Your **International** Islamic **Bank**

3 CONTINENTS

12 COUNTRIES

MORE THAN 240 BRANCHES

Annual Report
2007

مجموعة البركة المصرفية
albaraka banking group

Contents

Design and Production: **design**:hub

MISSION

Our mission is to be the leading Islamic banking group with a worldwide presence, offering retail, commercial, investment banking and treasury services strictly in accordance with the principles of the Shari'a.

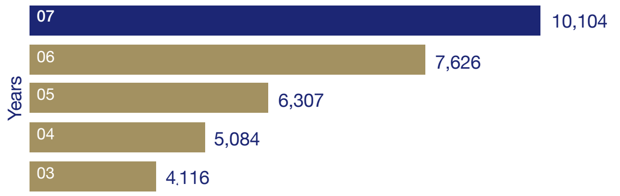
STRATEGIC OBJECTIVES

- To enhance shareholder value whilst pursing a strategy of business growth and geographical expansion.
- To provide innovative and high quality research and development into Islamic financial products which comply fully with the principles of Shari'a Law and Islamic values, for the benefit of our customers.
- To utilize the Group's geographical presence to distribute its products and services and promote cross border services.
- To maintain the highest international standards of corporate governance and regulatory compliance.

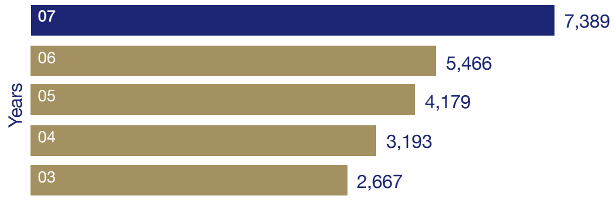
	2007	2006	2005	2004	2003*
Earnings (US$ million)					
Total Operating Income	**444**	340	298	192	182
Net Operating Income	**215**	173	147	85	84
Net Income	**201**	124	103	77	43
Net Income attributable to Equity Shareholders of the Parent	**144**	80	79	37	27
Basic and diluted earnings per Share (US cents)	**22**	**14**	**16**	**8**	**6**
Financial Position (US$ million)					
Total Assets	**10,104**	7,626	6,307	5,084	4,116
Total Financing and investments	**7,389**	5,466	4,179	3,193	2,667
Total Customer Deposits	**8,084**	6,147	5,330	4,308	3,460
Total Equity	**1,570**	1,211	767	566	490
Equity attributable to Shareholders of the Parent	**1,144**	979	566	422	373
CAPITALISATION (US$ million)					
Authorised	**1,500**	1,500	1,500	1,500	1,500
Issued and fully paid up	**651**	630	388	325	325
Profitability					
Return on average equity	**14%**	10%	16%	9%	7%
Return on average capital	**22%**	16%	22%	11%	8%
Return on average assets	**2.3%**	1.8%	1.8%	1.7%	1%
Operating expenses to operating income	**52%**	49%	51%	56%	54%
Financial Position Ratio					
Total Equity to Total Assets (%)	**16%**	16%	12%	11%	12%
Total Financing and Investments as a multiple of Equity (times)	**4.7**	4.5	5.4	5.6	5.4
Net Book Value per Share (US$)	**1.76**	1.55	1.46	1.30	1.15
Other Information					
Total Number of Employees	**6,128**	5,435	4,846	3,844	3,233
Total Number of Branches	**243**	216	185	149	132

* 2003 represents the first period of operations of the Group and covered the period from 27 June 2002 to 31 December 2003.

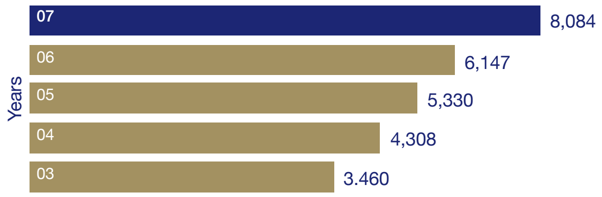
Total Assets (US$ million)



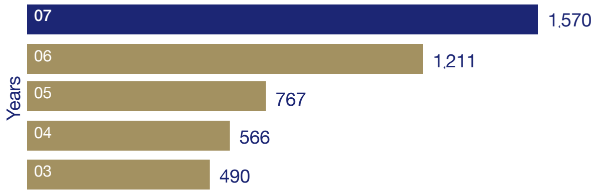
Total Financing & Investments (US$ million)



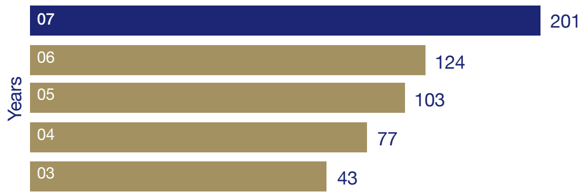
Total Customer Deposits (US$ million)



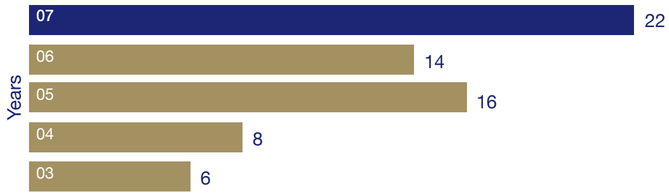
Total Equity (US$ million)



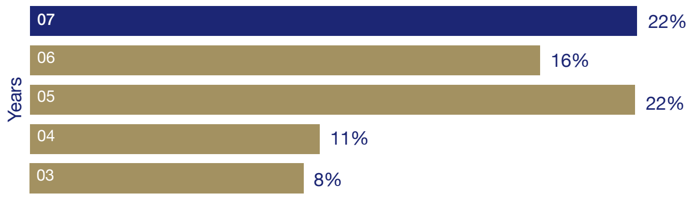
Net Income (US$ million)



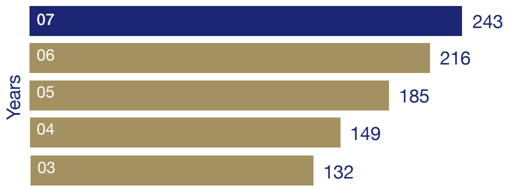
Earnings per Share (US cent)



Return on Average Capital



Total Number of Branches



Board of Directors and Shari’a Supervisory Board

BOARD OF DIRECTORS

Shaikh Saleh Abdullah Kamel	- Chairman		
Mr. Abdulla A. Saudi	- Vice Chairman		
Mr. Abdullah Saleh Kamel	- Member	●	
Mr. Saleh Mohamed Al-Yousef	- Member	▲	
Mr. Adnan Ahmed Yousif	- Member	● ★ ■	
Dr. Anwar Ibrahim	- Member	▲	
Mr. Abdul Elah A. Sabbahi	- Member	● ★	
Mr. Ibrahim Fayez Al Shamsi	- Member	▲ ■	
Mr. Ghanim Saad Al Saad	- Member	● ■	*(till 25 March 2008)*
Mr. Jamal Bin Galaita	- Member	★ ■	
Mr. Ghassan Abdul Kareem Sulaiham	- Member	★	*(till 25 March 2008)*
Mr. Salah Othman Abuzaid	- Secretary to the Board		
Mr. Yousef Ali Fadil Bin Fadil	- Member	● ■	*(from 26 March 2008)*
Mr. Samer Mohammed Adnan Farhoud	- Member	★	*(from 26 March 2008)*

SHARI’A SUPERVISORY BOARD

Shaikh Dr. Abdul Sattar Abu Guddah	- Chairman
Shaikh Abdulla bin Sulieman Al Mannea	- Member
Shaikh Dr. Abdullatif Al Mahmood	- Member
Shaikh Dr. Abdulaziz Bin Fowzan Al Fowzan	- Member
Dr. Ahmed Mohyedeen	- Member

ABG BOARD COMMITTEE LEGEND

● Board Executive Committee ▲ Audit Committee ★ Risk Committee ■ Board Affairs and Remuneration Committee

