

Albaraka Banking Group B.S.C.

**Additional Public Disclosures
(Unaudited)**

Albaraka Banking Group B.S.C.
ADDITIONAL PUBLIC DISCLOSURES
30 June 2010

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Albaraka Banking Group B.S.C.

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1 INTRODUCTION

Albaraka Banking Group B.S.C. ('the Bank') is a joint stock company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration (CR) number 48915. The Bank is engaged in banking activities in the Middle East, Europe, North African and South African region. The address of the Bank's registered office is P.O. Box 1882, Diplomatic Area, Manama, Kingdom of Bahrain. The Bank is listed on Bahrain Stock Exchange and NASDAQ Dubai.

The Bank operates under a wholesale Islamic banking license issued by the Central Bank of Bahrain ('the CBB').

The principal activities of the Bank and its subsidiaries ('the Group') comprise of international and commercial banking, financing, treasury and investment activities. The Bank is supervised and regulated by the CBB.

The following are the principal subsidiaries of the Bank, which are consolidated for all financial information presented unless otherwise stated:

<i>Bank</i>	<i>Ownership June 2010</i>	<i>Ownership Dec 2009</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>
<i>Held directly by the Bank</i>				
Banque Al Baraka D'Algerie (BAA)	55.90%	55.90%	1991	Algeria
Al Baraka Islamic Bank	91.12%	91.12%	1984	Bahrain
Al Baraka Bank Tunis	78.40%	78.40%	1983	Tunisia
Al Baraka Bank Egypt	73.68%	73.68%	1980	Egypt
Al Baraka Bank Lebanon	98.50%	99.98%	1991	Lebanon
Jordan Islamic Bank (JIB)	66.50%	66.50%	1978	Jordan
Al Baraka Turk Participation Bank	56.64%	56.64%	1985	Turkey
Al Baraka Bank Limited (ABL)	56.29%	56.29%	1989	South Africa
Al Baraka Bank Sudan	82.08%	82.08%	1984	Sudan
Al Baraka Bank Syria	23.00%	23.00%	2009	Syria

<i>Company</i>	<i>Subsidiary held through</i>	<i>Effective Ownership June 2010</i>	<i>Effective Ownership Dec 2009</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>
Al- Rizq Trading Company	JIB	59.40%	59.40%	1994	Jordan
Al-Omariya School Company	JIB	62.31%	62.60%	1987	Jordan
Al-Samaha Real Estate Company	JIB	66.00%	66.00%	1998	Jordan
Future Applied Computer Technology Company	JIB	66.00%	66.00%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	66.00%	66.00%	2006	Jordan
Dar AlBaraka*	BAA	0.00%	55.90%	2003	Algeria
AlBaraka Properties (Pty) Ltd.	ABL	53.60%	53.60%	1991	South Africa

* Dar Albaraka has been liquidated by Banque Al Baraka D'Algerie effective from 1 January 2010.

This document contains disclosures required under the guidelines of the semi-annual public disclosures required by Islamic banks. The period covered is from 1 January 2010 to 30 June 2010.

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2 FINANCIAL HIGHLIGHTS

	June 2010	Dec 2009	Dec 2008	Dec 2007	Dec 2006
EARNINGS (US\$ Millions)					
Total Operating Income	307	634	586	444	340
Net Operating Income	151	325	314	215	173
Net Income	95	167	201	201 *	124
Net Income Attributable to Equity					
Shareholders of the Parent	54	92	114	144 *	80
BASIC AND DILUTED EARNINGS PER SHARE (US Cents) **					
	6.93	11.61	14.38	18.24 *	10.99
FINANCIAL POSITION (US\$ Millions)					
Total Assets	13,623	13,166	10,920	10,104	7,626
Total Financing and Investments	9,591	9,431	8,088	7,389	5,466
Total Customer Deposits	11,407	10,999	8,872	8,084	6,147
Total Equity	1,706	1,737	1,550	1,570	1,211
Equity Attributable to Shareholders of the Parent	1,182	1,214	1,131	1,144	979
CAPITALISATION (US\$ Millions)					
Authorised	1,500	1,500	1,500	1,500	1,500
Subscribed and Fully Paid-up	790.5	744	697.5	651	630
PROFITABILITY ***					
Return on Average Equity	11%	10%	13%	14% *	13%
Return on Average Shareholders Equity ****	9%	8%	10%	14% *	10%
Return on Average Assets	1.4%	1.4%	1.9%	2.3% *	1.8%
Operating Expenses to Operating Income	51%	49%	46%	52%	49%
FINANCIAL POSITION					
Equity to Assets Ratio	13%	13%	14%	16%	16%
Total Financing and Investments as a multiple of Equity (times)	5.6	5.4	5.2	4.7	4.5
Net Book Value per Share (US\$)	1.50	1.63	1.62	1.76	1.55
OTHER INFORMATION					
Total Number of Employees	7,662	7,250	6,746	6,128	5,435
Total Number of Branches	299	289	283	243	216

* Net income for 2007 includes exceptional profit from deemed disposal of a subsidiary amounting US\$ 54 million.

** Earnings per share calculation has been adjusted for all bonus shares issued.

*** Figures are annualised, where applicable.

**** Return based on parent's share of income and equity.

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3 CAPITAL STRUCTURE AND CAPITAL ADEQUACY

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The Bank's capital structure is primarily made of its paid-up capital, including the share premium and reserves, and the unrestricted investment account. From regulation's perspective, the significant amount of the Bank's capital are in the form of tier I as defined by the CBB.

