in currencies other than the Lebanese Pound (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated into Lebanese Pound at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks that are recognized in other comprehensive income and accumulated within the shareholder's entity.

B. Recognition and Derecognition of Financial Assets and Liabilities:

The Bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Debt securities exchanged against securities with longer maturities with similar risks, and issued by the same issuer, are not derecognized because they do not meet the conditions for derecognition. Premiums and discounts derived from the exchange of said securities are deferred to be amortized as a yield enhancement on a time proportionate basis, over the period of the extended maturities.

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

C. Classification of Financial Assets:

All recognized financial assets are measured in their entirety at either amortized cost or fair value, depending on their classification.

Debt Instruments:

Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost, less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- Asset are held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realize its fair value changes, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments which do not meet both of these conditions are measured at fair value through profit or loss ("FVTPL").

Even if a debt instrument meets the two amortized cost criteria above, it may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Equity Instruments:

Investments in equity instruments are classified as at FVTPL, unless the Bank designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition (see below).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in profit or loss.

On initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVTOCI"). Investments in equity instruments at FVTOCI are measured at fair value. Gains and losses on such equity instruments are recognized in other comprehensive income, accumulated in equity and are never reclassified to profit or loss. Only dividend income is recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income

are transferred to retained earnings on disposal of an investment.

Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Reclassification:

Financial assets are reclassified between FVTPL and amortized cost or vice versa, if and only if, the Bank's business model objective for its financial assets changes so its previous model assessment would no longer apply. When reclassification is appropriate, it is done prospectively from the reclassification date.

Reclassification Is Not Allowed Where:

- the other comprehensive income option has been exercised for a financial asset, or
- the fair value option has been exercised in any circumstance for a financial instrument.

D. Financial Liabilities and Equity Instruments:

Classification As Debt or Equity:

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Bank's own equity instruments.

The component parts of compound instruments (convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments is an equity instrument.

Financial Liabilities:

Financial Liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

E. Offsetting:

Financial assets and liabilities are set-off and the net amount is presented in the statement of financial position when, and only when, the Bank has a legal right to set-off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

F. Fair Value Measurement of Financial Instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

IFRS 13 set the hierarchy levels of the fair value:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

G. Impairment of Financial Assets:

Financial assets carried at amortized cost are assessed for indicators of impairment at the reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, a loss event has occurred which has an impact on the estimated future cash flows of the financial asset.

The Bank considers evidence of impairment for assets measured at amortized cost at both specific asset and collective level.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts. Losses are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

The Bank uses active market data for valuing financial assets held as collateral to the extent possible. As for non active financial assets, fair value is being valued applying valuation on techniques. Non financial collaterals are valued based on data provided by third parties, such as independent accredited experts and other independent sources.

H. Financing Facilities:

Financing facilities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financing facilities are disclosed at amortized cost net of unearned profit and after provision for credit losses. Non-performing loans and advances to customers are stated net of unrealized interest and provision for credit losses because of doubts and the probability of non-collection of principal and/or return.

Decrease in Value

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Deposits with banks and financial institutions in the bank's own accounts and unrestricted fiduciary and investment accounts, and;
- Financing facilities in the bank's own accounts and unrestricted fiduciary and investment accounts

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- A loss allowance for full lifetime ECL is required for financing facilities if the credit risk on that financial instrument has increased significantly since initial recognition. For deposits with banks and financial institutions ECLs are measured at an amount equal to the 12-month ECL.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate (EIR).
- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate (EIR), regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date.

Upon the financial deterioration of the debtor, the financing facility has a low credit value except when the risk of not receiving contractual cash flows have significantly decreased and there are no other impairment indicators.

Financial assets have low credit value when there are valid evidence of credit value deterioration including default payment. Default repayment (see below) represents unclear indicators of repayment for amounts due after 90 days, however, cases of payments due after 90 days and not considered as low credit value should be supported with reasonable information.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Moreover, past due for more than 90 days are to be assessed based on reasonable information.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The bank does not use the practical accounting policy since the increase in credit risk of the financial assets with low risk as of the financial report date is not considered as a major one.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Various economic scenarios represent out the base of default upon expectation of future economic initial recognition and following reporting dates. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

These different scenarios will result in different defaults, the expected scenarios represents the base of indicative risks of default that is used in determining whether credit risk has materially increased.

Concerning corporate financing, the projected information comprises economical future forecasts indicators such as real estate and crude oil prices obtained from regulatory forms, economic experts' reports, financial analysts, government bodies and other similar organizations, as well as consideration of actual and expected various internal and external economic information.

As for retail financing, projected information comprises the same economic indicators as corporate financing with additional relevant local economic variables.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The following data are typically used to determine the:

- Internal credit risk
- External rating(to the available extent)
- Deteriorating changes in business, financial and economic conditions that are expected to result in a significant change in the customer's ability to meet its obligations
- Actual or expected significant changes in the customer's operational results
- Significant changes to the customer's behavior and financial and operational performance including the ability to meet the obligations and financial reports date.

Significant modifications such as temporary adjustments will be arranged by the proper credit expert.

The Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Bank has reasonable and supportable information that demonstrates otherwise.

The qualitative factors that indicate a significant increase in credit risk are reflected in the probability of default.

However, the Bank continues to consider separately certain qualitative factors to assess whether credit risk has increased significantly. For corporate facilities, special emphasis is placed on assets classified as "watch list as these assets are being monitored due to the high risk of deterioration.

For retail financing, when contractual payments are more than 30 days past due the Bank considers a significant increase in credit risk and the asset is considered in the second stage of the impairment model and lifetime ECL is recognized.

Collateral Valuation

The Bank attempt to obtain collaterals , when possible, in order to reduce credit risk. The collateral comes in various forms ,such as cash, real estate, securities , letters of guarantees, letters of credit, non-financial assets and other credit enhancement such as netting agreements. The fair value of the collateral is estimated at initiation and as a minimum is received periodically as per the bank's policy and type of collateral.

I. Investment in Subsidiaries:

A subsidiary is an entity where the Bank is a shareholder and over which has control in its financial and operating policies. Investment in a subsidiary is recorded at cost less provision for impairment, if any.

J. Property and Equipment:

Property and equipment are stated at historical cost in Lebanese Pounds, less accumulated depreciation and impairment loss, if any. Depreciation (other than land) is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

	Years
Buildings	50
Furniture	13.5
Office Equipment	13.5-10
Computer and Electrical Equipment	6.5
Vehicles	8.5
Decoration and General installations	5
Computer software	5

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the differences between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

K. Intangible Assets:

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any, using the straight-line method at a rate of 20% and is subject to impairment testing.

L. Assets acquired in satisfaction of loans:

Real estate properties were acquired through the enforcement of collateral over loans and advances. These properties are measured at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities that require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation, the regulatory authorities require an appropriation of a special reserve from the yearly profits reflected in equity.

M. Investment Properties:

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, at the reporting date. Gain or losses arising

from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income. Valuations are carried out by independent qualified appraisers on the basis of current market values.

N. Impairment of Tangible and Intangible Assets:

At each reporting date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease recognized in the other comprehensive income (previously booked).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (previously booked).

O. Employees' End-of-Service Indemnities:

The provision for staff termination indemnities is based on the liability that would arise if the employment of all the staff were terminated at the statement of financial position date. This provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months remunerations and less contributions paid to the Lebanese Social Security National Fund.

P. Provisions:

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation.

Q. Revenue and Expense Recognition:

Interest income and expense are recognized on an accrual basis, taking account of the principal outstanding and the rate applicable, except for non-performing loans and advances for which interest income is only recognized upon realization. Interest income and expense include the amortization discount or premium.

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability (i.e. commissions and fees earned on the loan book) are included under investment income and expense.

Other fees and commission income are recognized as the related services are performed.

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income in accordance with IFRS 9, are presented in other revenue, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

R. Income Tax:

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of the items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Part of debt securities invested in by the Bank is subject to withheld tax by the issuer. This tax is deducted at year-end from the corporate tax liability not eligible for deferred tax benefit, and therefore, accounted for as prepayment on corporate income tax and reflected as a part of income tax provision.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

S. Fiduciary Deposits:

All fiduciary deposits are held on a discretionary basis and related risks and rewards belong to the account holders and accordingly, they are reflected as off-balance sheet accounts.

T. Cash and Cash Equivalents:

Cash and cash equivalents comprise balances with maturities of a period of three months including cash and balances with the Central Banks and deposits with banks and financial institutions.

U. Financial Instruments for Customers:

Financial instruments that are recorded under the Bank's name for the customers' benefits at their discretion are not considered part of the Bank's assets; therefore, they are not included in the related financial statements.

4. Critical Accounting Judgments And Key Sources of Estimation Uncertainty

In the application of the Bank's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty:

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowances for Credit Losses – Financing Facilities:

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances and the factors taken into consideration when estimating the allowance for credit losses include the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle his advances and the value of collateral and potential repossession.

Significant increase of credit risk:

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 3H. For financial instruments that traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instruments.

Going concern:

The Bank's management has made an assessment of the Bank's ability to continue as a going concern in accordance with IFRS 1. Management's basis for assessment relied on a combination of financial and operational indicators. Management, despite the decreasing net financial revenues during the last years resulting in operational losses, believes that the Bank has the required resources to continue in business

for the foreseeable future. Moreover, the operational and financial support to the Bank from the Parent Company is available, when needed.

The Bank's management has prepared an expected cash flow statement for the next five years for the Bank's own, unrestricted and restricted fiduciary accounts taking into consideration the financial and operational support from the parent company and related party banks.

The following is a condensed summary of the expected cash flow projected for the Bank's own, unrestricted and restricted fiduciary accounts for the next five years:

	For the Year Ended December 31,				
	2019 LBP'000	2020 LBP'000	2021 LBP'000	2022 LBP'000	2023 LBP'000
Expected profit for the year	719,086	826,978	950,442	1,092,740	1,257,219
Condensed cash flow expected from operating activities:					
Expected increase in assets	(47,289,598)	(48,469,169)	(47,814,643)	(52,315,483)	(58,743,535)
Expected increase in liabilities	43,868,250	58,215,786	64,037,365	70,441,102	77,485,212
Expected increase in capital	10,552,500	-	-	-	-
Cash and cash equivalents – End of year	136,589,076	147,162,671	164,335,194	183,554,194	203,553,090

5. Cash And Central Bank

	December 31	
	2018 LBP'000	2017 LBP'000
Cash on hand	4,452,873	4,162,706
Current accounts	21,669,791	14,460,446
Current accounts-Compulsory reserve	15,222,955	16,397,161
Time deposits – Compulsory reserve	6,898,920	4,516,475
Commodity Murabaha – Compulsory reserve	45,225,000	52,008,750
Commodity Murabaha	30,150,000	30,150,000
Accrued income receivable	838,375	1,043,783
	124,457,914	122,739,321

Local banking laws and regulations require banks to maintain cash compulsory reserves with the Central Bank of Lebanon in the form of non-income earning deposits in Lebanese Pounds computed on the basis of 15% and 25% of the average weekly demand and term customers' deposits under the bank's own and fiduciary accounts in Lebanese Pounds, respectively. Accordingly, cash compulsory reserves in the amount of approximately LBP15.22billion as at December 31, 2018 was maintained with the Central Bank of Lebanon (LBP16.51billion as at December 31, 2017) as reflected under "current accounts – compulsory reserve".