ADNAN AHMED YOUSIF
President & Chief Executive

OTHMAN AHMED SULIEMAN
Deputy Chief Executive

MAJEED ALAWI
Senior Vice President – Head of Internal Audit

K. KRISHNAMOORTHY
Senior Vice President – Head of Strategic Planning

ABDULRAHMAN SHEHAB
Senior Vice President – Head of Operations & Administration

HAMAD EQAB
Senior Vice President – Head of Financial Control

PETER SZALAY
Senior Vice President – Head of Credit & Risk Management

ABDUL RAUF SIVANY
First Vice President – Head of Treasury & Investments

SALAH OTHMAN ABDUZAID
First Vice President – Head of Legal Affairs & Compliaince

DR. AHMAD MOHYEDEEN
Head of Research and Development

CONTACT INFORMATION

AHMED M. ABDULGHAFFAR
Assistant Vice President – Investors'Relations

HASSAN HASSANI
Assistant Vice President – Corporate Communications

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GLOBAL AND REGIONAL ECONOMIES

In the midst of the current uncertainties over global economic prospects in 2008 it is perhaps worth recalling that, in spite of the problems experienced in the financial centres arising out of the US sub-prime mortgage crisis and the credit crunch that followed the dawning awareness among financial institutions of the extent to which their peers were exposed, and in spite of signs that the US economy had slowed sharply and may be about to enter a recession, the world economy did rather well in 2007. In a year when oil prices rose steadily throughout the year to end at over $90 a barrel, and many commodities followed suit, the global economy showed remarkable resilience, marking up an overall growth rate of 5.1%, only slightly below the 5.3% recorded in 2006. The leaders among the large emerging economies were once again China, with 11.4% growth, India with 7.8% and Singapore and Malaysia with 7.4% and 6.0%, respectively, followed by Hong Kong, Taiwan, Brazil and a raft of others with growth rates all in the order of 5.0% or so. The developed economies, not unexpectedly, all recorded growth rates below these levels. With few exceptions among the OECD countries - Slovakia with 9.0%, Poland with 6.5%, Czech Republic with 6.0% - the developed economies all recorded growth rates of 5.0% or less. The weakening US economy only managed 1.8% for the year following a rapid second half slowdown, while Japan performed slightly better than expected in the final quarter to bring its overall growth rate for the year up to 2.1%. Among other European economies, Ireland's economy grew by 4.7% while those of Spain and the UK, although slowing towards the end of the year, produced growth rates of 3.4% and 3.2% respectively, while Germany's economy grew by 2.5%.

The hydrocarbons-producing countries of the Arab world maintained their often frantic pace of development, albeit amid signs of frustration with cost overruns on some major projects impacted by increasing skills and materials shortages and rising inflation due to the weakening dollar, to which many countries' own currencies are tied. High levels of local and foreign direct investment continued to energize public and private sector development in the majority of Middle East & North African economies, including those pursuing economic reforms and privatisations of public enterprises. Expanding manufacturing and agricultural output also helped the non-oil and gas producers to achieve respectable economic growth. Regional stock exchanges meanwhile continued to perform well, reflecting the expanding construction, power, water and telecommunications sectors among others.

Of the countries in which Albaraka Banking Group presently carries on business, only Lebanon, Turkey and Algeria had 2007 growth rates estimated at less than 5.0%. By these terms Sudan's economy did best with 12.8% GDP growth, on account of its higher oil production and world oil prices, and those of Tunisia, Pakistan, Bahrain and Egypt enjoyed growth ranging between 6.3% and 7.1% on the back of expanded business activity. Jordan (5.7%) and South Africa (5.0%) recorded respectable levels of growth notwithstanding difficult economic environments.

2007 REVIEW

A relatively benign economic environment thus prevailed across the Group's entire operating arena throughout 2007, with the single exception of Lebanon. The Group's subsidiaries took full advantage of the favourable economic conditions, expanding their operating networks and extending a widening range of products and services to a growing customer base. With the exception of the unit in Tunisia, which had made exceptional profits from the sale of equity shares the previous year, all subsidiaries increased both their gross and net operating income (or, in the case of Lebanon, reduced their net operating loss). One of the year's highlights was our Turkish subsidiary's Initial Public Offering which raised $170 million of new capital for the bank: the issue was not only one of the most successful in Turkey's history, being 32 times over-subscribed, but was completed in record time in view of the enthusiasm with which the offer was greeted by the public.

We are also pleased to report that, early in 2007, the Group was awarded an investment grade BBB- long-term rating, with stable outlook, by Standard & Poor's, the international rating agency, an acknowledgement of the Group's achievements to date in bringing together all its separate banking operations under one roof and an effective endorsement of its prospects for growth.

After distribution to its investors of their share of income, the Group's share as mudarib and on its own account from jointly financed accounts and investments was 16% higher in 2007 than 2006, at $197 million. After including much-expanded income from self-financed contracts and investments, mudarib share for managing restricted investment accounts, fees, commissions and other operating income, the Group's total operating income increased by a very healthy 31% to $444 million. At $215 million, its net operating income was 24% higher than in 2006 and, after accounting for the profit on the constructive disposal of a subsidiary and deductions in respect of provisions and taxation, the Group ended the year with a net income of $201 million, 62% above 2006's net income, which was in itself a record.

In light of the Group's performance in 2007, the Board of Directors has recommended a cash dividend distribution to the shareholders of 9% of the paid up capital, amounting to $58.59 million. The Board has also recommended a remuneration distribution of $0.5 million and a transfer of $14.415 million to legal reserves, with $70.643 million being allocated to retained earnings. The Board has furthermore recommended allocating part of the share premium account to the issuance of bonus shares at the rate of one bonus share for every 14 shares held.

LOOKING AHEAD...

ABG's successful share issue in 2006 provided the Group with the resources it needed to commence the expansion of its network. It began by boosting the issued share capital of a number of its subsidiary banks, as a necessary first step to those subsidiaries enlarging their operating platforms and branch networks and increasing their competitiveness in their own domestic markets. During 2007 ABG submitted an application for a banking licence in Syria, which has been approved, and it is presently engaged in implementing its plans for the establishment of a subsidiary bank based in Damascus. It is also currently in discussion with a number of banks in Indonesia with a view to an acquisition.

As mentioned last year, having achieved the better part of its initial strategic aims the Group has identified four key strategic objectives for the long term, which are prerequisites to its mission of delivering consistent and improving shareholder value and stakeholder benefits: increased profitability, product innovation, technological enhancement and improved customer service. Achievement of these objectives will require several initiatives: increasing ROE threshold levels, setting cost-reduction goals, better utilisation of the deposit base, increasing the proportion of fee income to total income, increasing the Group's market share in each of its markets, diversifying into wholesale and investment banking, diversifying the product base through continuous innovation and introducing standardised, first class system architecture throughout the Group.

"All amounts in US Dollar unless otherwise stated"

The Group has already made a start on these initiatives. It has established a dedicated Research & Development department tasked with improving existing product offerings and developing, introducing and marketing new products. It has presided over the merger of its Bahrain-based investment arm, Al Amin Bank, into Albaraka Islamic Bank, generating significant economies of scale and synergies while drawing strength from their respective customer bases. It will shortly be commencing the process of establishing a wholesale banking arm, operating out of ABG itself. It has established an Investors' Relations department, providing information to shareholders and other stakeholders via the Group's Website but also hosting a dedicated team to assist with shareholders' and investors' enquiries and aid understanding of the Group and its mission and objectives. It has formed an Executive Management Committee, with membership comprised of the senior executive management of the Group, to assist the P&CE in overseeing the implementation of the Group's strategic objectives. Finally, it has formed a Branding Committee to assess the Group's brand equity and architecture with a view to positioning it appropriately in the global marketplace.

Credit & Risk management has meanwhile been further enhanced, with additional steps taken to standardise and unify policies and procedures throughout the Group. Under the Central Bank of Bahrain's directives for establishing the Basel II framework, ABG has completed the necessary preparations so that, effective 1 January 2008, it is able to report its capital adequacy in compliance with Basel II requirements.

