

Press Release

Office of the President & Chief Executive

ALBARAKA BANKING GROUP ANNOUNCE 2007 RESULTS OPERATING INCOME US\$ 444M AND GROWTH IN NET INCOME BY 62%

Manama, 27 February 2008

The Bahrain based leading Islamic banking group, Albaraka Banking Group B.S.C (ABG) announced a surge in net income of 62% on the back of good growth in operating income which reached 31% and continuing significant increases in assets (32%), deposit and investment accounts (32%) and equity (30%) according to a statement on its financial results for the year 2007.

The results show that the Group's operating income in 2007 has increased to US\$444 million as compared to US\$340 million, reflecting an increase of US\$104 million or 31%. All the components of these profits registered noticeable increases especially the income from joint finance and investment activities, fees and commissions. After deducting all the expenses, the total net income amounted to US\$201 million, reflecting an increase of US\$77 million or 62% over the income in 2006 which amounted to US\$124 million. These excellent results led to improvements in the return on average equity from 10% in 2006 to 14% in 2007 and the returns on average assets from 1.8% to 2.3% for the same periods. Similarly, earnings per share increased from 14 US cents in 2006 to 22 US cents in 2007. By these results, the Group achieves one of its most important strategic objectives, which is to enhance shareholder value.

Similarly, all items of the balance sheet showed significant growth during 2007, especially those related to core financing and investment activities. Total assets increased to US\$10.10 billion as at the end of 2007 compared to US\$7.63 billion as at the end of 2006, reflecting an increase of US\$2.47 billion or 32%. On the other hand, customer deposits registered a noticeable increase of US\$1.94 billion or 32%, in line with the growth in assets, to reach US\$8.08 billion as at the end of 2007 which reflects an increasing level of customer confidence in and loyalty to the Group. Likewise, shareholders equity registered a strong increase of US\$359 million or 30% to reach US\$1.57 billion as at the end of 2007.

On this occasion, Shaikh Saleh Abdulla Kamel, Chairman of Albaraka Banking Group, said that after enhancing the Group's resources in 2006 in terms of human resources, finance and technology, especially after the remarkable success of the Group's private placement and IPO and the conversion of the Group into a joint stock company, year 2007 represented the beginning of the Group's strong drive to implement its new strategy in all fields and at all levels. Relying on our rich resources and capabilities, we achieved excellent growth in earnings and productive assets. All of our subsidiary banks, with no exception, contributed to achieving these excellent results after we enhanced their capitals, restructured certain banking units and activities, expanded our geographical presence and introduced many modern banking technologies. All of these achievements are part of our new strategic plan which is designed to establish the Group as a leading regional and international Islamic banking institution with a comprehensive range of products and services. These are achievements that we are very proud of and which we share with our shareholders, investors and customers.

In further comments on the Group's financial results of 2007, Shaikh Saleh Abdulla Kamel stressed that these excellent results were the fruit of the industrious efforts exerted by the executive management at Head Office level and the subsidiary banks of the Group in unifying their strategies and resources and in seizing the opportunities in their markets, considering that they possess knowledge and expertise in such markets that enable them to serve their communities and individual and corporate customers in an efficient manner.

On his part, Mr. Adnan Ahmed Yousif, President & Chief Executive of ABG, said that the excellent results achieved by the Group in 2007 came to confirm once more the substantial resources and capabilities of the Group whether in terms of human resources, financial strength or technical capabilities. Such resources were put into good use to expand the Group's operations and boost its earnings, considering that we commenced, since the beginning of 2007, implementing a new and highly ambitious five-year strategic plan which is based on a number of objectives, programs and initiatives. We have already started implementing this plan by making the best use of our geographical presence, thorough knowledge of Islamic markets and banking products, financial strength and wide branch network which is the largest amongst Islamic banking institutions. We have already seen the outcome of this plan in the form of the excellent financial results of 2007, which we consider as the beginning of our march to achieving our strategic goals in enhancing shareholder value and establishing the Group as the leading regional and international Islamic banking institution in terms of capital, number of subsidiary units and branches and diversity of expertise in the area of Islamic banking, adding that the Group has more than 240 branches in twelve countries.