Local banking laws and regulations require banks to maintain income earning time deposits in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and loans acquired from non-resident financial institutions and with remaining maturities of one year or less. Accordingly, the Bank maintained interest bearing, to be used for charity, deposits with the Central Bank of Lebanon in USD and EUR as follows:

	2018 LBP'000	2017 LBP'000
Commodity Murabaha – Compulsory reserve	45,225,000	52,008,750
Time deposits – Compulsory reserve	6,898,920	4,516,475
Current accounts	15,222,955	16,397,161
	67,346,875	72,922,386

Commodity Murabaha – compulsory reserve with the Central Bank of Lebanon denominated in USD and EUR as at December 31, 2018 matures at the beginning of the first half of the year 2019 with an expected return of 2.11%. Return on Commodity is paid semiannually and amounted to LBP25.95million in 2018.

Commodity Murabaha represents, as of December 31, 2018 and 2017, one Murabaha transaction with the Central Bank of Lebanon through a resident commercial bank as follows:

Murabaha Amount USD	Expected Return USD	Date of Issuance	Maturity date	December 31	
				2018 LBP'000	2017 LBP'000
15,000,000	11,114,250	August 5, 2013	August 7, 2023	22,612,500	22,612,500
5,000,000	1,459,063	August 28, 2017	August 29, 2022	7,537,500	7,537,500
				30,150,000	30,150,000

Return on Commodity Murabaha is paid semi annually. Returns for the year 2018 amounted to around LBP2.75billion (LBP2.37billion for the year 2017).

6. Deposits With Banks And Financial Institutions

	December 31	
	2018 LBP'000	2017 LBP'000
Current accounts with resident and non-resident banks	10,310,225	32,638,428
Current accounts with related party banks	3,514,776	849,887
Checks for collection - Net	1,294,541	2,965,789
	15,119,542	36,454,104

7. Financing Facilities

	December 31	
	2018 LBP'000	2017 LBP'000
Unpaid bills	7,208,799	87,235
Creditors accidentally debtors	958,217	316,371
Qard Hassan		
Employees	236,178	262,448
Retail customers	1,072,948	1,074,828
Associations	550,000	632,800
	10,026,142	2,373,682
Unearned income	(184,523)	178,135
	9,841,619	2,195,547
Murabaha short term	3,461,579	-
Unearned income	(71,819)	-
	3,389,760	-
Musawama	-	13,386,832
Unearned income	-	(384,370)
	-	13,002,462
Bad and doubtful debts	830,108	801,528
Unrealized income	(1,688)	(1,489)
	828,420	800,039
Total	14,059,799	15,998,048

Unearned income for the years 2018 and 2017 represents the commission earned and accounted for within "Qard Hassan" Murabaha facilities granted.

"Musawama" facility amounting LBP13.38billion as at December 31, 2017 represents a Musawama deal with one of the banks in Sudan in favor of a customer as a result of an incoming letter of credit guaranteed by the Sudanese Central Bank up to USD18million. This Musawama matured on May 10, 2018 and resulted in unpaid bills amounting of LBP7.18billion as at December 31, 2018. The return from this Musawama for the year 2018 amounted to LBP632million (LBP362million in 2017) reflected under "financing facilities" in the consolidated statement of profit or loss.

8. Investments In Securities (Through Other Comprehensive Income)

	December 31, 2018				December 31, 2017	
	Cost LBP'000	Fair Value LBP'000	Change In Fair Value LBP'000	Accumulated Change In Fair Value LBP'000	Fair Value LBP'000	Accumulated Change In Fair Value LBP'000
Rymco shares - Quoted	394,049	441,058	4,034	213,249	437,024	209,215
MF Global Ltd Shares - Unquoted	-	-	-	-	(927)	-
	394,049	441,058	4,034	213,249	436,097	209,215

9. Investments In Sukuk At Fair Value Through Profit And Loss

	December 31, 2018				December 31, 2017	
	Nominal Value	Cost	Fair Value	Change in a Fair Value	Fair Value	Change in a Fair Value
Saudi Arabia 3,628% matures in 2027	-	-	-	-	3,813,221	44,471

During January 2018, Saudi Arabia Sukuk were sold, generating profit of LBP16.20million, against investments in commodity Murabaha with the Central Bank of Lebanon.

The movement of Sukuk's change in fair value account for the years 2018 and 2017 is stated below:

	2018 LBP'000	2017 LBP'000
Balance, Beginning of year	44,471	
Net transfer to reserve for investment risk – debit (Note 25 1)	-	44,471
Reversal of change in fair value of sold Sukuk (Note 25 l)	(44,471)	-
Balance, Ending of year – Debit	-	44,471

The Bank's return from investment in Sukuk for the year 2018 amounting to LBP12.67million (LBP387.37million in 2017) is reflected in the consolidated statement of profit or loss.

10. Other Assets

	December 31	
	2018 LBP'000	2017 LBP'000
Due from National Social Security Fund -Medical expenses	1,368,534	1,414,803
Prepaid expenses	842,686	880,047
Fiscal stamps	58,684	64,195
Other receivables	1,638,160	1,357,481
Due from parent company	7,567	48,417
Regulatory blocked deposit - Lebanese Treasury	1,500,000	1,500,000
Financial participations unquoted	10,553	10,553
Accrued income receivable - Sukuk	-	100,914
Debtors with acceptances	-	89,919
	5,426,184	5,466,329
Other doubtful debit balances	45,931	44,271
Provision	(44,935)	(22,190)
	996	22,081
Total	5,427,180	5,488,410

Due from National Social Security Fund – Medical expenses amounting LBP1.37billion represents the accumulated balance due to the Bank. It's worth mentioning that the amount of LBP162million was collected during 2018 (LBP511million in 2017).

The regulatory blocked deposit amounting to LBP1.5billion represents a non-interest earning deposit blocked with the Lebanese Treasury since the inception of the Bank in compliance with Article 132 of the Lebanese Code of Money and Credit.

11. Property And Equipment

	Buildings LBP'000	Decoration LBP'000	Vehicles LBP'000	Furniture LBP'000
Cost:				
Balance as of January 1, 2017	17,645,606	5,605,392	299,372	1,260,743
Additions	-	55,833	-	2,083
Disposals and other movements	-	(340,206)	(2,789)	(12,237)
Balance as of December 31, 2017	17,645,606	5,321,019	296,583	1,250,589
Additions	-	-	5,851	12,836
Disposals and other movements	-	-	(3,359)	(2,827)
Balance as of December 31, 2018	17,645,606	5,321,019	299,075	1,260,598
Accumulated Depreciation:				
Balance as of January 1, 2017	(2,093,343)	(2,611,302)	(99,998)	(620,475)
Additions	(382,481)	(793,373)	(32,057)	(73,986)
Disposals and other movements	-	334,388	2,560	11,288
Balance as of December 31, 2017	(2,475,824)	(3,070,287)	(129,495)	(683,173)
Additions	(352,523)	(818,338)	(34,598)	(72,608)
Disposals and other movements	-	-	3,355	2,589
Balance as of December 31, 2018	(2,828,347)	(3,888,625)	(160,738)	(753,192)
Net Book Value:				
December 31, 2018	14,817,259	1,432,394	138,337	507,406
December 31, 2017	15,169,782	2,250,732	167,088	567,416

Computer Equipment LBP'000	Office Equipment LBP'000	General Installation LBP'000	Electrical Equipment LBP'000	Advance Payments LBP'000	Total LBP'000
3,335,902	1,708,997	1,307,839	585,906	138,723	31,888,480
-	140,504	77,363	-	5,355	281,138
(24,463)	-	(416,887)	-	-	(796,582)
3,311,439	1,849,501	968,315	858,906	144,078	31,373,036
633,272	26,986	73,322	18,473	729,840	1,500,580
(11,334)	(11,706)	-	-	-	(29,226)
3,933,377	1,864,781	1,041,637	604,379	873,918	32,844,390
(2,643,473)	(1,324,422)	(1,201,419)	(488,010)	-	(11,082,442)
(303,280)	(83,019)	(32,314)	(22,069)	-	(1,722,579)
24,464	-	405,538	-	-	778,238
(2,922,289)	(1,407,441)	(828,195)	(510,079)	-	(12,026,783)
(300,608)	(73,888)	(44,576)	(19,294)	-	(1,716,433)
11,334	9,331	4,517	-	-	31,126
(3,211,563)	(1,471,998)	(868,254)	(529,373)	-	(13,712,090)
721,814	392,783	173,383	75,006	873,918	19,132,300
389,150	442,060	140,120	75,827	144,078	19,346,253

12. Intangible Assets

	Computer Softwares LBP'000	Advanced Payments LBP'000	Total LBP'000
Cost:			
Balance January 1, 2017	4,823,695	-	4,823,695
Additions	132,175	-	132,175
Balance December 31, 2017	4,955,870	-	4,955,870
Additions	162,759	1,091,290	1,254,049
Balance December 31, 2018	5,118,629	1,091,290	6,209,919
Amortization			
Balance January 1, 2017	(3,624,142)	-	(3,624,142)
Additions	(376,169)	-	(376,169)
Balance December 31, 2017	(4,000,311)	-	(4,000,311)
Additions	(367,576)	-	(367,576)
Balance December 31, 2018	(4,367,887)	-	(4,367,887)
Net Book Value:			
December 31, 2018	750,742	1,091,290	1,842,032
December 31, 2017	955,559	-	955,559

13. Debit Balance With Restricted Fiduciary And Investment Accounts

This caption amounting to LBP751million as at December 31, 2018 (LBP16.17billion as at December 31, 2017) represents the debit balance with the Bank's Restricted Fiduciary and Investments accounts which have a counter account with the same amount under liabilities in the restricted fiduciary and investments account (Note 26) representing the withdrawals and deposits resulting from the restricted fiduciary and investment accounts operations. In addition, this caption includes Commodity Murabaha's with the Central Bank of Lebanon.