To sum up, we are proud that our efforts to date have yielded satisfactory results in the form of record results. We are determined to ensure that our performance will continue to improve in a steady and consistent manner, in line with our geographical and organic expansion. And we are confident that the steps we are taking will contribute to these ends.

Our success to date is the result of the engagement of a sense of common purpose with a spirit of hard-working, cooperative enterprise among our management and staff. I should therefore like, once again, to express on behalf of the Board our appreciation to all our people for making this happen. On behalf of the Board I should also like to extend our thanks to our Shari'a Supervisory Board, to the the Central Bank of Bahrain, the Ministry of Commerce and Industry and the regulatory authorities in all the countries where the Group is represented, for their invaluable guidance and assistance over the past year.

For and on behalf of the Board of Directors

Saleh Abdullah Kamel
Chairman

"All amounts in US Dollar unless otherwise stated"

ABG's Net Income Up 21% in Q1

Arab News

MANAMA — Albaraka Banking Group (ABG), a Bahrain-based Islamic bank, has achieved noticeable growth in its financing and investment assets and in shareholders' equity during the first quarter of 2007, which reflected positively on all income items. The gross operating income increased by 25 percent to reach $93.02 million and net income by 21 percent to $31.01 million.

ABG Chairman Saleh Kamel said: "We are very pleased to see Albaraka Banking Group advance steadily in achieving its development objectives which serve the communities in which it operates. We, with the grace of God, were successful in reinvesting the proceeds of the initial public offering (IPO), which we last year, in expanding the bu all of our subsidiaries, and we ing to reap the benefits of thes policies. We are confident that th period will show more clearly t of the huge investments we ma different units and operations. also continue to coordinate the strategies and increase cooper business between the units of t and expand our operations into graphical regions."

The reviewed financial stat ABG for first quarter 2007 s increase of 25 percent in gros ing income to reach $93.02 compared to $74.62 in first 2006. All components of the inc recorded noticeable increases, the income from the ever growi financing and investment operat

Albara base

ALBARAKA Bankin Islamic bank, will bui Bay. ABG now joins firm also based in B Bahrain Bay, a proje metropolis in the hea The latest investme

Bahrain's Alba global branch

MANAMA — Bahrain's Albaraka Banking Group plans to open 74 branches over the next five years, all but two of them abroad as it seeks to stay ahead of rivals in tapping the growing global appeal of Islamic banking.

Albaraka says its network of around 230 branches in 10 countries has already given it the widest international reach of any Islamic bank.

Other lenders are scrambling for a foothold in those markets to meet growing demand among the world's 1.2 billion Muslims for investments that comply with their beliefs, Chief Executive Adnan Yousif told Reuters this week.

"We have to expand in the markets that we operate in, we believe we are in the ri es," he said in an intervie Middle Eastern banks and eign banks want to go there.

Albaraka currently has op in seven Arab countries, Pakistan and South Africa has licences to open bra Syria and Indonesia, the most populous Muslim nati

Sharia, or Islamic law, lending on interest, trading investing in businesses tha alcohol, pork or gambling. compliant assets under ment are estimated to b $800 billion, according Islamic Development bank.

The 74 planned branches

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ng Group (ABG), a Bahrain-based global
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ABG to deploy Misys Islamic banking system

DUBAI — The Bahrain based leading Islamic
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seven over two years in Syria, where Albaraka said it plans to raise $100 million for its subsidiary in an initial public offering in November or December.

It will more than triple the number of branches in Pakistan to 35 and increase units from seven to up to 15 in South Africa, the continent's largest economy and home to 600,000 Muslims.

Albaraka had held off on plans to expand in South Africa, although other lenders starting businesses that complied with Islamic law had indicated the market was ready for growth, Yousif said. Albaraka's biggest network is in Turkey, where it will add 17 branches to its 83 by 2012, Yousif said. — Reuters

Shaikh Saleh Abdullah Kamel
Chairman

"We are proud that our efforts to date have yielded satisfactory results in the form of record results. We are determined to ensure that our performance will continue to improve in a steady and consistent manner, in line with our geographical and organic expansion."

INTRODUCTION

In another year of expansion Albaraka Banking Group increased its total assets in 2007 by 32% to $10.1 billion as each of its operating subsidiaries achieved growth. In the majority of cases the operating units were successful in expanding their murabaha portfolios, while some units also broadened their product range to include musharaka and Ijarah Muntahia Bittamleek, and these portfolios therefore also showed overall growth. As all units were successful in attracting more investments, the total of unrestricted investment accounts increased to $6.2 billion, the rise of 32% over the year matching that of total assets. Furthermore, total restricted investment accounts (funds under management) increased by 17%.

As might be expected, this increase in activity at the unit level led to an expansion of the Group's total income. Jointly financed income rose by 28% to reach $567 million and, following distribution to the unrestricted investment account holders of their share – up by 35% over 2006 – the Group's share was 16% higher at $197 million. Income from the Group's own sales and investments and banking services, its Mudarib share from restricted investment accounts and other income together reached $247 million, 45% higher than 2006. Total operating income was therefore $444 million, 30% above the previous year and, after deduction of operating expenses and provisions and accounting for taxation outside of Bahrain, the Group's net income was $201 million, representing an increase of 62% over 2006.

As mentioned by the Chairman in the Directors' Report, our successful application for a banking licence in Syria will shortly be followed up by the establishment of a banking subsidiary headquartered in Damascus. We also anticipate further expansion of the Group this year through the acquisition of a bank in Indonesia. Further options for geographical expansion are also currently being explored.

We were gratified to be awarded a BBB- investment grade rating by Standard & Poor's in 2007, reflecting the quality of our assets and our best practice management policies and controls. ABG also received its commercial wholesale licence from the Central Bank of Bahrain (CBB); it therefore expects to commence operations in this area during 2008. Again as anticipated in last year's report, the merger of Al Amin Bank into AIB was completed during the year, and the synergistic and other benefits are already being felt.

We have introduced an employee savings scheme, the main objectives of which are to provide employees of the Group with cash benefits and/or income upon retirement, together with certain benefits on employment termination, resignation, death or permanent disability. Finally, our plan to replace our core banking and other IT systems across the Group with new state-of-the-art systems progresses well; we have finalised the selection stage for the core system in regard to three of our subsidiaries and all of our subsidiaries are involved in choosing systems with top functionalities, ranging from Internet-based and SMS banking to centralised accounting and branch and ATM connectivity.

Today, as we face the rapidly growing, highly competitive, market in which we contend for a leading position, the extent of the challenge inherent in our goal – of becoming the leading Islamic banking group in the world – is clear. However, we remain committed to the task that lies ahead, confident that the Group's unique combination of geographical and product coverage and its clear-sighted vision for the future will continue to serve us well.

REVIEW OF UNITS

As usual, the following is a brief review of the achievements of each of our subsidiaries in the past year, and of its plans for the future. All figures are stated in the US dollar equivalents of the audited local currency-based balance sheets and profit & loss accounts, prepared in accordance with the Islamic Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and without adjustment for consolidation purposes.

Each unit is managed by its respective Board of Directors, whose reporting lines are ultimately to the Parent, ABG, but whose decision-making is decentralised within an overall strategic direction.

ALBARAKA TÜRK PARTICIPATION BANK (TURKEY)

Following an unexpectedly low growth rate for the third quarter, estimates for Turkey's 2007 GDP growth have been revised downward to 3.9%, virtually unchanged from 2006. Turkey's trade deficit, which amounted to $41 billion in 2006, was again expected to be high, driving the current account deficit up to 7.5% of GDP compared with 7.1% in 2006. Inflation is also estimated to have risen, from 8.1% to 8.9%, well above the 4% target agreed with the IMF under the current stand-by accord which ends in 2008. However, medium-term forecasts are more optimistic, with inflation anticipated to fall to about 4.5% by 2009 and GDP growth expected to pick up through 2009-2012. Interest rates are expected to remain high and the budget deficit to hover around 2.5-3% of GDP over the next 3 years.