Table – 1. Capital Structure (PD-1.3.12, 1.3.13, 1.3.14 & 1.3.15)

The following table summarizes the eligible capital after deductions for calculation as of:

	30 June 2010		31 December 2009	
	Tier 1	Tier 2	Tier 1	Tier 2
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Tier 1 Capital Components				
Issued and fully paid up ordinary shares	783,936	-	744,000	-
Disclosed reserves				
Legal / statutory reserves	42,986	-	42,986	-
Share premium	94,991	-	99,390	-
Others	(311)	-	121,282	-
Retained profit brought forward	188,691	-	189,401	-
Unrealized gains arising from fair valuing equities (45% only)	-	-	4,542	-
Non-controlling interest in consolidated subsidiaries	524,018	-	522,485	-
Less:				
Goodwill	60,757	-	62,423	-
Unrealized gross losses arising from fair valuing equity securities	5,149	-	114	-
Tier 1 Capital before PCD deductions	1,568,405	-	1,661,549	-
Current interim profits (reviewed by external auditors)	-	54,409	-	-
Asset revaluation reserve - Property, plant, and equipment (45% only)	-	3,158	-	3,294
Unrealized gains arising from fair valuing equities (45% only)	-	6,872	-	-
Profit equalization reserve	-	2,445	-	2,304
Investment risk reserve	-	72,141	-	65,226
Tier 2 Capital before PCD deductions	-	139,025	-	70,824
Total Available Capital	-	1,707,430	-	1,732,373
Deduction				
Investment in insurance entity greater than or equal to 20%	(4,140)	(4,140)	(6,758)	(6,758)
Net Available Capital	1,564,265	134,885	1,654,791	64,066
TOTAL ELIGIBLE CAPITAL		1,699,150		1,718,857

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3 CAPITAL STRUCTURE AND CAPITAL ADEQUACY (continued)

To assess its capital adequacy requirements in accordance to the CBB requirements, the Group adopts the standardized approach for its Credit Risk, Basic Indicator Approach for its Operational Risk and Standardized Measurement Approach for its Market Risk. To calculate its capital adequacy, the Group follows the accepted approaches approved by the CBB Rulebook in this respect. The Group strives to sustain reasonably higher capital cushion that strikes the balance between its business conduct and the regulatory requirements stipulated in the CBB capital adequacy requirements as a minimum accepted level of capital adequacy. The capital requirements for these risks are as follows:

Table – 2. Capital requirement for different type of risks (PD - 1.3.18, 1.3.19)

The following table summarises the capital requirements for credit risk, market risk and operational risk as of:

	<i>30 June 2010</i>		<i>31 December 2009</i>	
	<i>Risk weighted assets</i>	<i>Minimum capital requirements</i>	<i>Risk weighted assets</i>	<i>Minimum capital requirements</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Credit Risk	5,875,352	705,042	5,627,059	675,247
Market Risk	1,411,206	169,345	862,594	103,511
Operational Risk	1,039,899	124,788	1,039,899	124,788
	8,326,457	999,175	7,529,552	903,546

Table – 3. Capital requirement by type of Islamic financing contracts (PD-1.3.17)

The following table summarises the capital requirements by type of Islamic financing contracts as of:

	<i>30 June 2010</i>		<i>31 December 2009</i>	
	<i>Risk weighted assets</i>	<i>Minimum capital requirements</i>	<i>Risk weighted assets</i>	<i>Minimum capital requirements</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Receivables	2,702,345	324,281	3,119,370	374,324
Mudaraba and Musharaka financing	393,384	47,206	526,576	63,189
Ijarah Muntahia Bittamleek	163,047	19,566	54,280	6,514
	3,258,776	391,053	3,700,226	444,027

Table – 4. Capital Adequacy Ratios (PD-1.3.20 (a))

The following are Capital adequacy ratio for total capital and Tier 1 capital as of:

	<i>30 June 2010</i>	<i>31 December 2009</i>
Capital Adequacy Ratio		
Total capital ratio	20.41%	22.83%
Tier 1 capital ratio	18.79%	21.98%

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3 CAPITAL STRUCTURE AND CAPITAL ADEQUACY (continued)

Table - 5. The Group's Subsidiaries Capital Adequacy Ratios (PD-1.3.20 (b))

The following are the Group's subsidiaries capital adequacy ratio prepared on the basis of CBB requirements, which may differ from the local requirements of the countries in which the subsidiaries operate as of:

	<u>30 June 2010</u>		<u>31 December 2009</u>	
	<i>Tier 1 capital ratio</i>	<i>Total capital ratio</i>	<i>Tier 1 capital ratio</i>	<i>Total capital ratio</i>
Head Office	58%	58%	74%	74%
Banque Al Baraka D'Algerie (BAA)	23%	27%	32%	33%
Al Baraka Islamic Bank	23%	23%	22%	22%
Al Baraka Bank Tunis	20%	22%	20%	20%
Al Baraka Bank Egypt	18%	20%	20%	20%
Al Baraka Bank Lebanon	65%	66%	43%	43%
Jordan Islamic Bank (JIB)	17%	19%	21%	22%
Al Baraka Turk Participation Bank	18%	20%	22%	22%
Al Baraka Bank Limited (ABL)	26%	26%	26%	26%
Al Baraka Bank Sudan	14%	18%	15%	19%
Al Baraka Bank Syria	95%	95%	243%	243%

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4 RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The management committee and executive committees guide and assist with overall management of the Group's balance sheet risks. The Group manages exposure by setting limits approved by the Board of Directors. These risks and the processes to mitigate these risks have not significantly altered from the year end.

4.1 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

Table – 6. Liquidity Ratios (PD-1.3.37)

The following table summarises the liquidity ratios as of:

	30 June 2010	<i>31 December 2009</i>
Short term assets to short term liabilities	107%	97%
Liquid assets to total assets	27%	27%

Table – 7. Residual Contractual Maturity Breakdown (PD-1.3.23(g), PD-1.3.24(a) & PD-1.3.38)

The table on the next page summarises the maturity profile of the Group's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the stress-testing based on the Group's retention history of its investment account holders and the availability of bank lines.