Mr. Adnan Ahmed Yousif added that "Year 2007 witnessed the launching of a number of initiatives to implement our new strategic plan to expand our geographic presence and enhance the resources and capabilities of our existing banking units. We last year announced the merger of Al Amin Bank

and Al Baraka Islamic Bank, two ABG subsidiaries operating in Bahrain, into one Islamic institution with an authorized capital of US\$600 million and a comprehensive range of products and services. This was followed by announcing the opening of a representative office for ABG in Indonesia and obtaining a license from the Syrian authorities to open a subsidiary bank in Syria with a capital of US\$100 million. Also, the IPO of Al Baraka Turk Participation Bank received an overwhelming response from the market as it was oversubscribed more than 32 times.

“Furthermore, we implemented a number of initiatives and programs that aim to maximize benefits from business dealings between the Units of the Group, horizontal and vertical expansion in the markets of such Units, the diversification of our product base and services and improving the quality and profitability of such products and services as well as enhancing the capital resources of the Units to enable them compete more effectively in their markets. At the same time, we continue to work on improving the operating environment in the Group in terms of human resources, technology and compliance, and on improving corporate governance and risk management in accordance with the requirements of Basle 2.”

Mr. Adnan Ahmed Yousif expressed his confidence that the Group, after the significant boost to its strategic capabilities, was now in a good position to respond effectively and efficiently to the rapid changes and developments that the financial markets in general and the Islamic banking industry in particular are witnessing now. ABG is now in the process of becoming a leading financial institution with a world class reputation.

Mr. Adnan Ahmed Yousif added that “The Gulf region and the countries in which we operate are witnessing an economic boom and rapid growth in development and investment activities, especially in infrastructure projects, real estate developments and diversification into industrial and service sectors. This provides numerous opportunities for financing and investment though at the same time creates an environment of heightened competition. We are confident that our strong financial, human resources and logistics will enable us to stand in the face of such competition and benefit from the huge business opportunities that are available in these countries”.

Mr. Adnan added that "In accordance with our new strategic plan, we have many other plans and initiatives that we intend to implement during 2008. These include launching new innovative products and services in the markets, expanding our market presence into new geographical areas and enhancing the standing of ABG in the international market. All these plans will be implemented, God willing, successfully considering that we are the only Islamic banking group that has such diversity of geographical presence and excellent knowledge of the markets.

The President & Chief Executive of ABG concluded his statement by praising the hard work of the executive management at the Group's Head Office and the executive management of the banking units of Albaraka Banking Group which played an instrumental role in achieving these excellent results for the

Group and in preparing ABG to take its natural position as a regional and international leader in Islamic banking.

On this occasion, Shaikh Saleh Kamel, Chairman of Albaraka Banking Group and Mr. Adnan Ahmed Yousif, President & Chief Executive of the Group expressed their sincere thanks to the Ministry of Industry and Commerce, Central Bank of Bahrain, Bahrain Stock Exchange and Dubai International Financial Exchange for the cooperation and assistance they extended to the Group since it was established and for their support during all the stages of the Group's IPO. They also thanked all the central banks in the countries in which Group banks operate and to all investors and customers for their continuing support and custom. They also extended their thanks and appreciation to all the employees of the Group for their loyalty, hard work and dedication.

Albaraka Banking Group B.S.C (ABG) is a Bahraini Joint Stock Company listed on Bahrain and Dubai stock exchanges and one of the well-known leading international Islamic banks. It has been rated by Standard & Poor's as BBB- with a short-term rating of A-3. ABG offers retail, corporate, investment banking and treasury services strictly in accordance with the principles of the Shariá. The authorized capital of ABG is US\$1.5 billion, while the total equity amounts to about US\$ 1.5 billion. The Group has a wide geographical presence in the form of subsidiary banking Units in 12 countries, which in turn provide their services through more than 240 branches. These banking Units are Jordan Islamic Bank/ Jordan, Al Baraka Islamic Bank/ Bahrain, Al Baraka Islamic Bank/ Pakistan, Banque Al Baraka D'Algerie/ Algeria, Al Baraka Bank Sudan/ Sudan, Al Baraka Bank/ South Africa, Al Baraka Bank Lebanon/ Lebanon, Bank Et-Tamweel Al- Tunisi Al Saudi/ Tunisia, The Egyptian Saudi Finance Bank/ Egypt, Al Baraka Turk Participation Bank/ Turkey, Albaraka Bank Syria (under establishment), and ABG Representative office, Indonesia.

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