Compared with other Participation banks in Turkey, Albaraka Türk Participation Bank (ABTPB) ranks as the most efficient by conventional criteria, maintaining the highest ratio of assets and funds collected on both per branch office and per employee criteria. It has been expanding rapidly, adding 20 new branches to its network in 2006 and a further 17 in 2007, ending the year with 80 in total, each with its own ATM for customer use. The rapid growth in retail banking has been mirrored in the area of alternative distribution channels, with the number of Internet banking customers increasing by 43% over 2006 to nearly 37,000 and that of telephone banking customers rising by 46% to nearly 17,000; the bank also intends to maintain the current rate of ATM network expansion.

2007 saw ABTPB emulating its parent when it took the major strategic decision to offer part of its shareholding to the public by way of an initial public offering of 54.5 million new shares. Despite the disappointing economic background it was gratifying that the IPO proved to be one of the most successful in Turkey's history, being 32 times oversubscribed. It was concluded in June in record time, bringing the equivalent of a net $170 million in new capital into the bank and thus paving the way for further growth ahead.

Total assets at ABTPB increased during the period by 81% to $3.16 billion, with the main contributors being liquid funds which expanded by 113% to $658 million, murabaha sales receivables which rose by 76% to $2.27 billion and the Ijarah Muntahia Bittamleek portfolio which grew by 32% to $137 million. The bank also commenced musharaka financing, ending the year with a portfolio of $36 million. Funds collected also grew, with customer current and deposit accounts rising by 34% to $369 million and unrestricted investment accounts soaring by 79% to $2.2 billion. Another major achievement was the increase in off-balance sheet items, especially letters of guarantee, causing the non-cash credit portfolio to increase by 88% from $478 million to $973 million.

Close credit risk and cost scrutiny, coupled with efficient fund allocation, resulted in further margin expansion at the bank. Total income from jointly financed accounts and investments rose by 85% to $277.5 million so that, after distribution to the unrestricted investment account holders of their share of the income – which rose by 51% – the bank's share of income including that as Mudarib was 172% higher at $116.2 million. After including markedly higher revenues from banking services and other income – including income from the bank's own sales and investments - total operating income was 115% higher at $251.4 million. However, operating expenses also rose significantly, particularly depreciation and amortisation, partly on account of the branch and ATM network expansion and introduction of new systems and other equipment and to a lesser extent staff costs and other expenses, so that net operating

"All amounts in US Dollar unless otherwise stated"

income rose by 45% to $89.2 million. Due to Turkey's tax incentive scheme having been abolished in 2007 (the effective utilisation of which had meant that the bank paid no corporate taxes in 2006), ABTPB's tax contribution was $16.1 million and that, together with additional provisions to reflect the expanded portfolios, left the bank with a net profit of $62.4 million, 23% higher than in 2006.

During the year, and in parallel to expansion of the branch network, the bank completed the installation of its new mainframe computer and backup system. It also completed the enhancement of its IT Centre Security and Fire Security, ensuring continuous on-line service to its customers, in addition to further investments in power supply sources and disaster management.

Albaraka Türk's credit card activities also continued to grow. With its dedicated Business Card issuance now exceeding 8,000, it decided to launch its new Bereket Card initiative which deals with the collection of farmers' revenues. Meanwhile, its Visa Classic and Gold cards were converted to EMV-CHIP cards, minimising cardholders' risks from lost or stolen credit cards or fraud. Altogether, merchant volume on credit cards exceeded Turkish Lira 1 billion in 2007, producing an income of TL8 million for the bank.

For the year ahead, in a buoyant mood Albaraka Türk anticipates that its increased equity will support further branch network expansion and strong growth in assets and funds collected, leading to increased margins and a further increase in net profit.

JORDAN ISLAMIC BANK FOR FINANCE & INVESTMENT (JORDAN)

The Jordanian economy performed relatively well in 2007, as real GDP grew by an estimated 5.7%, a little below the 2006 growth rate of 6.3%. Jordan traditionally has a large structural trade deficit, which widened in 2007 despite strong exports growth as the higher cost of oil imports pushed up the growth rate of total imports. This in turn impacted on the current account deficit, which rose to an estimated $2.3 billion (10.7% of GDP) despite strong foreign inward investment, encouraged by the government's Investment Promotion Law. Foreign exchange reserves rose by 15% to $7.02 billion. External public debt rose, to 46% of GDP as at September 2007, while 2006's budget surplus was transformed into a budget deficit in 2007. The rate of inflation meanwhile fell to an estimated 4.9%, compared with 6.3% the year before. Although the volume of turnover on the Amman Stock Exchange fell during the year, the stock price index actually recorded a near-30% rise year-on-year, reflecting the growth in intrinsic value of the underlying stocks.

For Jordan Islamic Bank (JIB), one of only two Islamic banks in Jordan but the 3rd largest bank in Jordan by total assets and total deposits held, it was altogether a good year despite the intensive competition in the market. JIB enjoyed 10% balance sheet growth to $2.23 billion, reflecting a 22% increase in finance and investments from joint investment funds, as murabaha sales receivables, the Ijarah Muntahia Bittamleek portfolio and non-trading investments all ended the year up, by 22%, 117% and 20% respectively. This expansion was funded by a 19% growth in customer accounts and other deposits, which reached $632 million, and a 7% increase in unrestricted investment accounts which rose to $1.33 billion. Its success in the growth of restricted investment accounts was even greater, contributing to a 12% rise in total on- and off-balance sheet assets and a 10% rise in total funds available.

This expansion in turn produced a 23% increase in income from joint financings and investments, which rose to $106 million. After accounting to the unrestricted investment account holders for their share of the income – which itself expanded by 39% - the bank's share of income from this source, including its share as Mudarib, rose by 11% to $54 million. Including revenue from banking services and other operating income – especially its share as Mudarib from restricted investment accounts, which rose by 55% - JIB reported a total operating income of $80.2 million, 15% up on 2006. After operating expenses, at $31.4 million representing an 11%

"All amounts in US Dollar unless otherwise stated"

Solid resul

ABG Turkey subsidiary net income zooms by

Business Correspondent

AlBaraka Turk Participation Bank, one of the Banking Units of Albaraka Banking Group's (ABG), announced that it continued to achieve substantial growth in its business during the first nine months of 2007.

The operating income and net income increased by 23.03 per cent and 20.88 per cent respectively compared to the same period of last year. Furthermore, the Bank's assets increased by 65.01 per cent and equity by 169.12 per cent during the same period. These significant achievements come

branches and the launching of many new interest-free and highly competitive investments and financing products.

All these initiatives had a very positive impact on the gross income from financing and investments which led to an increase of 23.03 per cent in the operating income to reach $177.28 million in the first nine months of 2007 up from $144.1 million in the first nine months of 2006. Net income also increased by 20.88 per cent from $34.34 million to $41.51million during the same period.

As of the end of September 2007 the assets of the Bank

Adnan Ahmed Yousif ... robust growth

ABG arm posts 7

Business Correspondent

The Egyptian Saudi Finance Bank, a subsidiary banking unit of Bahrain-headquartered Albaraka Banking Group (ABG), announced that it had achieved excellent operational results during the first nine months of 2007. Net profits were up by 77 per cent and the total assets surged by 20 per cent.

The financial statements announced by the bank which covered the first nine months of 2007 revealed excellent results reflecting a continuation of its outstanding performance. Net profits before provisions increased by 77 per cent to $ 14.8 million compared to $ 8.2 million for the same period last year. Net earnings showed an increase of 82 per cent up

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Returns on finan
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ABG unit's net income up 20.88pc in first 9 months

BY HABIB SHAIKH

JEDDAH — The operating and net income of one of the banking units of the Albaraka Banking Group (ABG) — the Turk Participation Bank, increased by 23.03 per cent and 20.88 per cent respectively during the first nine months of 2007 compared to the same period of last year, according to a statement made available to *Khaleej Times* here.

Moreover, the bank's assets increased by 65.01 per cent and equity by 169.12 per cent during the same period. "These significant achievements come after the very successful launch of the bank's IPO in which the amount of $170 million was oversubscribed 32 times as the subscription netted about US$5.4 billion," the statement explained.