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4 RISK MANAGEMENT (continued)

4.1 Liquidity risk (continued)

Table – 7. Residual Contractual Maturity Breakdown (PD-1.3.23(g), PD-1.3.24(a) & PD-1.3.38) (continued)

The consolidated maturity profile at 30 June 2010 was as follows:

	<i>Up to 1 Month US\$ '000</i>	<i>1 to 3 months US\$ '000</i>	<i>3 to 6 months US\$ '000</i>	<i>6 months to 1 year US\$ '000</i>	<i>1 to 3 years US\$ '000</i>	<i>3 to 5 years US\$ '000</i>	<i>5 to 10 years US\$ '000</i>	<i>Over 10 years US\$ '000</i>	<i>Undated US\$ '000</i>	<i>Total US\$ '000</i>
ASSETS										
Cash and balances with banks	3,146,227	185,042	-	-	-	-	-	-	136,891	3,468,160
Receivables	967,974	943,025	1,021,716	1,263,956	1,679,421	1,046,982	211,331	8,146	-	7,142,551
Musharaka and Mudaraba financing	478,001	31,379	27,108	15,566	192,923	139,652	60,103	15,655	-	960,387
Investments	464,204	56,462	70,035	53,292	120,715	78,636	-	8,018	241,128	1,092,490
Ijarah Muntahia Bittamleek	7,110	8,104	37,164	27,861	45,928	69,330	91,736	108,123	-	395,356
Property and equipment	-	-	-	1,267	16,937	-	17,256	8,614	192,431	236,505
Other assets	81,987	8,410	12,503	36,799	39,045	464	21,103	58,607	68,870	327,788
Total assets	5,145,503	1,232,422	1,168,526	1,398,741	2,094,969	1,335,064	401,529	207,163	639,320	13,623,237
LIABILITIES										
Customer current and other accounts	1,916,493	141,335	114,730	86,609	277,950	40,242	35,919	1,265	-	2,614,543
Due to banks	83,242	15,054	-	7,022	35,109	-	2,032	290	-	142,749
Other liabilities	176,759	4,932	10,457	41,950	29,424	136,232	23,340	87,722	-	510,816
Total Liabilities	2,176,494	161,321	125,187	135,581	342,483	176,474	61,291	89,277	-	3,268,108
Unrestricted investment accounts	3,009,530	1,156,505	656,816	921,351	2,055,266	820,012	29,789	-	-	8,649,269
Total liabilities and unrestricted investment accounts	5,186,024	1,317,826	782,003	1,056,932	2,397,749	996,486	91,080	89,277	-	11,917,377
Net liquidity gap	(40,521)	(85,404)	386,523	341,809	(302,780)	338,578	310,449	117,886	639,320	1,705,860
Cumulative net liquidity gap	(40,521)	(125,925)	260,598	602,407	299,627	638,205	948,654	1,066,540	1,705,860	
Restricted Investment Accounts	51,600	170,203	8,554	179,527	48,029	105,333	-	-	-	563,246

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4 RISK MANAGEMENT (continued)**4.1 Liquidity risk (continued)****Table – 7. Residual Contractual Maturity Breakdown (PD-1.3.23(g), PD-1.3.24(a) & PD-1.3.38) (continued)**

The consolidated maturity profile at 31 December 2009 was as follows:

	<i>Up to 1 Month US\$ '000</i>	<i>1 to 3 months US\$ '000</i>	<i>3 to 6 months US\$ '000</i>	<i>6 months to 1 year US\$ '000</i>	<i>1 to 3 years US\$ '000</i>	<i>3 to 5 years US\$ '000</i>	<i>5 to 10 years US\$ '000</i>	<i>Over 10 years US\$ '000</i>	<i>Undated US\$ '000</i>	<i>Total US\$ '000</i>
ASSETS										
Cash and balances with banks	2,541,026	9,224	-	-	-	-	-	-	608,023	3,158,273
Receivables	986,377	868,964	1,021,340	1,100,921	1,748,716	1,179,995	113,120	7,631	-	7,027,064
Musharaka and Mudaraba financing	465,189	99,214	21,324	28,089	129,060	174,267	48,955	15,014	-	981,112
Investments	436,495	43,726	183,981	92,306	134,244	81,641	2,556	14,811	98,276	1,088,036
Ijarah Muntahia Bittamleek	6,870	6,126	10,658	24,955	45,493	37,070	55,793	148,368	-	335,333
Property and equipment	-	-	-	1,397	10,805	1,963	17,722	8,157	187,057	227,101
Other assets	72,785	8,637	9,242	6,540	67,354	36,156	21,398	58,520	68,726	349,358
Total assets	4,508,742	1,035,891	1,246,545	1,254,208	2,135,672	1,511,092	259,544	252,501	962,082	13,166,277
LIABILITIES										
Customer current and other accounts	1,939,953	136,141	110,520	84,898	268,372	36,310	31,650	-	-	2,607,844
Due to banks	90,128	7,966	-	-	6,752	43,763	4,053	-	-	152,662
Other liabilities	136,942	24,821	25,492	69,192	23,000	140,102	10,753	-	-	430,302
Total Liabilities	2,167,023	168,928	136,012	154,090	298,124	220,175	46,456	-	-	3,190,808
Unrestricted investment accounts	2,929,437	1,229,794	684,537	835,642	2,174,099	345,373	39,742	-	-	8,238,624
Total liabilities and unrestricted investment accounts	5,096,460	1,398,722	820,549	989,732	2,472,223	565,548	86,198	-	-	11,429,432
Net liquidity gap	(587,718)	(362,831)	425,996	264,476	(336,551)	945,544	173,346	252,501	962,082	1,736,845
Cumulative net liquidity gap	(587,718)	(950,549)	(524,553)	(260,077)	(596,628)	348,916	522,262	774,763	1,736,845	
Restricted Investment Accounts	81,651	28,756	28,272	147,808	91,381	132,183	-	-	-	510,051

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4 RISK MANAGEMENT (continued)**4.2 Credit risk**

Credit risk is the risk that one party to a financial contract will fail to discharge an obligation and cause the other party to incur a financial loss.