14. Deposits From Banks

	December 31	
	2018 LBP'000	2017 LBP'000
Deposits from resident commercial banks	614,935	1,601,855
Deposits from related party banks	15,491,751	32,744,824
Reserve Wakala with related party banks	8,637,411	18,073,578
	24,744,097	52,420,257

Reserve Wakala with related party banks, in Euro, as at December 31, 2018 matures during the first quarter of 2019 with an average rate of return of 1%.

15. Customers' Deposits And Other Credit Balances

	December 31, 2018		
	LBP LBP'000	Foreign Currency LBP'000	Total LBP'000
Current accounts / demand deposits	23,147,376	75,897,027	99,044,403
Transitory accounts for the settlement of fiduciary financing facilities	2,899	72,865	75,764
Margins against credit cards	5,231	235,797	241,028
Margins against letters of guarantee	248,620	76,882	325,502
Margins against letters of credit	1,000	3,015	4,015
	23,405,126	76,285,586	99,690,712

	December 31, 2017		
	LBP LBP'000	Foreign Currency LBP'000	Total LBP'000
Current accounts / demand deposits	22,923,433	58,513,626	81,437,059
Transitory accounts for the settlement of fiduciary financing facilities	1,169	478,948	480,117
Margins against credit cards	5,702	135,712	141,414
Margins against letters of guarantee	351,315	82,159	433,474
Margins against letters of credit	1,100	2,011,040	2,012,140
	23,282,719	61,221,485	84,504,204

Customers' deposits mentioned above do not include coded accounts and are non-income bearing current accounts.

Customers' deposits and other credit balances include related party deposits amounting to LBP1.42billion as at December 31, 2018 (LBP1.58billion as at December 31, 2017).

16. Accounts Payable And Miscellaneous Creditors

	December 31	
	2018 LBP'000	2017 LBP'000
National Social Security Fund	114,451	115,038
Banker checks – Al Baraka Bank	755,196	243,439
Withheld taxes	317,228	170,868
Miscellaneous creditors	584,345	591,490
Accrued liabilities	832,632	551,991
Non-Islamic income allocated for charity	313,533	141,958
Commitments generated on guaranties against acceptances	-	89,919
Accrued expense payable for Reserve Wakala with related party bank	6,718	10,375
	2,924,103	1,915,078

17. Provisions

	December 31	
	2018 LBP'000	2017 LBP'000
Provision for fluctuations in foreign exchange rates	953	953
Provision for employees' end-of-service indemnities	2,039,529	2,080,644
Provision for contingencies (Note 25 1)	816,900	820,583
	2,857,382	2,902,180

The Bank's accounts for the years 2014 to 2018, remain subject to examination and final assessment by the Lebanese tax authorities. Any additional tax liability depends on the outcome of this review. It is to be noted that by the end of year 2016, the Lebanese income tax authority started reviewing the Bank's accounts for the years 2011 to 2014 inclusive. During 2017, an additional tax for the year 2011 amounting to LBP127.12million was settled and an amount of LBP155.61million was settled during 2018 for the years 2012 to 2014.

The movement of the provision for employees' end-of-service indemnity for the years 2018 and 2017 is summarized as follows:

	2018 LBP'000	2017 LBP'000
Balance, beginning of year	2,080,644	1,798,892
Additions (Note 22)	152,686	325,973
Settlements	(193,801)	(44,221)
Balance, end of year	2,039,529	2,080,644

The movement of provision for contingencies for the years 2018 and 2017 is summarized as follows:

	2018		2017	
	Provision for tax LBP'000	Provision for Risk LBP'000	Total LBP'000	Total LBP'000
Balance, beginning of year	589,156	231,427	820,583	947,704
Additions (Note 23)	369,520	75,375	444,895	-
Settlements	(155,614)	-	(155,614)	(127,121)
Income tax	(279,000)	-	(279,000)	-
Tax on the revelation of the bank's real estate	(13,964)	-	(13,964)	-
Other Taxes	510,098	306,802	816,900	820,583

During the second half of 2018, the Bank revaluated the plots of five branches based on the Ministry of Finance decision number 1/513 dated April 17, 2018 which allows exceptional revaluation of fixed assets within the regulatory period that ends on November 8, 2018. This revaluation resulted in a revaluation gain of LBP5.76billion pending the approval of the Central Bank of Lebanon. However, the Bank has settled the revaluation tax which amounted to LBP279million.

18. Credit Balance With The Unrestricted Fiduciary And Investment Accounts

This caption amounting to LBP20.51billion as at December 31, 2018 (LBP49.39billion as at December 31, 2017) represents the credit balance with unrestricted fiduciary and investments accounts which has a counter value account in the balance sheet of unrestricted fiduciary and investments assets accounts (Note 25), representing the withdrawals and deposits resulting from the unrestricted fiduciary and investments accounts operations. It also includes the transfer of the compulsory reserve at the Central Bank of Lebanon to the Bank's own accounts in previous years.

19. Share Capital

As at December 31, 2018 and 2017, the authorized and subscribed capital of the Bank consists of 300,000 shares fully paid at LBP100,000 each.

Shareholder's cash contribution to capital amounting to LBP3billion as at December 31, 2018 (LBP4.24billion in 2017) represents the balance of the amount transferred by Al Baraka Banking Group, the parent company, during the first half of 2008. This cash contribution to capital is an income bearing account at an annual rate set by the Ordinary General Assembly provided that this rate does not exceed the average rate of return on the six-month investments accounts. The distribution of the above mentioned income is done from the Bank's net income and is subject to the approval of the Banking Control Commission and to Basic Circular 43 dated March 25, 1998 with all its amendments.

Its worth mentioning that the Bank is allowed to utilize this cash contribution in offsetting accumulated losses in accordance with the Extraordinary General Assembly Decision. Accordingly, during the fourth quarter of the year 2018, the Bank utilized this cash contribution to write-off its accumulated losses up to the year 2016, amounting to LBP1.23billion in accordance with the Extra Ordinary General Assembly Decision held on December 20, 2017 and according to prevailing banking laws specifically Article 134 of the Law of Money and Credit. Moreover, the Bank's accumulated losses at the end of the year 2018 amounted to LBP3.94billion resulting in a loss in the Bank's capital that should be reconstituted according to the prevailing banking laws specifically Article 134 of law of money and credit.

20. Reserves

	December 31	
	2018 LBP'000	2017 LBP'000
Legal reserve	309,393	309,393
General banking risks reserve	108,954	108,954
Special reserves	196,914	196,914
General reserves for financing facilities (Note 25 1)	602,000	602,000
	1,217,261	1,217,261

21. Net Fees And Vommissions Income

This caption amounting to LBP1,095billion as at December 31, 2018 (LBP893million as at December 31, 2017) represents the net income from commissions and banking services with customers.

22. Staff Costs

	2018 LBP'000	2017 LBP'000
Salaries and wages	6,061,578	6,062,047
Social Security contributions	917,926	920,222
Provision for employees' end of service indemnity (Note 17)	152,686	325,973
Additional compensation for resigned employees	24,544	400,000
Other staff costs	1,446,419	1,414,445
	8,603,153	9,122,687

Additional compensation for resigned employees represents the amounts paid during 2018 and 2017 to employees that were terminated by the Bank (one employee in each of 2018 and 2017).

23. General Operating Expenses

	2018 LBP'000	2017 LBP'000
Stamps	14,441	9,847
Taxes and fees	427,726	111,840
Fees paid to National Institution for Guarantee of Deposits	66,000	66,000
Rent	311,098	308,107
Electricity, fuel and building services	411,088	395,667
Legal, audit and consulting fees	382,305	484,126
Telephone, post and telecommunication	282,779	321,676
Maintenance and repairs	1,427,620	1,314,213
Travel expenses	152,786	155,859
Hospitality and entertainment	24,088	26,275
Insurance	206,067	233,395
Advertising and publicity	170,918	169,242
Stationary and printings	153,437	150,321
Subscriptions and patents	228,262	218,142
Training and development	206,445	207,670
Other legal expenses	75,165	46,726
Charges paid to parent company and board of directors allowances	433,623	422,641
Additional taxes provision (Note 17)	369,520	-
Other expenses	299,066	290,094
	5,642,434	4,931,841

Taxes and fees amounting to LBP427.73million includes an amount of LBP393.38million representing the 7% value of taxes deducted from resident banks on the Bank's earnings from Wakala and Mudaraba contracts concluded before November 2017 as per the Ministry of Finance decision.

24. Financial Instruments With Off-Balance Sheet Risks

Commitments under guarantees and documentary letters of credit represent financial instruments with contractual amounts that carry credit risk. The commitments under guarantees represent an irrecoverable guarantee that the Bank undertakes to settle in case a customer cannot meet its obligations to third parties, and are not different from loans and advances in the financial position. However, documentary letters of credit, which represent written undertakings by the Bank on behalf of customers authorizing third parties to draw drafts on the Bank up to a stipulated amount under specific terms and conditions collateralized by the underlying import documents to which they relate and therefore present lower risks.

Guarantees stated in the Bank's own accounts at LBP7.06billion as at December 31, 2018 (LBP10.06billion as at December 31, 2017) includes LBP16.58million to related parties as at December 31, 2018 and 2017.

Investments in securities amounting to LBP2.83billion at December 31, 2018 and 2017, represent what the customers invested in securities through the Bank in previous years. To be noted that some of these investments are not listed and their fair value is null. In addition, Management expect to net these investments with corresponding related restricted deposits in case they were not claimed by customers.