"These results are also the fruit of the important strategies implemented by the Bank during 2006 and this year, which led to the opening of a large ... of many new interest-free and highly competitive investments and financing products," it added.

The statement said that all these initiatives had a very positive impact on the gross income from financing and investments which resulted in the operating income increasing from $144.1 million in the first nine months of 2006, to $177.28 million in the same period this year. Net income increased from $34.34 million to $41.51million during the same period.

As of the end of September 2007, the assets of the Bank increased from $1.66 billion as at the end of September 2006 to $2.75 billion.

"This increase in assets was the result of an increase in Murabaha finance, financial leasing transactions (Ijarah muntahiyya bittamleek) and investments. These increases were financed equally by customer deposits and Bank ...

ts

20.88%

Group Adnan Ahmed ... id he was very pleased ... Bank's consistent results and the great ... hat Bank's IPO had ... ming that impact of ... ess will become more in the coming period. ... k will embark upon ... horizontal and verti- ... nsion plans that will ... n further the confi- ... the Turkish individual ... tional investors in the ... rformance and results ... ions, and make them ... re comfortable with ... stment in the shares of ... which they see as a ...

7% rise in profit

... e first nine ... year 2007, ... cing and ... eased by 33 ... 7.3 million ... ths of 2006 ... e first nine ... year 2007. ... ance sheet from $1.2 ... ber 2006 to ... September ... owth of 20 ... posits and ... icates increased from $1.1 ... 2006 to $1.3 billion in ... owth of 21 per cent. Total ... nents also increased from ...

Adnan Ahmed Yousuf

in September 2007, reflecting a growth of 16 per cent.

Adnan Ahmed Yousif, Vice Chairman of the Egyptian Saudi Finance Bank and President Chief Executive of Albaraka Banking Group said that the excellent performance of the Bank in the past few years was the result of the hard work of the Bank's executive management and the strong support that the parent company (ABG) extended to the bank, considering the key position of the bank in the Group's regional and international strategy and the importance of the Egyptian market to the Group in view of the abundant and huge investment and financing ...

Adnan Ahmed Yousif
President & Chief Executive

"We remain committed to the task that lies ahead, confident that the Group's unique combination of geographical and product coverage and its clear-sighted vision for the future will continue to serve us well."

increase over 2006, the net operating income was 17% higher at $48.8 million and, following deduction for increased taxation offset by reduced net provisions, the bank returned a $32.4 million net profit, 49% higher than in 2006.

The bank owed its rate of growth in part to the expansion of its network, which finished the year with a total of 65 branches and banking offices and 66 ATMs linked to the Jordan national payment and the Visa International networks. The network now covers all main residential and commercial areas in Jordan. During the year JIB successfully implemented the changeover from its previous MoneyGram transfer system to the more sophisticated Western Union system which utilises the Internet to provide customers with speedy draft issuing and money transfer services. It also completed the changeover from the automated clearing system to the electronic clearing system and launched its new VBV (Verified by Visa) service offering safe Internet shopping to Visa card members through the use of a confidential PIN number to validate card purchases.

JIB's marketing strategy is designed to inform the public of its extensive range of Shari'a-compliant products and services, through targeted products such as savings accounts with prizes and promotional and media programmes including publicity campaigns, tours and lectures. The bank's product range includes murabaha, diminishing musharaka, mudaraba, Ijara Muntahia Bittamleek, instalment sale and Istisna'a contracts, as well as investments in Islamic sukuks and property development for on-sale or lease to its customers.

For the future, Jordan Islamic Bank fully intends to maintain a consistent growth rate, seeking balanced returns for its shareholders, depositors and employees while increasing its market share through the delivery of an expanding range of competitive products and a widening branch network. In the near future it aims, in particular, to continue to expand its operations in the areas of Ijarah Muntahia Bittamleek and its range of investment portfolios. It will also continue to seek to provide government bodies and projects with financial services through the issue of sukuks that may be traded on the Stock Exchange. It intends to complete the remaining phases of its new banking system, introduce further new technologies such as telephone banking, improve risk management and control and enhance corporate governance measures, while implementing its anti-money laundering policies.

THE EGYPTIAN SAUDI FINANCE BANK (EGYPT)

Egypt's GDP grew by 7.1% in the fiscal year to June 2007, up from 6.9% the year before, driven by local and foreign investment, much of it to the non-oil sectors such as construction and manufacturing. Although Egypt traditionally has a large structural trade deficit, it enjoys strong invisible exports arising out of tourism and Suez Canal revenues and expatriate workers' remittances. Consequently it normally produces a current account surplus, which had however shrunk to an estimated 0.8% of GDP in fiscal 2006/07. Inflation has averaged 6.2% over the past 5 years but rose in 2006/07 to an estimated 9.0%, although it is forecast to fall back to more traditional levels in 2007/08, partly as a result of interest rate increases brought about by the Monetary Policy Commission.

Egypt is now reaping the fruits of the government's programme of economic and banking reform which it began in 2004, as continued stability in the foreign exchange market increased investors' confidence, encouraging them to seize investment opportunities in the Egyptian market. As a result Egypt ended the year in first position in Africa, and 32nd worldwide, in attracting foreign investment. Moreover, Suez Canal revenues passed $3.4 billion for the first nine months of the fiscal year, compared with $2.8 billion for the same period of fiscal 2006. The government intends to continue to pursue its economic reforms, aimed at creating a climate of steady economic growth and developing the private sector, including the banking industry, but its fiscal deficit – estimated to have topped 7.5% of GDP last year – is a continuing concern, with subsidies, interest payments on the government debt (equal to 81% of GDP) and public sector wages to a swollen civil service, being a continuing drag for the foreseeable future.

"All amounts in US Dollar unless otherwise stated"

The Egyptian Saudi Finance Bank (ESFB) commenced operations in Egypt in 1980 and is listed on the Cairo Stock Exchange. It is one of only two Islamic banks in Egypt and at the end of 2007 had a network of 16 branches, in addition to a number of money changing bureaux in hotels and other strategically located sites.

Despite the higher rate of inflation and its negative impact on deposits and consumer lending across the banking system, EFSB was able to increase its current and other deposits and its unrestricted investment accounts by an overall 27% to $1.43 billion, providing the additional funds to enable it to expand its asset base, which reached $1.64 billion at the end of 2007. Sales receivables from murabaha financings rose by 17% to $630 million and the mudaraba financing portfolio by nearly 12 times to $536 million, somewhat offset by a 57% reduction in non-trading investments to $218 million. Total assets rose by 28% to $1.64 billion. This in turn led to a 32% increase in total income from joint financings and investments which, following a similarly increased distribution to unrestricted investment account holders, yielded a total income to the bank of $23.0 million from this source, a 66% increase over 2006. After adding other operating revenue the total operating income came to $34.7 million, an increase of 56% over the previous year. Operating expenses, including increased staff and infrastructure costs, rose by 40% to $15.5 million and, after deduction of an increased provision charge, EFSB's net profit for the year was $5.5 million or 17% higher than that for 2006.

In 2007 the bank once again participated in a number of large syndicated transactions to provide finance for corporations operating in a diversified spread of economic sectors, ranging from telecommunications, air transport, airports and pharmaceuticals to tourism. The success of its first investment fund, launched in 2006, was well demonstrated by the coupons paid, which rewarded investors with an average return of 25.7% over the year.

In 2008 ESFB will expand its branch network further, opening two branches in Dekki and Sharm El Shaikh, and it also plans to open a further 4 branches in early 2009. Over the two years the network will therefore be increased to 22. It will also begin preparations for the construction of a new head office to be located in Sixth of October City and will continue to expand the number of money changing bureaus, opening in tourist centres such as Luxor and Aswan. It will meanwhile continue to upgrade its computer systems, linking all branches with the central computer network, while introducing direct debit cards, prepaid cards, Mastercard credit cards and other services aimed at helping to expand its customer base.