Table - 8. Gross funded and unfunded exposure (PD-1.3.23(a))

The following table summarises the amount of gross funded and unfunded credit exposure and average gross funded and unfunded exposure as of:

	30 June 2010		31 December 2009	
	Total gross credit exposure	* Average gross credit risk exposure over the period	Total gross credit exposure	* Average gross credit risk exposure over the period
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<u>Funded Exposure</u>				
Receivables	7,142,551	7,093,684	7,027,064	6,595,026
Mudaraba and Musharaka financing	960,387	998,290	981,112	831,147
Investments	1,085,179	1,155,487	1,079,844	983,475
Ijarah Muntahia Bittamleek	395,356	374,505	335,333	320,824
Other assets	229,049	243,290	252,449	252,904
<u>Unfunded Exposure</u>				
Commitments and contingencies	4,554,746	4,388,042	3,825,593	3,146,925
	14,367,268	14,253,298	13,501,395	12,130,301

*Average balances are computed based on quarter-end balances

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4 RISK MANAGEMENT (continued)**4.2 Credit risk (continued)****Table - 9. Geographic distribution of the gross funded exposure (PD-1.3.23(b))**

The following table summarises the geographic distribution of gross funded exposure as of 30 June 2010, broken down into significant areas by major types of credit exposure:

	<i>Receivables</i> US\$ '000	<i>Mudaraba and Musharaka financing</i> US\$ '000	<i>Investments</i> US\$ '000	<i>Ijarah Muntahia Bittamleek</i> US\$ '000	<i>Other Assets</i> US\$ '000	<i>Total</i> US\$ '000
Middle East	2,529,073	665,749	740,172	269,205	117,606	4,321,805
North Africa	999,263	81,032	8,018	86,907	61,335	1,236,555
Europe	3,170,274	57,423	210,522	24,018	26,394	3,488,631
Others	443,941	156,183	126,467	15,226	23,714	765,531
	<u>7,142,551</u>	<u>960,387</u>	<u>1,085,179</u>	<u>395,356</u>	<u>229,049</u>	<u>9,812,522</u>

The following table summarises the geographic distribution of gross funded exposure as of 31 December 2009, broken down into significant areas by major types of credit exposure:

	<i>Receivables</i> US\$ '000	<i>Mudaraba and Musharaka financing</i> US\$ '000	<i>Investments</i> US\$ '000	<i>Ijarah Muntahia Bittamleek</i> US\$ '000	<i>Other Assets</i> US\$ '000	<i>Total</i> US\$ '000
Middle East	2,551,030	642,567	700,470	219,369	148,100	4,261,536
North Africa	1,061,881	133,966	8,907	63,850	57,732	1,326,336
Europe	3,041,611	49,614	220,580	35,689	21,648	3,369,142
Others	372,542	154,965	149,887	16,425	24,969	718,788
	<u>7,027,064</u>	<u>981,112</u>	<u>1,079,844</u>	<u>335,333</u>	<u>252,449</u>	<u>9,675,802</u>

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4 RISK MANAGEMENT (continued)**4.2 Credit risk (continued)****Table - 10. Exposure by counterparty type (PD-1.3.23(c))**

The following table summarises the distribution of funded and unfunded exposure by counterparty type, broken down by major types of credit exposure as of 30 June 2010:

	<i>Funded</i>					<i>Unfunded</i>	<i>Total</i> US\$ '000
	<i>Exposure</i>					<i>Exposure</i>	
	<i>Receivables</i> US\$ '000	<i>Mudaraba and Musharaka financing</i> US\$ '000	<i>Investments</i> US\$ '000	<i>Ijarah Muntahia Bittamleek</i> US\$ '000	<i>Other Assets</i> US\$ '000	<i>Commitments and contingencies</i> US\$ '000	
Claims on sovereigns	89,373	-	-	-	-	88,783	178,156
Claims on multi-lateral development banks	8,147	-	-	-	-	-	8,147
Claims on investment firms	172,388	29,003	-	-	-	-	201,391
Claims on banks	419,336	-	1,000	32,976	-	339,657	792,969
Claims on corporates	4,300,236	20,598	2,131	44,509	-	3,612,177	7,979,651
Claims on retails	1,945,211	-	7,290	297,709	-	501,268	2,751,478
Past dues receivables	207,860	61	-	1,496	-	12,861	222,278
Equity investment	-	64,515	282,162	-	-	-	346,677
Sukook	-	-	639,461	-	-	-	639,461
Investment in Funds	-	-	54,601	-	-	-	54,601
Specialized Lending	-	845,936	-	-	-	-	845,936
Other assets	-	274	98,534	18,666	229,049	-	346,523
	7,142,551	960,387	1,085,179	395,356	229,049	4,554,746	14,367,268

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4 RISK MANAGEMENT (continued)**4.2 Credit risk (continued)****Table - 10. Exposure by counterparty type (PD-1.3.23(c)) (continued)**

The following table summarises the distribution of funded and unfunded exposure by counterparty type, broken down by major types of credit exposure as of 31 December 2009:

	<i>Funded</i>					<i>Unfunded</i>	<i>Total</i>
	<i>Exposure</i>					<i>Exposure</i>	
	<i>Receivables</i>	<i>Mudaraba and</i>	<i>Investments</i>	<i>Ijarah Muntahia</i>	<i>Other Assets</i>	<i>Commitments and</i>	
	<i>US\$ '000</i>	<i>Musharaka</i>	<i>US\$ '000</i>	<i>Bittamleek</i>	<i>US\$ '000</i>	<i>contingencies</i>	<i>US\$ '000</i>
		<i>financing</i>					<i>US\$ '000</i>
		<i>US\$ '000</i>					
Claims on sovereigns	70,124	-	-	-	-	16,867	86,991
Claims on multi-lateral development banks	24,320	-	-	-	-	-	24,320
Claims on investment firms	251,809	16,274	-	20,078	-	-	288,161
Claims on banks	504,005	-	1,000	1,324	-	127,051	633,380
Claims on corporates	3,894,013	16,442	2,322	53,347	-	3,488,698	7,454,822
Claims on retails	1,960,698	-	-	254,191	-	178,966	2,393,855
Past dues receivables	312,088	1,634	-	1,865	-	74	315,661
Equity investment	-	677,217	309,966	-	-	-	987,183
Sukook	-	-	586,132	-	-	-	586,132
Investment in Funds	-	-	79,100	-	-	-	79,100
Specialized Lending	-	266,189	-	-	-	-	266,189
Other assets	10,007	3,356	101,324	4,528	252,449	13,937	385,601
	7,027,064	981,112	1,079,844	335,333	252,449	3,825,593	13,501,395

Large Credit Exposure (PD - 1.3.23 (f))

The Group follows the CBB's guidelines with respect to the definition and measurement of large exposure at the consolidated level as stipulated in the CBB Rulebook for Islamic Banks.

There are no large exposures to individual counterparties where the exposure is in excess of the 15% individual obligor limit.

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4 RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

Table -11. Aging of Non-Performing Facilities (PD-1.3.23(h), 1.3.24 (b))

The following table summarises the total past due and non performing islamic financing contracts disclosed by counterparty type as of 30 June 2010:

	<i>Past due islamic financing contracts</i> US\$ '000	<i>Aging of Non performing islamic financing contracts</i>				<i>Total</i> US\$ '000
		<i>Less than 90 Days</i> US\$ '000	<i>90 days to 1 year</i> US\$ '000	<i>1 year to 3 years</i> US\$ '000	<i>Over 3 years</i> US\$ '000	
Bank	583	-	-	88	583	671
Investment Firms	200	1,858	279	40,331	-	42,468
Corporates	286,818	16,610	61,360	79,696	141,306	298,972
Retail	122,053	7,335	55,011	37,754	72,900	173,000
Total	409,654	25,803	116,650	157,869	214,789	515,111

The following table summarises the total past due and non performing islamic financing contracts disclosed by counterparty type as of 31 December 2009:

	<i>Past due islamic financing contracts</i> US\$ '000	<i>Aging of Non performing islamic financing contracts</i>				<i>Total</i> US\$ '000
		<i>Less than 90 Days</i> US\$ '000	<i>90 days to 1 year</i> US\$ '000	<i>1 year to 3 years</i> US\$ '000	<i>Over 3 years</i> US\$ '000	
Sovereign	2,734	-	-	-	-	-
Bank	584	-	-	-	775	775
Investment Firms	-	92	26	2,616	561	3,295
Corporates	319,483	25,188	98,328	66,937	116,143	306,596
Retail	105,206	30,739	42,006	71,986	10,906	155,637
Total	428,007	56,019	140,360	141,539	128,385	466,303

Past due represents all past due instalments even if its not considered as non performing, while non performing includes the whole portfolio of non performing customer.

Table -12. Provisions by counterparty type (PD-1.3.23 (h))

The following table summarises the total provisions disclosed by counterparty type as of 30 June 2010:

	<i>Specific provisions</i>						<i>* Balance at the end of the period</i> US\$ '000
	<i>Opening Balance</i> US\$ '000	<i>Charges during the period</i> US\$ '000	<i>Write-Back during the period</i> US\$ '000	<i>Write-offs during the period</i> US\$ '000	<i>Appropriation from (to) URIA during the period</i> US\$ '000	<i>Foreign exchange translations/ others</i> US\$ '000	
Bank	3,171	166	(120)	(2)	36	(96)	3,155
Investment Firms	2,814	500	-	(80)	(2,518)	(215)	501
Corporates	222,459	38,527	(15,830)	(1,752)	2,485	(8,439)	237,450
Retail	80,345	2,814	(2,663)	(80)	9,668	(1,548)	88,536
Total	308,789	42,007	(18,613)	(1,914)	9,671	(10,298)	329,642

* The Bank also holds general provision of US \$ 6,635 thousand against exposure which, although not specifically identified, have a greater risk of default.

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4 RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

Table -12. Provisions by counterparty type (PD-1.3.23 (h)) (continued)

The following table summarises the total provisions disclosed by counterparty type as of 31 December 2009:

	<i>Specific provisions</i>						<i>* Balance at the end of the year</i>
	<i>Opening Balance</i>	<i>Charges during the year</i>	<i>Write-Back during the year</i>	<i>Write-offs during the year</i>	<i>Appropriation from (to) URIA during the year</i>	<i>Foreign exchange translations/ others</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
Bank	2,508	388	(254)	-	67	462	3,171
Investment							
Firms	-	2,836	-	-	-	(22)	2,814
Corporates	144,743	130,634	(23,321)	(32,457)	(320)	3,180	222,459
Retail	81,428	5,677	(13,239)	-	6,989	(510)	80,345
Total	228,679	139,535	(36,814)	(32,457)	6,736	3,110	308,789

* The Bank also holds general provision of US \$ 6,180 thousand against exposure which, although not specifically identified, have a greater risk of default.