25. Statement of Managed Unrestricted Fiduciary And Investments Agreements

Starting June 1997, the Bank started dealing in "fiduciary investments activities", whereby, the Bank acting as a custodian is allowed to undertake all administrative or banking activities related to fiduciary deposits, either in the form of placements with existing entities, or direct trading activities, namely profit sharing Murabaha, Musharaka and others, with the condition that it is clearly stipulated in the fiduciary agreement. Below are the details of the statement of assets and liabilities relating to unrestricted fiduciary and investments agreements:

	Notes	December 31	
		2018 LBP'000	2017 LBP'000
Assets:			
Deposits with the Central Bank	a	91,181,923	48,764,208
Deposits with banks and financial institutions	b	104,229,571	97,235,843
Financing facilities	c	129,179,062	133,879,461
Investment in securities	d	-	927
Investment in Sukuk at fair value through profit or loss	e	-	4,534,937
Investment properties	f	29,130,499	27,947,772
Customers' liabilities under acceptances	g	519,476	2,675,873
Other assets	h	17,022,621	915,913
Assets acquired in satisfaction of debts	i	1,078,182	645,529
Credit balance with the Bank's own accounts	18	20,513,993	49,388,042
		392,855,327	365,988,505

	Notes	December 31	
		2018 LBP'000	2017 LBP'000
Liabilities:			
Customers' deposits and other credit balances - discretionary fiduciary accounts	j	383,726,127	349,005,600
Commitments under acceptances	g	519,476	2,675,873
Accrued liabilities and miscellaneous creditors	k	5,756,371	6,683,649
Provisions	l	2,775,132	7,605,402
Reserve for profit distribution	m	78,221	17,981
		392,855,327	365,988,505

(a) Deposits With The Central Bank:

	December 31	
	2018 LBP'000	2017 LBP'000
Current accounts - Non-income bearing	5,352,788	5,425,748
Commodity Murabaha	83,866,750	42,613,500
Accrued income receivable	1,962,385	724,960
	91,181,923	48,764,208

Return on Commodity Murabaha is paid on semi-annual basis. Returns for the year 2018 amounted to LBP6.38billion (LBP2.44billion in 2017) (Note 25 n).

Commodity Murabaha amounting to LBP83.86billion as at December 31, 2018 represents Murabaha transactions with the Central Bank of Lebanon executed through a resident commercial bank detailed as follows:

December 31, 2018					
Murabaha Value		Total LBP'000	Date of Issuance	Maturity Date	Expected Total Return LBP'000
LBP'000	USD				
20,001,000	-	20,001,000	April 15,2016	April 12,2019	3,900,195
-	10,000,000	15,075,000	August 12,2013	August 14,2023	11,169,821
-	5,000,000	7,537,500	December 28,2013	December 30,2024	6,161,592
-	5,500,000	8,291,250	January 5, 2018	January 27, 2025	6,777,752
-	5,000,000	7,537,500	February 2, 2018	February 3, 2025	6,059,184
765,000	-	765,000	March 1, 2018	February 20, 2025	593,334
-	2,000,000	3,015,000	March 7, 2018	March 7, 2025	2,461,389
900,000	-	900,000	March 22, 2018	March 13, 2025	698,040
647,000	-	647,000	April 5, 2018	March 27, 2025	501,813
-	3,000,000	4,522,500	April 25, 2018	April 25, 2025	3,694,200
500,000	-	500,000	May 31, 2018	May 22, 2025	326,200
-	5,000,000	7,537,500	June 27, 2018	June 27, 2025	6,156,776
-	5,000,000	7,537,500	December 10, 2018	December 14, 2025	6,161,592
22,813,000	40,500,000	83,866,750			

December 31, 2017					
Murabaha Value		Total LBP'000	Date of Issuance	Maturity Date	Expected Total Return LBP'000
LBP'000	USD				
-	5,000,000	7,537,500	December 28, 2017	December 30, 2024	6,161,592
20,001,000	-	20,001,000	April 15, 2016	April 12, 2019	3,900,195
-	10,000,000	15,075,000	August 12,2013	August 14,2023	11,169,821
20,001,000	15,000,000	42,613,500			

(b) Deposits With Banks And Financial Institutions:

	December 31	
	2018 LBP'000	2017 LBP'000
Current accounts with financial institutions –non-income bearing	-	38
Current accounts with related party financial institutions - non-income bearing	2,440,751	3,824,057
Current accounts with commercial banks – non-income bearing	4,525,694	3,176,294
Deposits with resident commercial banks – Mudaraba	92,327,306	81,162,583
Deposits with resident commercial banks - Wakala	3,000,000	7,121,102
Accrued income receivable	1,935,820	1,951,769
	104,229,571	97,235,843

Deposits with resident commercial banks – Mudaraba mature as follows:

	December 31 2018			
	LBP'000	Weighted Average Rate	F/Cy in LBP'000	Weighted Average Rate
Up to 1 month	3,000,000	6,98%	28,079,812	4,68%
Between 1 and 3 months	5,795,007	6,98%	24,402,487	4,68%
Between 3 and 6 months	18,000,000	6,98%	-	-
2 nd half of 2019	13,050,000	7,99%	-	-
	39,845,007		52,482,299	

	December 31, 2017			
	LBP'000	Weighted Average Rate	F/Cy in LBP'000	Weighted Average Rate
Up to 1 month	-	-	25,073,473	3,52%
Between 1 and 3 months	-	-	24,029,696	4,66%
Between 3 and 6 months	18,059,414	6,05%	-	-
2 nd half of 2018	14,000,000	6,02%	-	-
	32,059,414		49,103,169	

Deposits with resident commercial banks – Wakala mature as follows:

	December 31, 2018	
	LBP'000	Weighted Average Rate
2nd half of 2020	3,000,000	10%

	December 31, 2017	
	LBP'000	Weighted Average Rate
Up to 1 month	5,021,102	6%
Between 3 and 6 months	600,000	6%
2 nd half of 2018	1,500,000	6%
	7,121,102	

(c) Financing Facilities:

	December 31	
	2018 LBP'000	2017 LBP'000
Unpaid bills	3,320,157	9,081,878
Qard Hassan - Employees	34,109	43,546
Financing facilities - Retail	17,125,697	16,473,377
Short term facilities – Murabaha	32,083,457	28,359,790
Medium and long term facilities – Murabaha	71,330,347	73,134,918
Medium and long term facilities – Istisnaa	2,381,102	3,145,716
Medium and long term facilities – Mosawama	1,053,433	1,108,006
	127,328,302	131,347,231
Unearned income	(10,961,129)	(10,952,285)
Accrued interest receivable – Istisnaa	8,683,201	8,683,200
	125,050,374	129,078,146
Substandard debts	8,168,017	2,634,369
Doubtful debts	7,486,756	7,955,124
Unrealized income	(1,065,049)	(1,065,049)
	14,589,724	9,524,444
Provision for doubtful debts (Note 25 I)	(10,461,036)	(4,723,129)
	4,128,688	4,801,315
Total	129,179,062	133,879,461

Unpaid bills outstanding as at year end 2018 and 2017 mature as follows noting that most of them were still unpaid up to the date of the issuance of the financial statements:

	December 31	
	2018 LBP'000	2017 LBP'000
2006	98	98
2007	972	972
2008	400	400
2009	9,268	9,300
2010	42,986	43,987
2011	75,441	77,422
2012	70,407	74,342
2013	1,840,084	1,900,327
2014	474,057	481,505
2015	187,056	570,326
2016	596,000	1,103,215
2017	2,372,157	7,454,353
First quarter of 2018	767,143	-
Second quarter of 2018	635,356	-
Third quarter of 2018	1,264,148	-
Fourth quarter of 2018	3,152,601	-
	11,488,174	11,716,247
Less: Balances of customers classified by the credit classification committee	(8,168,017)	(2,634,369)
	3,320,157	9,081,878

Medium and long term facilities – Istisnaa as at December 31, 2018 and 2017 comprises the following:

	2018 LBP'000	2017 LBP'000
Sold apartments, cost portion in the Vertini project – investment properties	20,623,349	20,176,571
Less: Customer's advance payments on sold apartments	(18,793,660)	(18,740,897)
	1,829,689	1,435,674
Other customers	551,413	1,710,042
	2,381,102	3,145,716

Following is the movement of sold apartments cost portion in Vertini project - investment properties for the years 2018 and 2017:

	2018 LBP'000	2017 LBP'000
Balance, Beginning of year	20,176,571	17,273,219
Transfer from investment properties - Note (25 f)	446,778	2,903,352
Balance, End of year	20,623,349	20,176,571

The movement of unrealized income of doubtful financing facilities for the years 2018 and 2017 is as follows:

	2018 LBP'000	2017 LBP'000
Balance, Beginning of year	1,065,049	1,020,777
Additions	-	44,272
Balance, End of year	1,065,049	1,065,049

The movement of the provision for doubtful debts for the years 2018 and 2017 is as follows:

	2018 LBP'000	2017 LBP'000
Balance, Beginning of year	4,723,129	4,446,155
Transfer from reserve for investment risks (Note 25 1)	5,737,907	276,974
Balance, End of year	10,461,036	4,723,129

(d) Investment in Securities:

	December 31	
	2018 LBP'000	2017 LBP'000
Investment in shares with broker MF Global Ltd - Unquoted	789,342	-
Provision for impairment	(788,415)	-
	927	-

(e) Investment In Sukuk At Fair Value Through Profit or Loss:

	Cost	Nominal Value	Fair Value		Change in Fair Value	
			2018 LBP'000	2017 LBP'000	2018 LBP'000	2017 LBP'000
Al Baraka Bank Turkey - maturity in 2019	3,768,750	3,768,750	-	3,759,328	-	(9,422)
Sharjah Bank maturity in 2024	753,750	753,750	-	775,609	-	21,859
Dubai Islamic Bank - maturity in 2020	1,507,500	-	-	-	-	-
	6,030,000	4,522,500	-	4,534,937	-	12,437

During January 2018, the Bank sold Al Baraka Bank Turkey and Sharjah Bank Sukuk resulting in a profit of approximately LBP22million reflected under net income from investment in Sukuk (Note 25 n).

During 2017, the Bank sold Dubai Islamic Bank Sukuk resulting in a profit of approximately LBP284million reflected as income from Sukuk under the surplus of the year of statement of fiduciary and investments accounts (Note 25 n).

Below is the Sukuk change in fair value account movement for the year ended 2018 and 2017:

	2018 LBP'000	2017 LBP'000
Balance, Beginning of year - Debit / (credit)	12,437	(8,845)
Net transfer to the risk investment reserve (Note 25 1)	-	3,042
Reversal of change in fair value of sold Sukuk (Note 25 1)	12,437	18,240
Balance, Ending of year - Debit	-	12,437

(f) Investment Properties:

The Bank's investment in Vertini real estate project amounting to LBP29.13billion as at December 31, 2018 (LBP27.95billion as at December 31, 2017) represents the Bank's share in the cost of the project.

Below is the investment property movement for the years 2018 and 2017:

	2018 LBP'000	2017 LBP'000
Balance, Beginning of year	27,947,772	30,100,832
Additions	3,130,903	2,427,117
Retentions	(932,185)	(1,676,825)
Depreciation (Note 25 n)	(569,213)	-
Transfer to the Istisnaa account (Note 25 c)	446,778	(2,903,352)
Balance, Ending of year	29,130,499	27,947,772

Transfer to Istisnaa financing facilities account amounting to LBP446million in 2018 (LBP2.9billion in 2017) (Note 25 c) represents the cost portion of the sold apartments.