ALBARAKA ISLAMIC BANK (BAHRAIN)

In 2007 the Bahrain economy continued to enjoy robust growth, as its GDP expanded by an estimated 7.0%. The non-oil sector maintained its rapid expansion with an overall 8% growth rate and is fast becoming an increasingly significant contributor to the economy, a healthy development as the government seeks to lower unemployment by promoting private-sector growth. The inflation rate rose to 3.6%, above its 2002-06 average of 1.6%, as higher import costs and the falling US dollar took its toll, but the kingdom continued to record healthy trade and current account surpluses despite the higher cost of imports.

Pakistan's economy, too, performed well with a GDP growth rate of around 6.4% in fiscal 2006/7, slightly higher than in 2005/6 and the annual average 6.0% rate of 2002-06. It remains one of the fasting growing economies in the Asian region. Despite a persistently large trade deficit - $9.7 billion in 2005/06 and $8.2 billion in the second half of 2006/07 – exacerbated by high prices for imported oil and weakening textile exports, the current account deficit, which was 6.1% of GDP for the 2006/7 fiscal year, had improved to an estimated $2.15 billion, or 1.3% of GDP, in the period to September 2007. Strong food-price inflation drove the inflation rate up to 7.6%, above the State Bank of Pakistan's 6.5-7.5% target range, causing the SBP to maintain its tight monetary policy and increase interest rates. GDP growth is forecast to fall slightly over the next few years, as increased import demand from China will not be sufficient

to entirely compensate for slackening US demand on account of its weakening economy.
Albaraka Islamic Bank was established in 1984 and currently operates under both retail and investment banking licences, having completed its acquisition in 2007 of its sister bank in Bahrain, Al Amin Bank, resulting in many economies of scale and synergistic benefits. AIB was among the pioneers of Islamic banking in Bahrain, and also in Pakistan, where it commenced operations in 1991 as a foreign bank under a commercial banking licence from the State Bank of Pakistan. Having opened 8 new branches in 2007, AIB currently has 22 branches located in Bahrain and all major cities in Pakistan, offering a complete range of Shari'a-compliant banking products and services, including Ijarah, trade and working capital finance, customer deposits, on-line banking and ATM cards.

Although subject to competitive pressures in both Bahrain and Pakistan, Albaraka Islamic Bank was able to expand its levels of services and portfolios during 2007. Slight growth in the bank's murabaha and musharaka portfolios was made up for by a 36% expansion of its Ijarah Muntahia Bittamleek portfolio and a rise of 30% in its non-trading investments, which in turn contributed to an overall 6% growth in total assets, to $1.05 billion, up from 2006's combined total assets for the two banks of $991 million. This growth was funded by current and other deposit accounts which grew by 84% to $60.7 million, together with unrestricted investment accounts which rose by 5% to $738 million. Although moderate, this expansion produced a much-improved total income from jointly financed accounts and investments of $80.1 million, up 75% over the previous year and yielding for the bank, after payment to investors of their share, a total income of $38.8 million, 2.5 times 2006's equivalent figure. Together with revenues from banking services and other income, this lifted the bank's total operating income to $50.2 million from $18.7 million the year before. Administrative expenses rose to $43.3 million, reflecting mainly the costs of branch network expansion, producing a net operating income of $6.9 million compared with $1.0 million for 2006 and, after setting aside provisions and accrued taxation, a net profit of $4.2 million as against 2006's $3.2 million loss.

Among the products introduced to the market during the year were an Islamic Indian Equity Fund and a Capital Protected Portfolio fund. In addition AIB concluded two Ijarah-based transactions for clients in Saudi Arabia and a financing facility for a Swiss development company owned by another Saudi client.

As may be surmised from the activity of 2007, the increasing profitability and growing opportunities in its markets has prompted AIB to implement a plan for aggressive network expansion. 2008 will therefore see a number of new branches opened, intended to provide a platform for consumer services expansion. The bank is also in the process of acquiring new Equation core banking software from Misys, building its technological deliverability capabilities. It is also on track to meet CBB guidelines and instructions on Basel II implementation by end-2008 in addition to a number of other risk management initiatives.

BANQUE ALBARAKA D'ALGERIE (ALGERIA)

The Algerian economy continued to progress in 2007, as GDP grew by an estimated 4.8% and the official unemployment rate fell to 11.8% while the rate of inflation was well contained at an estimated 3.8% despite an environment of rising oil and gas prices and a falling US dollar. Total exports reached record levels at $58 billion, of which the hydrocarbons sector contributed 98%. These flows enabled the Algerian government to maintain its economic policies of reducing external and internal debt, standing at the end of 2007 at $4 billion and $15 billion respectively and representing 3.3% and 12.5% of Gross Domestic Income, while investing heavily in infrastructure development. Among the many projects in progress were the construction of the 1,250 km East-West Highway, the modernisation and expansion of 1,550 km of railway track and the construction of 17 new water dams, one of which was completed in 2007.

Banque Albaraka D'Algerie (BABD) was formed in 1991 and is the only one of Algeria's 18 banks operating according to the principles of the Shari'a. Having opened 5 new branches in 2006 it now has a network of 16 operating throughout Algeria. Despite its size, and thanks to its strong foreign trade financing tradition, it holds an important position in the market, ranking second among the private banks and maintaining a 5.6% total market share.

BABD took full advantage of the economic advance, achieving record results. Financed primarily by increased customer deposits and unrestricted investment funds, which grew by 40% and 30% respectively, the bank's total assets rose by 35% to $846 million. It continued to expand its murabaha financing and Salam portfolios, which ended the year 45% higher at $416 million and 27% up at $101 million, respectively, in addition to growing its Ijarah Muntahia Bittamleek portfolio which rose 43% to $33 million. As a result, total income from joint financings and investments rose by 44% to $40.0 million and, after taking into account the unrestricted investment account holders' share, the bank's share of this income, including that as Mudarib, increased by 58% to $30.2 million. Including income from banking operations, up by 25%, the bank's total income reached $57.5 million, an increase of 40% over that of 2006. After deducting operating expenses of $22.3 million its net operating income increased by 34% to $35.2 million and, following allocations for provisions and taxes, the net profit was $18.9 million, 34% above the previous year.

Over the next five years BABD plans to expand its network by 23 new branches, install an ATM network and replace its IT systems. It is also making plans for the construction of a new head office building. It will continue to develop its consumer banking services and plans to market a variety of new and innovative products, including Islamic investment bonds and investment funds, and to introduce a variety of Bancassurance products.

ALBARAKA BANK SUDAN (SUDAN)

The Sudanese economy continued to grow at a healthy rate in 2007 which, at an estimated 12.8%, exceeded the 11.8% recorded for 2006. Growth was primarily due to significant growth of the industrial sector, which expanded by 23% fed by the increased rate of oil production (521,000 barrels/day) and rising oil prices on the world markets. The industrial sector's contribution to GDP was some 31% (including that of the oil industry which on its own accounted for 16% of GDP) and continues to grow, approaching that of both agriculture (35%) and services (34%). Oil exports increased by about 77% in US dollar terms to an estimated $9.6 billion, representing about 95% of total exports and resulting in an increase in total exports to an estimated $10.1 billion, against total imports of $8.3 billion, thus producing a balance of trade surplus of $1.8 billion. This in turn led to an improvement in the current account deficit, which fell to $3.8 billion or 7.5% of GDP, despite a 50% increase in the net deficit on services, income and transfers. The rate of inflation was meanwhile relatively stable, averaging 8.2% over the year, although price pressures are set to remain strong on account of the robust domestic demand and pressure on the government for further cuts in subsidies.

The Central Bank, which in 2007 successfully managed the introduction of a new national currency, the Sudanese pound, replacing the dinar at a rate of SP1:SD100, intends to pursue a prudent monetary policy and will focus on financial sector reforms as part of the government's reform plans aimed at widening the revenue base, improving control of expenditure and introducing further privatisations, such as its plan to privatise 70% of the postal service. However, the government will continue to increase capital spending on infrastructure projects, funded by increasing commercial debt, which will in turn put further strain on the fiscal deficit and external debt.