Table - 13. Non-performing Credit Facilities and provisions by geographic areas (PD-1.3.23(i), PD-1.3.24(c))

The following table summarises the total non performing facilities and provisions disclosed by geographical area as of 30 June 2010:

	<i>Past due Islamic financing contracts</i>	<i>Specific provision</i>	<i>* General provision</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Middle East	187,448	157,254	6,132
North Africa	68,322	39,644	501
Europe	117,334	106,647	2
Others	36,550	26,097	-
Total	409,654	329,642	6,635

The following table summarises the total non performing facilities and provisions disclosed by geographical area as of 31 December 2009:

	<i>Past due Islamic financing contracts</i>	<i>Specific provision</i>	<i>* General provision</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Middle East	214,040	137,291	5,894
North Africa	76,602	42,660	267
Europe	99,684	102,208	19
Others	37,681	26,630	-
Total	428,007	308,789	6,180

* General provision represents collective impairment provision against exposure which, although not specifically identified, have a greater risk of default.

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4 RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

Table - 14. Renegotiated Islamic financing contracts (PD-1.3.23(j))

The following table summarises the amount of renegotiated Islamic financing contracts as of:

	<i>30 June 2010 US\$ '000</i>	<i>31 December 2009 US\$ '000</i>
Renegotiated Islamic financing contracts	56,035	90,680

There is no significant impact of the renegotiated Islamic financing contracts on the provisions as well as present and future earnings. In addition, the magnitude of the restructuring activities is immaterial.

Others (PD-1.3.23(k), (l), PD-1.3.25(b) & (c))

The Group has no significant obligations with respect to recourse transaction.

The Group has not imposed any material penalties on customers for defaults.

The Group does not make use of eligible collaterals and guarantees in its credit risk analysis.

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4 RISK MANAGEMENT (continued)**4.3 Market risk****Table – 15. Market Risk Capital Requirements (PD-1.3.27 (b))**

The following table summarises the capital requirement for each category of market risk as of:

	30 June 2010		31 December 2009	
	Equity position risk US\$ '000	Foreign exchange risk US\$ '000	Equity position risk US\$ '000	Foreign exchange risk US\$ '000
Risk weighted exposure (RWE)	316	112,580	149	68,859
Capital requirements (12%)	38	13,510	18	8,263
Maximum value of RWE	316	112,580	314	68,859
Minimum value of RWE	210	78,406	149	44,662

Profit rate risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and URIA. The profit distribution to URIA is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

Displaced Commercial Risk

The Group is exposed to displaced commercial risk in the event of having unrestricted investment accounts (URIA) profit rates that are lower than market rates. The Group has mitigated this risk through the setting up of reserves that will be used in case of a drop in URIA profit rates. The policies and procedures for displaced commercial risk are formulated and implemented at the individual subsidiary level.

Table – 16. Equity Position Risk in Banking Book (PD-1.3.31 (b) (c) & (f))

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 30 June 2010:

	Total gross exposure US\$ '000	Average gross exposure over the period US\$ '000	Publicly held US\$ '000	Privately held US\$ '000	Capital requirement US\$ '000
Sukook	720,657	781,964	264,733	455,924	543,149
Equity Investment Funds	216,721	224,665	79,320	137,401	114,065
	54,601	56,764	44,600	10,001	148,331
Total	991,979	1,063,393	388,653	603,326	805,545

30 June 2010

4 RISK MANAGEMENT (continued)**4.3 Market risk (continued)****Table – 16. Equity Position Risk in Banking Book (PD-1.3.31 (b) (c) & (f)) (continued)**

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 31 December 2009:

	<i>Total gross exposure US\$ '000</i>	<i>Average gross exposure over the period US\$ '000</i>	<i>Publicly held US\$ '000</i>	<i>Privately held US\$ '000</i>	<i>Capital requirement US\$ '000</i>
Sukook	668,973	628,654	33,734	635,240	64,390
Equity Investment	238,166	207,835	98,282	139,884	35,308
Funds	78,645	60,205	49,266	29,379	18,928
Total	985,784	896,694	181,282	804,503	118,626

Table – 17. Equity gains or losses in Banking Book (PD-1.3.31 (d) and (e))

The following table summarises the cumulative realised and unrealised gains or losses during the six months period ended:

	30 June 2010 US\$ '000	30 June 2009 US\$ '000
Cumulative realised gains arising from sales or liquidations in the reporting period	25	-
Total unrealized gains recognised in the balance sheet but not through profit or loss	142	5,650
Unrealised gross losses included in Tier One Capital	5,149	2,111
Unrealised gains included in Tier One Capital (45% only)	6,872	2,511

30 June 2010

4 RISK MANAGEMENT (continued)**4.3 Market risk (continued)***Foreign exchange risk*

Foreign exchange risk arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within established approved limits.