It is to be noted that the project was completed by the end of 2017 and 14 apartments (two in 2017) out of 33 and two parking lots were sold up to the end of 2017. No apartments were sold in 2018.

At the end of 2018, the unsold apartments of the project were revalued by two independent real estate experts for an amount of LBP35.18billion (LBP35.18billion in 2017).

The Bank started to depreciate Vertini project in 2018 at 2% annual rate.

(g) Customers' Liabilities Under Acceptances:

This caption amounting to LBP519million as at December 31, 2018 (LBP2.67billion as at December 31, 2017), represents customers' commitments under accepted drafts confirmed by the Bank and resulting from bills of exchange from deferred payment documentary letters of credit. The contra account of these acceptances is reflected in the caption "Commitments under acceptances" under liabilities.

(h) Other Assets:

	December 31	
	2018 LBP'000	2017 LBP'000
Accrued income receivable – Sukuk	-	9,426
Deferred charges on Commodity Murabaha with the Central Bank of Lebanon	25,910	31,563
Murabahas in process	242,039	-
Due and guaranteed letters of credit	16,754,672	874,924
	17,022,621	915,913

Due and guaranteed letters of credit, amounting to LBP16.75billion as at December 31, 2018, include the amount of LBP16.65billion representing the outstanding due balance at December 31, 2018 resulting from the Bank settlement on time of the letters of credit dues since it is issued through a sister bank.

(i) Assets Acquired In Satisfaction Of Debts:

This caption represents real estates acquired in satisfaction of debts granted to some customers amounting to LBP1.08billion as at December 31, 2018 (LBP645million in 2017).

**(j) Customers' Deposits And Other Credit Balances
- Discretionary Fiduciary accounts:**

Customers' unrestricted fiduciary deposits matures as follows:

	December 31, 2018				December 31, 2017	
	Lebanese Pounds	Counter Value of Currencies in LBP	Total	%	Total	%
	LBP'000	LBP'000	LBP'000		LBP'000	
Current deposits	9,501	720,743	730,244		137,291	
Time deposits						
One month	837,453	8,494,620	9,332,073	3	9,252,084	3
Three months	1,515,763	4,713,300	6,229,063	2	6,907,533	2
Six months	45,114,127	155,654,517	200,768,644	54	216,910,704	64
One year	15,204,819	81,889,886	97,094,705	26	105,674,641	31
One year and a half	-	13,243,586	13,243,586	3	-	-
Two years	6,741,000	28,090,465	34,831,465	9	-	-
Three years	1,050,000	9,729,235	10,779,235	3	-	-
	70,463,162	301,815,609	372,278,771	100	338,744,962	100
Other credit balances:						
Margins against letters of credit	-	3,020,132	3,020,132		73,935	
Margins against financing facilities	1,002,901	3,559,079	4,561,980		6,710,060	
Margins against letters of guarantee	3,135,000	-	3,135,000		3,135,367	
URIA deposits pending investment	-	-	-		203,985	
	4,137,901	6,579,211	10,717,112		10,123,347	
	74,610,564	309,115,562	383,726,127		349,005,600	

Current deposits represent customer's net profit from their fiduciary deposits.

Customers' deposits include deposits for related parties in the amount of LBP1.77billion as at December 31, 2018 (LBP1.84billion as at December 31, 2017).

(k) Accrued Liabilities and Miscellaneous Creditors:

	December 31	
	2018 LBP'000	2017 LBP'000
Bankers checks – Al Baraka Bank	538,372	1,315,274
Sundry creditors	1,416,200	2,405,880
Taxes withheld from customers deposits	56,494	36,922
Provision for the unrestricted fiduciary investments accounts	3,136,275	2,316,543
Provision for restricted investments in securities on behalf of customers	609,030	609,030
	5,756,371	6,683,649

(l) Provisions:

	December 31	
	2018 LBP'000	2017 LBP'000
Reserve for investment risks	2,073,132	6,903,402
Provision for financing facilities	702,000	702,000
	2,775,132	7,605,402

As of January 1, 2018, the investment risk reserve computation has been adjusted to comply with the requirements of the Central Bank of Lebanon Circular number 455 dated April 10, 2017. Accordingly, the Bank deducts 10% of the investments profits after deducting the Bank's share as a Mudarib (20% of Murabaha Profits in previous years).

It is worth mentioning that the investment risk reserve is not subject to distribution except upon the approval of the Board of Directors and taking into account the aggregate reserve balance in comparison with the credit risk of classified loans.

On September 17, 2018, the Banking Control Commission examined the entire portfolio of performing and non-performing debts as at December 31, 2017. Accordingly, the Bank has transferred the required amount of LBP5.63billion from the investment risk reserve account to the provision of doubtful debts account.

On October 15, 2018, the Banking Control Commission approved to provide in the amount of LBP130million for classified bad and doubtful loans. Consequently, the Bank transferred the required amount of LBP130million from the investment risk reserve account to the provision for doubtful debts.

In accordance with the Central Bank of Lebanon main circular #143 issued on November 7, 2017, the Bank stopped accounting for general reserves effective from the fiscal year 2017 in order to apply IFRS 9 on the financial assets and the off-balance sheet credit commitments through finalizing the technical policies before December 31, 2018 and provide for the expected credit losses effective January 1, 2018, if need be. In this connection, by the end of year 2018, the Bank prepared the required reports, accounted for the Expected Credit Losses and determined the required provisions in accordance with IFRS 9.

The impact of IFRS 9 on the financial statements of the Bank as at December 31, 2018 has been assessed as follows:

	December 31, 2018 LBP
Total exposures at default:	
Deposits with banks (Note 5, 6, 25a, 25b, 26a, 26b)	330,848,218
Financing facilities (Note 7, 25 c, 26 c)	136,241,291
	467,089,509
Provisions accounted for Expected Credit losses:	
Investment risk reserve	2,073,132
Provision for financing facilities	702,000
Provision for doubtful debts (Note 25c)	10,461,036
Provision for contingencies (Note 17)	306,802
General reserve for financing facilities (Note 20)	602,000
	14,144,970

Total provisions accounted for the expected credit losses as at December 31, 2018 amounted to LBP14billion includes LBP1.2billion against facilities classified as stage (1) and (2) and LBP10.7billion as stage (3) and the remaining balance represents provisions for deposits with banks.

Based on the above, the implementation of IFRS 9 as at December 31, 2018 there is no significant impact on the shareholders equity after considering the provisions accounted for.

The movement of the reserve for investment risks is as follows:

	2018 LBP'000	2017 LBP'000
Balance, Beginning of year	6,903,402	6,231,355
Additions – (Note 25 n)	1,055,363	1,046,118
Transfer to provision for doubtful debts – (Note 25 c)	(5,737,907)	(276,974)
Transfer from investment in Sukuk at fair value through profit or loss – (Notes 9 and 25 f)	-	47,513
Reversal of change in the fair value of Sukuk (Note 9 and 25e)	(56,908)	-
Settlements	101,163	(157,828)
Transfer to net investment profit in Sukuk (Note 25 n)	16,356	-
Difference in exchange	6,011	13,218
Balance, End of year	2,073,132	6,903,402

(m) Reserve For Profit Distribution:

This caption represents net profit reserved or paid from the fiduciary accounts profit for these accounts, for the purpose of adjusting the return paid to customers in accordance with the Bank's management decision. This reserve is booked under investment revenue from fiduciary contracts.

The movement of the reserve for profit distribution is as follows:

	2018 LBP'000	2017 LBP'000
Balance, Beginning of year	17,981	32,634
Net additions / (transfers)	60,240	(14,653)
Balance, End of year	78,221	17,981

(n) Surplus of the Year:

The surplus of the year resulting from unrestricted fiduciary and investments accounts is detailed as follows:

	Year Ended December 31	
	2018 LBP'000	2017 LBP'000
Investment Revenue:		
Financing contracts (Note 25 c)	8,339,566	8,298,603
Commodity Murabaha with Central Bank of Lebanon – (Note 25 a)	6,381,141	2,440,784
Deposits with banks and financial institutions (Note 25 b)	4,491,078	4,556,965
Net income from Sukuk (Note 25 e)	22,668	284,438
Net commissions, fees and other revenues	1,140,848	1,179,873
	20,375,301	16,760,663
Depreciation (Note 25 f)	569,213	-
Reserve for investment risks – (Note 25 1)	(1,055,363)	(1,046,118)
Profit of the year	18,750,725	15,714,545
Allocation of Profit For The Year:		
Customer's share	10,552,972	8,626,635
Bank's share from income of unrestricted fiduciary and investment agreements	8,197,753	7,087,910
	18,750,725	15,714,545

26. Statement of Restricted Fiduciary And Investment Agreement

	Notes	December 31	
		2018 LBP'000	2017 LBP'000
ASSETS:			
Deposits with the Central Bank of Lebanon	a	86,392,323	56,057,342
Deposits with banks and financial institutions	b	46,366,953	6,819,479
Financing facilities	c	2,238,658	6,512,712
		134,997,934	69,389,533
LIABILITIES:			
Reverse Wakala with banks	d	134,247,229	53,214,616
Credit balance with Bank's own accounts	13	750,705	16,174,917
		134,997,934	69,389,533
Net income from restricted fiduciary and investments agreements		2,865,414	1,164,731

a. Deposit With The Central Bank:

Commodity Murabaha as of December 31, 2018 and 2017 comprises transactions with the Central Bank of Lebanon through a resident bank as follows:

Murabaha Value	Expected Total Return	Date of Issuance	Maturity Date	December 31	
				2018 C/V	2017 C/V
USD	USD			LBP'000	LBP'000
11,000,000	3,236,077	April 4, 2014	April 4, 2019	16,582,500	16,582,500
26,000,000	7,445,916	December 28, 2017	December 30, 2024	39,195,000	39,195,000
2,500,000	2,043,646	January 5, 2018	January 7, 2025	3,768,750	-
10,000,000	8,167,318	March 7, 2018	March 7, 2025	15,075,000	-
7,000,000	5,717,736	April 25, 2018	April 25, 2025	10,552,500	-
				85,173,750	55,777,500
Accrued income receivable				1,218,573	279,842
				86,392,323	56,057,342

Return on Commodity Murabaha is paid on semi-annual basis. Returns for the year 2018 amounted to LBP7.76billion (LBP1.02billion in 2017).

b. Deposits With Related Party Banks And Financial Institutions:

Deposits with related party banks and financial institutions as at December 31, 2018 amounted LBP46.36billion (LBP6.82billion in 2017) and are denominated in foreign currencies.