Albaraka Bank Sudan, established in 1984, currently maintains a network of 23 branches. At the end of 2006 the bank was ranked 10th out of the 30 Sudanese commercial banks in total assets, 8th in deposits and 14th in terms of net profit.

"All amounts in US Dollar unless otherwise stated"

As with 2006, ABBS expanded moderately in 2007. Customer current and other accounts rose by 28% to $166 million and unrestricted investment accounts by 13% to $39 million, feeding an expanding murabaha portfolio, sales receivables rising by 35% over the year to $84 million, musharaka financings which grew by 144% to $14 million and Istisna'a, which grew by 10% to $12 million. Total income from jointly financed sales and investments rose 22% to $18.1 million which, after accounting to the unrestricted investment account holders for their share and including the bank's share as Mudarib, produced a 33% increase in profit from this source, at $16.3 million. With income from banking revenues and other operating income being little changed, the total operating income was 20% up on 2006 at $25.5 million. However, staff and other operating expenses grew by 28% to $17.8 million, largely due to a change in the employees' pay structure resulting in a 35% increase in staff costs. After accounting for increased provisions and taxation, the bank reported a net profit for the year of $2.2 million, compared with 2006's $4.2 million.

In 2007 ABBS implemented a number of technological upgrades. It introduced electronic cheque clearing and return systems and completed the installation of 11 ATM machines and 11 Point of Sale (POS) terminals, linking them to the national transfer system and enabling ATM card holders to use their cards in Egypt, Qatar and Bahrain as well as Sudan. Its strategy for 2008 is to maintain the momentum towards providing advanced banking services, by means of the acquisition and implementation of an advanced IT system that will enable the provision of Internet, telephone and SMS banking services by the end of the year, while continuing to build the ATM and POS networks – to reach a total of 16 and 100 respectively – and expand the services available through them. It also plans to open 2 new branches and extend the product range in the areas of real estate investment, lease sale, retail banking and micro finance, in order to increase its share of the market.

BANK ET-TAMWEEL AL-TUNISI AL-SAUDI (TUNISIA)

Tunisia's economy grew by an estimated 6.3% in 2007, as the industrial and services sectors both grew rapidly (although tourism growth was disappointing) while the agricultural sector continued to perform well. Trade expanded at its fastest rate for a decade, as both exports and imports increased in volume and price terms. Tunisia has a structural trade deficit which has been deteriorating in recent years on account of high hydrocarbon and commodities prices impacting on import costs; it is estimated to have reached $2.4 billion in 2007. This in turn affected the current account deficit, although improving services and transfers balances helped to reduce this in 2007 to about $500 million from $634 million in 2006. Inflation meanwhile was well contained, falling to about 3.1% from 4.5% in 2006. Tunisia is committed to a free trade regime and export-led growth, focused mainly on the European Union, with which it has signed an Association Agreement to gradually eliminate trade and tariffs barriers to non-agricultural goods, services and investments, commencing in 2008. Tunisia enjoys an investment-grade credit rating from international rating agencies and encourages foreign direct investment through taxation and employment-encouraging incentives.

Bank Et-Tamweel Al-Tunisi Al-Saudi (B.E.S.T.) commenced operations in 1983 as an offshore bank. It is permitted to accept deposits from residents up to a ceiling of 1% of the total Tunisian Dinar deposits of all the commercial banks. As the only Islamic bank operating in the country, B.E.S.T. provides a range of services including the taking of Shari'a-compliant deposits and providing compliant financial facilities and investment in the main economic areas, including the agricultural, industrial, tourism, and export industries. It also undertakes investments by participating directly in the capital of Tunisian companies or indirectly through investment funds. It currently has 8 branches, having expanded the network steadily from 4 in 2003.

For B.E.S.T. 2007 was a moderately good year, as total assets increased by 22% to $310 million, represented in the main by increases in its financing and investment transactions – with murabaha sales receivables rising by 13% to $207 million and Ijarah Muntahia Bittamleek transactions being reported for the first time as a result of consolidating its B.E.S.T. Lease affiliate, ending the year with $38 million outstanding. This growth was funded by a 33% increase, to $74 million, in the bank's customer current and deposit accounts and a 22% rise in its unrestricted investment accounts which reached $151 million. Gross income from joint financing and investment accounts grew by 14% to $12.7 million. Profits for distribution to depositors, after accounting for the bank's share as Mudarib, increased by 19% to $4.6 million, leaving the bank's share at $8.1 million, an increase of 11%. Including other income from its own investments – 49% lower than in 2006 when an exceptional profit had been made from the sale of equity shares - and revenues from banking services and other operating income, B.E.S.T. reported a total operating income of $15.8 million compared with $18.4 million in 2006. Operating expenses were 12% up on the year before, at $7.3 million, so net operating income was 28% lower at $8.5 million and, after deduction of taxation and crediting provision recoveries, the bank ended the year with a net profit of $7.3 million, 10% below that for 2006.

"All amounts in US Dollar unless otherwise stated"

The bank's medium-term strategy remains centred on expanding its branch network to 11 by 2012, increasing its customer base and focusing on selective financing projects with higher returns. It is currently modernising its technological hardware and systems to enable it to provide superior customer service including electronic payment services. Its longer term aim is to become the top offshore bank in Tunisia, achieving an ROE of 25% or above.

ALBARAKA BANK LIMITED (SOUTH AFRICA)

Following several years of low interest rates, leading in turn to a surge in spending particularly by the newly emerging middle class households, South Africa's inflation had gradually edged upward, until 2007 when it exceeded the South African Reserve Bank's target range of 3-6% by a significant margin. The Reserve Bank found it necessary to increase its bank rate to counter this development, which it did seven times in the course of the 18-month period from June 2006, leading to the commercial banks' prime lending rate now standing at 14.5%. Inflation is estimated to have averaged 6.5% for the whole of 2007, but will hit 8% on an annualised basis in early 2008 before subsiding. In addition, the National Credit Act was enacted in June 2007, primarily aimed at curtailing the granting of easy credit and over-indebtedness by borrowers and protecting consumers against misleading advertising by credit providers. These actions have had a far-reaching effect on the way credit is granted and has led to a slowdown in credit extensions, with a knock-on impact on the sale of vehicles, furniture and other consumer goods.

Real GDP growth in 2007 is estimated to have been 4.8%, above the average for 2002-06 of 4.6%. However, an increased trade deficit, exacerbated in recent years by surging demand for imported goods and services, has led to a soaring current account deficit which hit 8.1% of GDP in the third quarter of 2007 and will average about 7.7% for the year as a whole.

Albaraka Bank Limited (ABL) was established in 1989 as South Africa's first Islamic bank. ABL had a monopoly in this area until about two years ago, when two major South African banks decided to enter the market by opening Islamic banking windows. Nevertheless it remains the only bank in South Africa to conduct all of its business entirely according to the principles of the Shari'a. Apart from its head office in Durban, the bank maintains 5 retail branches in Durban, Fordsburg, Pretoria, Lenasia and Cape Town, plus one corporate branch, also in Durban. Its activities include the provision of finance for trade finance and the acquisition of commercial and residential fixed property, motor vehicles and equipment, utilising the murabaha and musharaka modes of finance.

When viewed against South Africa's economic background ABL did well to have achieved significant growth both in advances and profit levels in 2007. In this regard, the bank was careful to ensure that growth did not occur at the expense of customer service and took steps to boost the staff complement, recruiting in the operations, back office and Shari'a compliance areas of the bank. The entry of two major banks into the Islamic banking arena has had a positive effect on ABL as it has raised the overall level of awareness of Islamic banking in the country. This, together with the bank's efforts to build its advances book, has resulted in vigorous growth in all spheres of its activities over the last year. ABL's total assets increased by 19% to $248 million, in the main reflecting growth in the musharaka financing portfolio, which increased by 95% to $91 million. This growth was in line with the strategy adopted at the commencement of the year - following the increase in the bank's share capital to R150 million in late 2006 and the subsequent release of some R26 million from the Regulatory Credit Risk Reserve - to expand the higher yielding advances book and reduce the lower yielding equity finance book. The assets expansion was funded by a 22% increase in the unrestricted investment accounts, which rose to $211 million.