Table – 18. Foreign currency translation risk (PD-1.3.42)

Following is the Group's exposure to different currencies in equivalent US dollars as of 30 June 2010:

Currency	<i>Operational equivalent Long (short)</i>	<i>Strategic * equivalent Long (short)</i>	<i>Total equivalent Long (short)</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Turkish Lira	214,372	278,042	492,414
Jordanian Dinar	268,208	186,616	454,824
Egyptian Pound	10,191	97,373	107,564
Sudanese Pound	8,651	42,593	51,244
Algerian Dinar	89,430	113,097	202,527
Lebanese Pound	399	16,782	17,181
Pound Sterling	2,434	-	2,434
Tunisia Dinar	7,581	-	7,581
Euro	17,176	-	17,176
South African Rand	13,552	16,799	30,351
Pakistani Rupees	(76,721)	35,999	(40,722)
Syrian Pound	11,232	11,249	22,481
Others	1,177	-	1,177

Following is the Group's exposure to different currencies in equivalent US dollars as of 31 December 2009:

Currency	<i>Operational equivalent Long (short)</i>	<i>Strategic * equivalent Long (short)</i>	<i>Total equivalent Long (short)</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Turkish Lira	11,394	270,586	281,980
Jordanian Dinar	87,217	190,245	277,462
Egyptian Pound	(28,163)	92,955	64,792
Sudanese Pound	(850)	40,573	39,723
Algerian Dinar	(85)	119,480	119,395
Lebanese Pound	(16,347)	14,642	(1,705)
Pound Sterling	(2,799)	-	(2,799)
Tunisia Dinar	(242)	-	(242)
Euro	(2,555)	-	(2,555)
South African Rand	-	17,350	17,350
Pakistani Rupees	(21,195)	35,159	13,964
Others	26,278	-	26,278

* The strategic currency risk represents the amount of equity of the subsidiaries.

Albaraka Banking Group B.S.C.
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4 RISK MANAGEMENT (continued)

4.3 Market risk (continued)

Foreign currency risk sensitivity analysis

In order to measure its exposure to currency risk, the Group stress tests its exposure following the standard shocks adopted by Derivatives Policy Group in this respect which calculates the effect on assets and income of the Group as a result of appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group. This is done using various percentages based upon the judgement of the management of the Group.

Table – 19. Foreign currency risk sensitivity analysis (PD-1.3.42)

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US Dollar with all other variables held constant on the consolidated statement of income and the consolidated statement of equity. The impact of a similar increase in exchange rates will be approximately opposite to the impact disclosed below.

At 30 June 2010

Currency	Particular	Exposure in US\$ '000	Variance %	Change in net income and equity US\$ '000
Algerian Dinar	Net Income	20,322	-5%	(968)
	Total Equity	89,227	-5%	(9,634)
Egyptian Pound	Net Income	10,065	-5%	(479)
	Total Equity	34,782	-5%	(6,293)
Turkish Lira	Net Income	47,559	-15%	(6,203)
	Total Equity	212,811	-15%	(64,024)
Sudanese Pound	Net Income	5,144	-5%	(245)
	Total Equity	9,301	-5%	(2,471)
S.African Rand	Net Income	1,175	-15%	(153)
	Total Equity	13,046	-15%	(3,893)

At 31 December 2009

Currency	Particular	Exposure in US\$ '000	Variance %	Change in net income and equity US\$ '000
Algerian Dinar	Net Income	46,365	-5%	(2,208)
	Total Equity	94,263	-5%	(10,178)
Egyptian Pound	Net Income	13,486	-5%	(642)
	Total Equity	33,204	-5%	(6,008)
Turkish Lira	Net Income	88,946	-15%	(11,602)
	Total Equity	207,105	-15%	(62,308)
Sudanese Pound	Net Income	7,039	-5%	(335)
	Total Equity	8,860	-5%	(2,354)
S.African Rand	Net Income	2,263	-15%	(295)
	Total Equity	13,473	-15%	(4,020)

Albaraka Banking Group B.S.C.
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4 RISK MANAGEMENT (continued)

4.4 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Table - 20. Operational risk exposure (PD-1.3.30 (a), (b) & (c))

The following table summarises the amount of exposure subject to basic indicator approach of operational risk and related capital requirements as of:

	<i>Gross income</i>		
	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Total Gross Income	633,513	585,871	444,454
		<i>30 June</i>	<i>31 December</i>
		<i>2010</i>	<i>2009</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
Indicators of operational risk		554,613	554,613
Average Gross income		12.5	12.5
Multiplier		6,932,663	6,932,663
Eligible Portion for the purpose of the calculation		15%	15%
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE		1,039,899	1,039,899

The Group has no material legal contingencies including pending legal action.

5 UNRESTRICTED INVESTMENT ACCOUNT DISCLOSURES

Table – 21. Unrestricted Investment Account (PD-1.3.33 (a), (b) & (c))

The following table summarises the breakdown of unrestricted investment accounts (URIA) and the analysis of profit equalisation reserve, investment risk reserve and return on URIA as of:

	<i>30 June</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
URIA - Banks	680,291	683,285
URIA - Non-banks	7,896,813	7,485,383
Profit equalisation reserve (PER)	2,445	2,304
Investment risk reserve (IRR)	72,141	65,226
Cumulative changes in fair value attributable to URIA	(2,421)	2,426
	8,649,269	8,238,624

The appropriation percentage of URIA into profit equalisation reserve and investment risk reserve varies between each of the Group's subsidiary based on market conditions and applicable rules and regulations.