	December 31,	
	2018 LBP'000	2017 LBP'000
Deposits with related party banks under Wakala contracts	6,818,983	6,819,479
Deposits with a resident commercial bank under Wakala contracts	39,547,970	-
	46,366,953	6,819,479

Deposits with related party banks under Wakala contracts mature between 6 months and 1 year with an average annual rate of return of 2.67%.

Deposits with a resident commercial bank under Wakala contracts mature within a month with an average of 1.8% and within a year with an average rate of return of 5%.

c. Financing Facilities:

	December 31	
	2018 LBP'000	2017 LBP'000
Medium term facilities – Murabaha	2,244,304	6,512,712
Unpaid bills	(5,646)	-
	2,238,658	6,512,712

Financing facilities as at December 31, 2018 amounting to LBP2.24billion (LBP6.51billion as at December 31, 2017) are denominated in foreign currencies and are mostly granted to customers outside the Lebanese territories in return for bank guarantees from a sister bank.

d. Reverse Wakala With Banks:

	December 31	
	2018 LBP'000	2017 LBP'000
Current accounts with related party banks	121	-
Reverse Wakala with related party banks	111,264,976	53,214,616
Reverse Wakala with a non-resident commercial bank	22,982,132	-
	134,247,229	53,214,616

Reverse Wakala with related party banks mature as follows:

	December 31, 2018		December 31, 2017	
	F/Cy C/V in LBP'000	Average Rate of Return %	F/Cy C/V in LBP'000	Average Rate of Return %
Between one and three months	36,577,073	5,15	5,276,250	2,85
Between three-months and one year	34,220,350	5,24	-	-
Between 1 and 3 years	-	-	8,592,750	4,8
Between 3 and 5 years	9,045,000	8	9,045,000	8
Between 5 and 10 years	30,150,000	8	30,150,000	8
	109,992,323		53,064,000	
Add: Accrued cost of return payable	1,272,653		150,616	
	111,264,976		53,214,616	

Reserve Wakala with a non-resident bank matures in the second half of 2019 with an average return of 4.03%.

27. Related Party Transactions

This caption comprises the Bank's dealings with related parties, members of its board of directors and management. The dealings are conducted with the approval of the Bank's management.

Related party transactions consist of the following:

	December 31	
	2018 LBP'000	2017 LBP'000
Bank's Own Accounts:		
Deposits with banks and financial institutions (Note 6)	3,514,776	849,887
Due from parent company (Note 10)	7,567	48,417
Deposits from banks (Note 14)	15,491,751	32,744,824
Reverse Wakala from related parties (Note 14)	8,637,411	18,073,578
Customers' deposits and other credit balances (Note 15)	1,422,343	1,580,278
Shareholder's cash contribution to capital (Note 19)	3,005,542	4,238,342
Unrestricted Fiduciary and Investment Accounts:		
Current account with banks and financial institution (Note 25 b)	2,440,751	3,824,057
Financing facilities - Board member (Note 25 c)	257,104	82,868
Investment in Sukuk (Note 25 e)	-	3,759,328
Customers' deposits – unrestricted fiduciary investments accounts (Note 25 j)	1,766,321	1,843,667
Restricted Fiduciary and Investment Accounts:		
Deposits with banks (Note 26 b)	6,818,983	6,819,479
Reverse Wakala and Mudaraba with banks (Note 26 d)	111,264,976	53,214,617
Current accounts with banks (Note 26 d)	121	-
Financial Instruments with Off-Balance Sheet Risks:		
Letters of guarantees (Note 24)	16,852	16,582

Salaries of senior executive management (general manager, his deputy and assistant) of the Bank amounted to LBP728million for the year 2018 (LBP1.15billion for the year 2017). In addition, Board of Directors members attendance remuneration amounted to LBP337million for the year 2018 (LBP314million for the year 2017). Moreover, legal fees paid to one of the Bank's lawyers (board member) amounted to LBP149million for the year 2018 (LBP149million for 2017).

28. Cash And Cash Equivalents

Cash and cash equivalents in the statement of cash flows represent the total of cash, compulsory reserve and deposits at the central bank of Lebanon (Note 5) and deposits with banks and financial institutions (Note 6) bearing maturities less than 90 days.

Cash and cash equivalents for the purpose of the cash flows statement consist of the following:

	December 31	
	2018 LBP'000	2017 LBP'000
Cash on hand	4,452,873	4,162,706
Demand deposits with Central Bank of Lebanon	21,669,791	14,347,607
Compulsory reserve - Time deposits and Commodity Murabaha	6,898,920	19,591,475
Current accounts with banks and related parties	13,825,001	33,488,315
Checks for collection	1,294,541	2,965,789
	48,141,126	74,555,892

The decrease in additional contribution to capital amounting to LBP1.23billion was offset against accumulated losses and excluded since it represents a non-cash transaction.

29. Fair Value

The following table shows the book and fair value of financial assets and liabilities recognized in the financial statements as of December 31, 2018, including the fair value levels. The table below does not include financial assets and liabilities that are not measured at fair value and considered, according to the Bank's management, that their book value matches its fair value due to its contractual entitlements of short-term:

Bank's own accounts 2018:

	Notes	Carrying amount LBP'000	2018 Fair Value			
			Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	Total LBP'000
Financial assets at fair value through profit or loss						
Financial assets at fair value through other comprehensive income	8	394,049	441,058	-	-	441,058
Financial assets carried at amortized cost						
Term deposits with Central Bank - Commodity Murabaha	5	30,150,000	-	-	30,150,000	30,150,000

Unrestricted fiduciary and investment accounts 2018:

Financial assets carried at amortized cost						
Term deposits with Central Bank - Commodity Murabaha	25a	83,866,750	-	-	83,866,750	83,866,750

Restricted fiduciary and investment accounts:

Financial assets carried at amortized cost						
Term deposits with Central Bank - Commodity Murabaha	26a	85,173,750	-	-	85,173,750	85,173,750

Bank's own accounts 2017:

	Notes	Carrying amount LBP'000	2017 Fair Value			
			Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	Total LBP'000
Financial assets at fair value through profit or loss						
Financial assets at fair value through other comprehensive income	8	394,049	437,024	-	-	437,024
Financial assets carried at amortized cost						
Term deposits with Central Bank - Commodity Murabaha	5	30,150,000	-	-	30,150,000	30,150,000

Unrestricted fiduciary and investment accounts:

Financial assets at fair value through profit or loss						
Investments in Sukuk	25e	4,522,500	4,534,937	-	-	4,534,937
Financial assets carried at amortized cost						
Term deposits with Central Bank - Commodity Murabaha	25a	42,613,500	-	-	42,613,500	42,613,500

No transfers between levels 1, 2 and 3 took place during the year.

Restricted fiduciary and investment accounts 2017:

Financial assets carried at amortized cost						
Term deposits with Central Bank - Commodity Murabaha	26a	55,777,500	-	-	55,777,500	55,777,500

30. Fair Value and Risk Management**(a) Credit Risk:**

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank controls this risk by monitoring credit exposures, and continually assessing the creditworthiness of the related borrowing parties.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, because they are or have similar economic features that may affect their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank reduces its credit risk exposure and deals with it through follow-up of the debts to improve collective chances and upgrade the quality of debts classification, by implementing debt restructuring plans and obtaining sufficient real collateral.

Allocation of the Bank's own assets and liabilities by geographical area:

	December 31, 2018				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	North America LBP'000	Total LBP'000
Cash and Central Bank	124,457,914	-	-	-	124,457,914
Deposits with banks and financial institutions	3,231,040	7,870,244	2,270,781	1,747,477	15,119,542
Financing facilities	6,873,668	7,186,131	-	-	14,059,799
Investment in securities	441,058	-	-	-	441,058
Other assets	5,427,180	-	-	-	5,427,180
Property and equipment	18,824,774	306,759	-	767	19,132,300
Intangible assets	1,842,032	-	-	-	1,842,032
Debit balances with restricted fiduciary and investment accounts	750,705	-	-	-	750,705
Total Assets	161,848,371	15,363,134	2,270,781	1,748,244	181,230,530
Deposits from banks	20,049	20,519,333	4,204,715	-	24,744,097
Customer's deposits and other credit balances	91,240,645	5,583,950	2,660,193	205,924	99,690,712
Accounts payable and miscellaneous creditors	2,924,103	-	-	-	2,924,103
Provisions	2,857,382	-	-	-	2,857,382
Credit balance with unrestricted fiduciary and investments accounts	20,513,993	-	-	-	20,513,993
Total Liabilities	117,556,172	26,103,283	6,864,908	205,924	150,730,287

	December 31, 2017					
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	America LBP'000	Other LBP'000	Total LBP'000
Cash and Central Bank	122,739,321	-	-	-	-	122,739,321
Deposits with banks and financial institutions	28,390,446	2,843,293	3,809,112	1,411,253	-	36,454,104
Financing facilities	2,990,458	13,007,590	-	-	-	15,998,048
Investment in securities	7,796	-	428,301	-	-	436,097
Investment in Sukuk at fair value through profit or loss	-	3,813,590	-	-	-	3,813,221
Other assets	5,374,080	112,596	1,734	-	-	5,488,410
Property and equipment	19,346,253	-	-	-	-	19,346,253
Intangible assets	955,559	-	-	-	-	955,559
Debit balances with restricted fiduciary and investment accounts	16,174,917	-	-	-	-	16,174,917
Total Assets	195,978,830	19,776,700	4,239,147	1,411,253	-	221,405,930
Deposits from banks	20,045	52,400,212	-	-	-	52,420,257
Customer's deposits and other credit balances	79,616,119	4,634,045	200,785	17,841	35,414	84,504,204
Accounts payable and miscellaneous creditors	1,915,078	-	-	-	-	1,915,078
Provisions	2,902,180	-	-	-	-	2,902,180
Credit balances with unrestricted fiduciary and investment accounts	49,388,042	-	-	-	-	49,388,042
Total Liabilities	133,841,464	57,034,257	200,785	17,841	35,414	191,129,761

Allocation of Bank's unrestricted fiduciary and investments accounts assets and liabilities by geographical area:

	December 31, 2018				
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	America and others LBP'000	Total LBP'000
ASSETS					
Deposits with the Central Bank	91,181,923	-	-	-	91,181,923
Deposits with banks and financial institutions	97,264,503	2,440,751	-	4,524,317	104,229,571
Financing facilities	116,995,622	12,158,674	-	24,766	129,179,062
Investment Properties	29,130,499	-	-	-	29,130,499
Customer's liabilities under acceptances	519,476	-	-	-	519,476
Other assets	267,950	16,652,112	102,559	-	17,022,621
Assets acquired in satisfaction of debts	1,078,182	-	-	-	1,078,182
Debit balance with the Bank's own accounts	20,513,993	-	-	-	20,513,993
Total Assets	356,952,148	31,251,537	102,559	4,549,083	392,855,327
LIABILITIES					
Customer's deposits and other credit balances – unrestricted investments accounts	340,111,339	35,967,944	4,747,336	2,898,508	383,726,127
Commitments under acceptances	519,476	-	-	-	519,476
Accrued liabilities and miscellaneous creditors	5,756,070	301	-	-	5,756,371
Provisions	2,775,132	-	-	-	2,775,132
Reserve for profit distribution	78,221	-	-	-	78,221
Total Liabilities	349,240,238	35,968,245	4,748,336	2,898,508	392,855,327

	December 31, 2017					
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	America LBP'000	Other LBP'000	Total LBP'000
Deposits with the Central Bank	48,764,208	-	-	-	-	48,764,208
Deposits with banks and financial institutions	90,244,684	3,824,057	39	3,167,063	-	97,235,843
Financing facilities	116,331,734	17,547,727	-	-	-	133,879,461
Investment in securities	(427,369)	-	428,296	-	-	927
Investment in Sukuk at fair value through profit or loss	-	4,534,937	-	-	-	4,534,937
Investment Properties - under construction	27,947,772	-	-	-	-	27,947,772
Customer's liabilities under acceptances	2,675,873	-	-	-	-	2,675,873
Other assets	40,982	693,450	172,055	-	9,426	915,913
Assets acquired in satisfaction of debts	645,529	-	-	-	-	645,529
Debit balances with the Bank's own accounts	49,388,042	-	-	-	-	49,388,042
Total Assets:	335,611,455	26,600,171	600,390	3,167,063	9,426	365,988,505
Customer's deposits and other credit balances	334,634,575	11,904,328	1,065,275	422,132	979,290	349,005,600
Commitments under acceptances	2,675,873	-	-	-	-	2,675,873
Accrued liabilities and miscellaneous Creditors	6,682,449	1,200	-	-	-	6,683,649
Provisions	7,605,402	-	-	-	-	7,605,402
Reserve for profit distribution	17,981	-	-	-	-	17,981
Total Liabilities	351,616,280	11,905,528	1,065,275	422,132	979,290	365,988,505

Allocation of the Bank's restricted Fiduciary and investments accounts assets and liabilities by geographical area:

	December 31, 2018		
	Lebanon LBP'000	Middle East and Africa LBP'000	Total LBP'000
Deposits with the Central Bank	86,392,323	-	86,392,323
Deposits with banks and financial institutions	39,583,203	6,783,750	46,366,953
Financing facilities	(282)	2,238,940	2,238,658
Total Assets	125,975,244	9,022,690	134,997,934
Reverse Wakala with banks	1,682,235	132,564,994	134,247,229
Credit balance with Bank's own accounts	750,705	-	750,705
Total Liabilities	2,432,940	132,564,994	134,997,934

	December 31, 2017		
	Lebanon LBP'000	Middle East and Africa LBP'000	Total LBP'000
Deposits with the Central Bank	56,057,342	-	56,057,342
Deposits with banks and financial institutions	-	6,819,479	6,819,479
Financing facilities	(806)	6,513,518	6,512,712
Total Assets	56,056,536	13,332,997	69,389,533
Reverse Wakala with banks	-	53,214,616	53,214,616
Credit balance with Bank`s own accounts	16,174,917	-	16,174,917
Total Liabilities	16,174,917	53,214,616	69,389,533

Market Risk

Market risk comprises risk factors such as foreign exchange rates, interest rates, in addition to other risks.

Currency risk:

The Bank is exposed to currency risk which arises from the fluctuation of currencies and financial instruments and derivatives which affects its financial position and cash flows.

Allocation of the Bank's own assets and liabilities by currency:

December 31, 2018

	LBP LBP'000	USD LBP'000	EUR LBP'000	GBP LBP'000	Others LBP'000	Total LBP'000
ASSETS						
Cash with the central bank	24,806,305	83,046,021	16,586,055	19,533	-	124,457,914
Deposits with banks and financial institutions	219,533	4,471,977	6,007,331	203,999	4,216,702	15,119,542
Financing facilities	1,519,919	1,963,988	7,186,131	-	3,389,761	14,059,799
Investment in securities	-	441,058	-	-	-	441,058
Other assets	3,716,868	1,640,712	69,600	-	-	5,427,180
Property and equipment	19,132,300	-	-	-	-	19,132,300
Intangible Assets	1,842,032	-	-	-	-	1,842,032
Debit balances with restricted fiduciary and investment accounts	-	17,009,453	10,900	-	(16,269,648)	750,705
	51,236,957	108,573,209	29,860,017	223,532	(8,663,185)	181,230,530
LIABILITIES						
Deposits from banks	5,231	3,030,120	21,434,464	86,570	187,712	24,744,097
Customers' deposits and other credit balances	23,521,343	61,153,830	9,893,842	105,552	5,016,146	99,690,712
Accounts payables and miscellaneous creditors	(10,749,651)	13,447,245	100,603	31,410	94,496	2,924,103
Provisions	2,670,358	187,024	-	-	-	2,857,382
Credit balances with unrestricted fiduciary and investments accounts	(548,778)	36,595,506	(1,571,196)	-	(13,961,539)	20,513,993
	14,898,502	114,413,725	29,857,713	223,532	8,663,185	150,730,287

	December 31, 2017					
	LBP LBP'000	USD LBP'000	EUR LBP'000	GBP LBP'000	Others LBP'000	Total LBP'000
ASSETS						
Cash with the central bank	24,036,871	88,673,751	9,983,347	45,352	-	122,739,321
Deposits with banks and financial institutions	246,743	5,285,900	29,016,818	212,050	1,692,593	36,454,104
Financing facilities	1,382,344	1,613,242	13,002,462	-	-	15,998,048
Investment in securities	-	436,097	-	-	-	436,097
Investment in Sukuk at fair value through profit or loss	-	3,813,221	-	-	-	3,813,221
Other assets	3,740,656	1,712,910	34,844	-	-	5,488,410
Property and equipment	19,340,212	6,041	-	-	-	19,346,253
Intangible Assets	955,559	-	-	-	-	955,559
Debit balance with restricted fiduciary and investments accounts	-	16,174,917	-	-	-	16,174,917
	49,702,385	117,716,079	52,037,471	257,402	1,692,593	221,405,930
LIABILITIES						
Deposits from banks	5,231	3,108,244	47,868,904	92,466	1,345,412	52,420,257
Customers' deposits and other credit balances	23,282,719	56,184,031	4,688,204	124,596	224,654	84,504,204
Accounts payables and miscellaneous creditors	(10,896,943)	12,611,378	54,512	40,340	105,791	1,915,078
Provisions	2,715,156	187,024	-	-	-	2,902,180
Credit balances with unrestricted fiduciary and investments accounts	(292,544)	50,237,998	(574,148)	-	16,736	49,388,042
	14,813,619	122,328,675	52,037,472	257,402	1,692,593	191,129,761
Net Currency Exposure	34,888,766	(4,612,596)	(1)	-	-	30,276,169

Allocation of the Bank's unrestricted fiduciary and investments accounts assets and liabilities by currency:

Assets and liabilities of restricted fiduciary and investment accounts for the years 2017 and 2016 are all in U.S Dollars.

	December 31, 2018				
	LBP LBP'000	USD LBP'000	EUR LBP'000	Others LBP'000	Total LBP'000
ASSETS					
Deposits with the Central Bank	23,263,657	67,918,226	-	-	91,181,923
Deposits with banks and financial institutions	44,426,713	47,544,101	12,258,757	-	104,229,571
Financing facilities	7,843,310	119,972,521	1,363,231	-	129,179,062
Investment properties	2,635,462	26,495,037	-	-	29,130,499
Customers' Liabilities under acceptances	-	519,476	-	-	519,476
Other assets	-	375,506	-	16,647,115	17,022,621
Assets acquired in satisfaction of debts	(15,815)	1,093,997	-	-	1,078,182
Debit balance with the Bank's own accounts	(548,778)	36,595,506	(1,571,196)	(13,961,539)	20,513,993
	77,604,549	300,514,410	12,050,792	2,685,576	392,855,327
LIABILITIES					
Customer's deposits and other credit balances	74,610,565	294,575,640	11,871,083	2,668,839	383,726,127
Commitments under acceptances	-	519,476	-	-	519,476
Accrued Liabilities and miscellaneous creditors	1,089,447	4,628,261	38,663	-	5,756,371
Provisions	1,904,538	715,657	138,200	16,737	2,755,132
Reserve for profit distribution	-	75,375	2,846	-	78,221
	77,604,550	300,514,409	12,050,792	2,685,576	392,855,327

	December 31, 2017				
	LBP LBP'000	USD LBP'000	EUR LBP'000	Others LBP'000	Total LBP'000
ASSETS					
Deposits with the Central Bank	20,661,827	28,102,381	-	-	48,764,208
Deposits with banks and financial institutions	47,590,814	38,194,598	11,450,431	-	97,235,843
Financing facilities	7,190,935	125,940,231	748,295	-	133,879,461
Investment in securities	-	927	-	-	927
Investment in Sukuk at fair value through profit or loss	-	4,534,937	-	-	4,534,937
Investment in properties - under construction	3,165,244	24,782,528	-	-	27,947,772
Customers' Liabilities under acceptances	-	2,675,873	-	-	2,675,873
Other assets	5,697	910,216	-	-	915,913
Assets acquired in satisfaction of debts	(15,816)	661,345	-	-	645,529
Debit balance with the Bank's own accounts	(292,544)	50,237,998	(574,148)	16,736	49,388,042
	78,306,157	276,041,034	11,624,578	16,736	365,988,505
LIABILITIES					
Customer's deposits and other credit balances	75,797,754	261,727,943	11,479,903	-	349,005,600
Commitments under acceptances	-	2,675,873	-	-	2,675,873
Accrued Liabilities and miscellaneous creditors	930,920	5,727,778	24,951	-	6,683,649
Provisions	1,562,480	5,909,442	116,744	16,736	7,605,402
Reserve for profit distribution	15,000	-	2,981	-	17,981
	78,306,154	276,041,036	11,624,579	16,736	365,988,505

Allocation of the Bank's restricted fiduciary and investments accounts assets and liabilities by currency:

	December 31, 2018			
	USD LBP'000	EUR LBP'000	Other LBP'000	Total LBP'000
ASSETS				
Deposits with Central Bank	86,392,323	-	-	86,392,323
Deposits with banks and financial institutions	6,818,982	32,835,487	6,712,484	46,366,953
Financing facilities	2,238,658	-	-	2,238,658
	95,449,963	32,835,487	6,712,484	134,997,934
LIABILITIES				
Reverse Wakala with banks	78,440,510	32,824,587	22,982,132	134,247,229
Credit balance with bank's own accounts	17,009,453	10,900	(16,269,648)	750,705
	95,449,963	32,835,487	6,712,484	134,997,934

Assets and liabilities of restricted fiduciary and investment accounts for the year 2017 is in U.S. Dollars.

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. Liquidity management and business unit activities are managed consistent with a strategy of funding stability, and includes the maintenance of a portfolio of liquid and marketable assets.

Financial liability in the Bank's own accounts outstanding at the end of year 2018 and 2017 mature within a period of three months.

Allocation of financial liabilities in unrestricted fiduciary and investments accounts according to their maturities:

	December 31, 2018			
	Current accounts maturing in 3 months LBP'000	Accounts maturing from 3 months to 1 year LBP'000	Accounts maturing from 1 to 3 years LBP'000	Total LBP'000
Customer's deposits and other credit balances	140,093,370	176,374,100	67,258,657	383,726,127

December 31, 2017			
	Current accounts maturing in 3 months LBP'000	Accounts maturing from 3 months to 1 year LBP'000	Total LBP'000

LIABILITIES

Customer's deposits and other credit balances	149,699,505	199,306,095	349,005,600
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Allocation of the financial liabilities in the restricted fiduciary and investments accounts according to their maturities:

December 31, 2018			
	Current accounts maturing in 3 months LBP'000	Accounts maturing from 3 months to 1 year LBP'000	Total LBP'000

LIABILITIES

Reverse Wakala with banks	36,577,194	97,670,035	134,247,229
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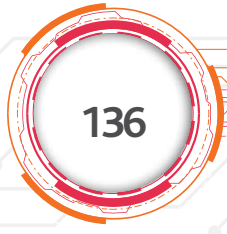
December 31, 2017			
	Current accounts maturing in 3 months LBP'000	Accounts maturing from 3 months to 1 year LBP'000	Total LBP'000

LIABILITIES

Reverse Wakala with banks	5,276,250	47,938,366	53,214,616
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31. Approval of The Financial Statements

The consolidated financial statements for the year ended December 31, 2018 were approved by the Board of Directors in its meeting held on March 13, 2019.



Independent Auditor's Report

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Sanayeh - Head office

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Bac Center, 12th Floor
T: +961 1 748061/2/4/5
F: +961 1 748068
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Sanayeh - Main Branch

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Bac Center, 4th Floor
Branch Manager: Mr. Nayef Fawaz
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Saida Branch

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Houssam Al Deen Al Hariri Street
Golden Tower Building
1ST Floor
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T: +961 7 754477/8/9
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Tripoli Branch

Al Tal Area, Boulevard Fouad Chehab,
Kahtan Mikati Building
Branch Manager: Mrs. Raghida Kabbara
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Istiklal Branch

Zaydaniye, Istiklal Street
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Ground Floor

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T: +961 1 742601/2/3

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Chtaura Branch

Damascus Main Road,
Haddad Building,
Ground Floor

Branch Manager: Mr. Rabih Taktak

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ATM's:

Abou Samra: Al Iman School

Dar Al Shifaa Hospital: Al Manar Road,
Tripoli

Al Abdeh: Akkar Main Road, Mahames Al
Amin Building

Aramoun: Main Road



Tarik Al Jadida

Cola, Abed Albaset Ghandour Street,
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Facing AUL University

Branch Manager: Mr. Mohammad Al Tawil

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Indonesia

Jordan

Jordan Islamic Bank

Jordan Islamic Bank was the first Islamic bank in Jordan and was established in 1978 to carry on all types of financing, banking and investment activities in compliance with the provisions of the glorious Islamic Shari'a. The bank offers its banking, investment and financing services through its 105 branches.

Mr. Musa Shihadeh

CEO - General Manager

P.O. Box 926225 Amman 11190 Jordan

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www.jordanislamicbank.com

Pakistan

Al Baraka Bank (Pakistan) Limited

Al Baraka Bank (Pakistan) Limited has been present in its erstwhile form of 29 branches of Al Baraka Islamic Bank B.S.C. since 1991. In October 2010, it acquired Emirates Global Islamic Bank to form Al Baraka Bank (Pakistan) Limited and acquired Al Burj Bank in 2016. The Bank now offers its banking services through its 191 branches.

Mr. Ahmed Shuja Kidwai

Board Member & CEO

Al Baraka House

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Main Shahrah-e-Faisal Karachi, Pakistan

T: +92 21 34307000

F: +92 21 34530981

www.albaraka.com.pk

Indonesia

Al Baraka Banking Group Representative Office, Indonesia

Founded 2008

While Indonesia's economy is still growing fast by the standards of most countries, it has slowed significantly in recent years. China's slowdown, and the related slide in commodity prices, hit the economy hard. Yet the IMF has forecast growth for 2017 at 5.2%, supported by domestic consumption.

ABG's Indonesia Representative office assesses and reports on the potential for the Group to do business in the country or to consider the acquisition of suitable local banks. The representative office is also responsible for maintaining contact with regulators and major banking groups in Indonesia and for preserving the image and brand value of the Group. With trade flows between Indonesia and many of the countries where the Group operates continuing to grow, the representative office pro-actively identifies business opportunities and generates leads that are directed towards ABG subsidiaries.

Ms. Nurul Bariah

Chief Representative

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Morocco

BTI Bank Morocco

BTI Bank Morocco was launched in December 2017 as a result of the partnership between Al Baraka Banking Group (B.S.C.), the leading multinational Islamic Banking Group headquartered in Bahrain, and the Moroccan Bank for Foreign Commerce of Africa (BMCE Bank), one of Africa's leading international banking groups, by opening its headquarters in Casablanca. The Casablanca branch is the first in a plan to establish a wide network of 37 branches by the year 2022 in different cities in Morocco, supported by banking services and electronic channels.

Mr. Mohamed Maarouf

Director General

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fax: +212 5 22 26 47 89
<https://btibank.ma/>

Bahrain

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

Al Baraka Islamic Bank was incorporated in Bahrain in February 1984 and operates as a retail Islamic bank. It obtained a commercial banking licence in Pakistan in 1991. The bank operates 8 branches in Bahrain.

Mr. Tarek Kazem

Board Member & CEO

Al Baraka Headquarters - Bahrain Bay

P.O. Box 1882

Manama, Kingdom of Bahrain

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F: +973 17 533 993

www.albaraka.bh

Turkey

Al Baraka Türk Participation Bank

Al Baraka Türk Participation Bank was established in 1985 and started operations in the same year. Al Baraka Türk currently renders its services through its 230 branches.

Mr. Meliksah Utku

General Manager

Saray Mahallesi

Dr. Adnan Büyükdeniz Caddesi,

No. 6 34768 Ümraniye, Istanbul

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F: +90 216 666 16 00

www.albarakaturk.com.tr

Tunisia

Al Baraka Bank Tunisia

Al Baraka Bank Tunisia was established in 1983. The bank has both offshore and local retail activities in accordance to Shari'a principles. The bank operates 37 branches across Tunisia.

Mr. Fraj Zaag

Board Member & General Manager

88, Avenue Hedi Chaker 1002,

T: +216 71 186 500

F: +216 71 780 235

www.albarakabank.com.tn

Libya

Al Baraka Banking Group Representative Office, Libya

Founded 2011

ABG opened its new representative office in Tripoli in early 2011, in order to place the Group advantageously in the promising Libyan banking market to await the return to relative normality. The representative office supports and liaises with ABG units to help establish and maintain relationships with local regulators and banks and explore appropriate opportunities for business when appropriate.

Mr. Mohamed ElKhazmi

Chief Representative

Tripoli Tower, Tower 1 14th Floor,

Office No. 144 P.O. Box 93271, Tripoli

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F: +218 (21) 336 2312

www.albaraka.com

Algeria

Banque Al Baraka D'Algerie s.p.a.

Banque Al Baraka D'Algerie was incorporated in May 1991 as the first islamic Bank and operates under a commercial banking licence issued by the Bank of Algeria. The main activities of the bank are retail and commercial banking. The Bank operates 31 branches.

Mr. Mohamed Seddik Hafid

Board Member & General Manager

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Ben Aknoun, Algiers
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F: +213 23 38 12 76 /77
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South Africa

Al Baraka Bank Limited - South Africa

Al Baraka Bank Limited was established in 1989 and operates as a commercial islamic bank, with a total of 11 branches.

Mr. Shabir Chohan

Board Member & CEO

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F: +2731 364 9001
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Sudan

Al Baraka Bank Sudan

Al Baraka Bank Sudan was established in 1984 and its activities comprise retail, corporate, commercial and investment banking. The bank operates 28 branches.

Mr. Abdullah Khairy Hamid

General Manager

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Syria

Al Baraka Bank Syria s.A.

Al Baraka Bank Syria was established in 2009 and has grown as an islamic institution offering a variety of financing products and services that suit different market segments and address their financial needs, via a chain of 13 branches spread across the major cities in Syria.

Mr. Mohammed Halabi

Chief Executive Officer

Alshahbender Street
P.O. Box 100 Damascus
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www.albarakasyria.com

Egypt

Al Baraka Bank Egypt

Al Baraka Bank Egypt commenced its activities in accordance with Shari'a principles over 28 years ago and has grown as an Islamic institution to become one of the foremost in the Egyptian market. It provides a variety of services, products and savings deposit options to suit different requirements and financing programmes to meet the requirements of various sectors of the Egyptian market, in addition to credit facilities for companies and joint financings for large and important national projects. The bank currently has 32 branches.

Mr. Ashraf El Ghamrawy

Vice Chairman & CEO

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Kingdom of Saudi Arabia

Itqan Capital

Itqan Capital is a Saudi Arabia based investment company licensed by the Capital Market Authority, engaged in asset and portfolio management, principal investment, debt and equity arrangement, Itqan Capital aspires to be the Kingdom's pre-eminent provider of investment offerings to pension funds, foundations, charities, endowments, private and public companies, high net worth individuals and family offices.

Mr. Abdulla Farid Shaker

Managing Director & CEO

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