Albaraka Banking Group B.S.C.
 ADDITIONAL PUBLIC DISCLOSURES

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5 UNRESTRICTED INVESTMENT ACCOUNT DISCLOSURES (continued)

Table - 22. Movement in Profit Equalisation Reserve and Investment Risk Reserve (PD-1.3.33 (o), (p))

The following table summarises the movement on profit equalisation reserve (PER) and utilization and computation of PER during the six months period ended:

Movement in profit equalisation reserve	30 June 2010 US\$ '000	30 June 2009 US\$ '000
Balance at 1 January	2,304	2,271
Amount apportioned from income allocable to unrestricted investment account holders	207	25
Foreign exchange translations investment account holders	(66)	(59)
Balance at 30 June	<u>2,445</u>	<u>2,237</u>

The following table summarises the movement on investment risk reserve (IRR) and utilization and computation of IRR during the six months period ended:

Movement in investment risk reserve	30 June 2010 US\$ '000	30 June 2009 US\$ '000
Balance at 1 January	65,226	58,371
Amount appropriated to provision	(9,671)	(7,705)
Amount apportioned from income allocable to unrestricted investment account holders	19,211	2,243
Foreign exchange translations	(2,625)	(84)
Balance at 30 June	<u>72,141</u>	<u>52,825</u>

Table - 23. Unrestricted Investment Account by Islamic financing product type (PD-1.3.33 (h))

The following table summarises the percentage of URIA financing for each type of Shari'a-compliant contract to total URIA financing as of:

	30 June 2010 %	31 December 2009 %
Receivables	84	86
Mudaraba and Musharaka financing	12	10
Ijarah Muntahia Bittamleek	4	4

Albaraka Banking Group B.S.C.
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5 UNRESTRICTED INVESTMENT ACCOUNT DISCLOSURES (continued)

Table - 24. Unrestricted Investment Account by Counterparty Type (PD-1.3.33 (i))

The following table summarises the percentage of financing for each category of counterparty to total financing as of:

	30 June	31 December
	2010	2009
	%	%
Sovereign	1	-
Bank	6	5
Investment Firms	2	2
Corporates	59	64
Retail	32	29

Unrestricted Investment Account Share of Profit (PD-1.3.33 (e) & (q))

The Group's share of profit as a Mudarib for managing unrestricted investment accounts and the URIAs' share of income is based on the terms and conditions of the related Mudarib agreements. These Mudarib agreements are done at the individual subsidiary level. The rates and return are highly variable based on each of the subsidiaries' local environment as well as local rules and regulations. Detailed disclosures on URIA returns are analysed at the local level.

Table - 25. Unrestricted Investment Account by type of Assets (PD-1.3.33 (r) & (s))

The following table summarises the types of assets in which the funds are invested, the actual allocation among various types of assets and the changes in the asset allocation in the six months ended:

	30 June 2010			31 December 2009		
	Opening			Opening		
	Actual			Actual		
	Allocation	Movement	Allocation	Allocation	Movement	Allocation
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Cash and balances with banks	1,840,780	986,719	2,827,499	1,488,246	352,534	1,840,780
Receivables	5,143,301	(794,012)	4,349,289	4,658,859	484,442	5,143,301
Mudaraba and Musharaka financing	604,559	35,383	639,942	431,447	173,112	604,559
Investments	440,194	20,780	460,974	349,975	90,219	440,194
Ijarah Muntahia Bittamleek	209,325	18,869	228,194	204,957	4,368	209,325
Other assets	465	142,906	143,371	229,172	(228,707)	465
Total	8,238,624	410,645	8,649,269	7,362,656	875,968	8,238,624

Albaraka Banking Group B.S.C.
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5 UNRESTRICTED INVESTMENT ACCOUNT DISCLOSURES (continued)

Table - 26. Unrestricted Investment Account RWA for capital adequacy purposes (PD-1.3.33 (v))

The following table summarises the treatment of assets financed by URIA in the calculation of RWA for capital adequacy purposes as of:

Type of Claims	30 June 2010			31 December 2009		
	RWA for Capital adequacy		Capital Charges	RWA for Capital adequacy		Capital Charges
	RWA US\$ '000	US\$ '000	US\$ '000	RWA US\$ '000	US\$ '000	US\$ '000
Claims on Sovereign	19,775	5,933	712	108,533	32,560	3,907
Claims on PSEs	8,042	2,413	290	-	-	-
Claims on MDBs	2,888	866	104	8,197	2,459	295
Claims on Banks	538,066	161,420	19,370	82,675	24,803	2,976
Claims on Corporates	3,361,602	1,008,481	121,018	3,469,680	1,040,904	124,908
Claims on Investment Firms	54,947	16,484	1,978	72,241	21,672	2,601
Regulatory Retail Portfolio	962,626	288,788	34,655	803,497	241,049	28,926
Mortgage	422,126	126,638	15,197	234,461	70,338	8,441
Past due facilities	152,395	45,719	5,486	206,677	62,003	7,440
Investment in securities	471,904	141,571	16,989	497,699	149,310	17,917
Holding of Real Estates	33,353	10,006	1,201	29,589	8,877	1,065
Other Assets	595,774	178,732	21,448	769,994	230,998	27,720
Total	6,623,498	1,987,051	238,448	6,283,243	1,884,973	226,196

6 RESTRICTED INVESTMENT ACCOUNT DISCLOSURES

Table - 27. Restricted Investment Account by Islamic Financing product type (PD-1.3.33 (h))

The following table summarises the percentage of RIA financing for each type of Shari'a-compliant contract to total RIA financing as of:

	30 June 2010 %	31 December 2009 %
Receivables	83	94
Mudaraba and Musharaka financing	17	6

Table - 28. Restricted Investment Account by Counterparty Type (PD-1.3.33 (i))

The following table summarises the percentage of financing for each category of counterparty to total financing as of:

	30 June 2010 %	31 December 2009 %
Bank	17	19
Corporates	35	29
Retail	48	52

30 June 2010

6 RESTRICTED INVESTMENT ACCOUNT DISCLOSURES (continued)

Restricted Investment Account Share of Profit (PD-1.3.33 (e) & (q))

The Group's share of profit as a Mudarib for managing restricted investment accounts (RIA) and the RIAs' share of income is based on the terms and conditions of the related mudarib agreements. These mudarib agreements are done at the individual subsidiary level. The rates and return are highly variable based on each of the subsidiaries' local environment as well as local rules and regulations. Detailed disclosures on RIA returns are analysed at the local level.