The 36% rise in operating income to $12 million was attributable mainly to the 39% increase in income earned from jointly financed accounts and investments (net of the unrestricted investment account holders' share of revenues), in line with the increase in the advances portfolio. Income earned from equity financing increased marginally, despite the switch in emphasis away from the equity finance book, reflecting higher mark-ups that were negotiated during the year. The bank's other income also rose marginally in absolute terms.

Broadly tracking the growth in the advances portfolio, and reflecting the tighter economic climate, ABL's specific and portfolio impairments increased by approximately R3 million, equating to 1.1% of the total portfolio. Staff costs also rose, by some 19% to $4.3 million, contributing to the overall $1.0 million increase in operating expenses. These increases were, however, insufficient to prevent the operating profit from expanding by over 100% to $4.1 million, enabling the bank to end the year with a net profit, after tax and provisions, 70% higher at $2.7 million.

In 2007 ABL implemented an Internet access service which permits customers to view account activities on-line, a precursor to a more comprehensive Internet banking service to be introduced during 2008. The bank also initiated a cheque account product under an arrangement with a major local bank, offering electronic banking access, competitive charges and other features, which is set to be launched in early 2008, aimed initially at the corporate market but with retail customers to be targeted later in the year. It is intended that the experience will help to facilitate the bank's ultimate aim of acquiring its own licensing arrangements and achieving full participation within the clearing banks association.

With continued growth and increasing staff numbers, the head office's occupancy levels have reached near capacity, necessitating a search for suitable alternative accommodation. ABL has decided to take full advantage of this situation to improve its overall image to the public by acquiring land in an exclusive district on the outskirts of Durban Central Business District and to erect an iconic, state-of-the-art building to house its head office and flagship branch. Construction commenced in 2007 and the bank expects to move into its new premises, costing an estimated R63 million, at the end of 2008.

In a R16.9 million project, ABL has also committed itself to upgrading its core banking systems with a view to achieving operational improvements over its existing system environment, at the same time deriving productivity and scalability benefits from the modular system and branch automation features. Following the success of a pilot in Bahrain, the project is scheduled to commence during 2008, with full system implementation to run over 3-5 years, involving intensive resource participation at various levels within the bank in conjunction with external service providers. Other key IT systems slated for introduction, in tandem with the core banking system replacement and the cheque account product mentioned above, include a network infrastructural upgrade offering high-speed MPLS bandwidth on a national basis, rationalisation of servers incorporating the consolidation of systems and services, migration to MS exchange environment and VOIP (Voice Over Internet Protocol) telephony solutions to optimise the balance between telephony costs and efficiencies that may be enjoyed consistently across the organisation.

In spite of tightening economic conditions, ABL is well positioned to take advantage of opportunities arising. The broadening of its range of services should provide it with the means to boost fee-based income substantially, thereby improving shareholder return.

"All amounts in US Dollar unless otherwise stated"

ALBARAKA BANK LEBANON (LEBANON)

In 2007 Lebanon witnessed a series of dramatic events on both the political and security fronts. These in turn severely impacted economic expectations within the country. However the Lebanese economy continued to manifest the inherent confidence of its people and businesses that has been its hallmark for several decades, to the extent that the banking, public sector and real estate markets all experienced growth to one degree or another. It is estimated that Lebanon's economy grew by 2.5% in the year. Its current account deficit was around $2.5 billion or 10.6% of GDP. Inflation ran at about 5% and is expected to rise further following a wave of consumer price increases in the final quarter of 2007.

Albaraka Bank Lebanon (ABBL)was Lebanon's first Islamic bank and remains today one of only 4 resident Islamic banks. Until 2004 the absence of appropriate laws and regulations governing the practice of Islamic banking in Lebanon compelled it to conduct Islamic banking activities whilst being regulated in a conventional manner. It therefore concentrated on managing unrestricted investment accounts and providing various retail banking services to consumers and small businesses. ABBL maintains 6 branches in Lebanon and 7 ATMs and is the smallest of the Group's subsidiaries. Its products include finance for housing, vehicles, household goods, construction and medical equipment and working capital.

Despite the economic environment ABBL continued to make good progress in 2007, as its total assets expanded by 13% to $144 million, reflecting a 30% increase in its liquid assets and funded by a 15% increase in unrestricted investment accounts, which reached $93 million. The bank was nevertheless able to increase the income raised from jointly financed accounts and investments, by 38% to $3.9 million, the whole of which it distributed to the unrestricted investment account holders. Its total operating income rose by 22% to $3.8 million and, as its operating expenses were 6% less than in the previous year, it managed to bring its net operating loss down to $1.6 million. After including provisions that were substantially lower than those in 2006, ABBL ended the year with a net loss of $2.0 million, compared with 2006's $7.4 million loss.

During the year ABBL implemented a new organisation structure, creating a number of new departments to be responsible, inter alia, for customer relations and investment funds, and reorganising other departments such as Trade Finance and Finance & Investment to make them more efficient and capable of handling larger transactions. It established new internal committees and upgraded its IT processes to ISO specifications in accordance with Central Bank requirements and regulations. Also in the area of Information Technology, it upgraded its main servers to enable it to increase its system's overall work capacity.

ABBL has extended its repertoire of Islamic finance products, adding musharaka and Ijara, with new market segments (universities, schools, SMEs, Hajj companies and large charities) targeted. It has also been preparing to launch a comprehensive advertising campaign in 2008, together with three new Shari'a-compliant credit cards to complement its existing range of charge and debit cards and a new 10-year housing finance product.

THE BOARD OF DIRECTORS

The Board of Directors is responsible for the Group's overall management. In particular, the Board is responsible for approving the Group's overall business strategy, monitoring its operations and taking critical business decisions. In line with international best practice, the Board has instituted corporate governance measures to ensure that the interests of the shareholders are protected, including the appointment to the Board of three independent non-executive directors as defined in the Rule Book of the Central Bank of Bahrain ("CBB").

ABG is administered by a Board of Directors consisting of not less than five and not more than eleven members. However, subject to the provisions of the law, the shareholders at an Ordinary General Meeting may determine that the number of directors shall exceed eleven in certain circumstances. Members of the Board of Directors hold office for a three-year renewable term, although the term of office may be extended at the request of the Board for a period not exceeding six months by resolution of the Bahrain Minister of Industry & Commerce.

There are currently eleven Directors on the Board, who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgement. Other than the President & Chief Executive all Directors are non-executive. The posts of Chairman and President & Chief Executive are held by different Directors and each has separate, clearly defined responsibilities.

The Board of Directors meets regularly (usually four times a year) and has a formal schedule of matters reserved to it, considering key aspects of the Group's affairs referred to it for decision. The Board reviews the Group's strategy and financial plans, all proposed material changes to the Group's policies, structure and organisation, reports provided to it on the operations of the Group (with emphasis on organisational development, risk management and information technology development) and the performance of executive management. The Board and its Committees are supplied with full and timely information to enable them to discharge their responsibilities. All Directors have access to the advice and services of the Secretary, who is responsible for ensuring that the Board procedures and applicable rules and regulations are observed.

The Board of Directors has overall responsibility for the Group's system of internal control and its effectiveness. There are established and ongoing procedures in place for identifying, evaluating and managing significant risks faced by the Group, which are regularly reviewed by the Board. The Group's system of internal control provides for a documented and auditable trail of accountability and applies across its operations, is designed to ensure effective and efficient operation and compliance with all applicable laws and regulations, and seeks to manage risk with a view to avoiding material errors, losses and fraud.

BOARD COMMITTEES

The Board has put in place a number of Board committees, membership of which is drawn from the Board membership and to which it has delegated specific responsibilities. The principal Board committees are:

Board Executive Committee

The Executive Committee is chaired by Mr. Abdullah Saleh Kamel and the other members are Mr. Adnan Ahmed Yousif, President & Chief Executive, Mr. Abdul Elah A. Sabbahi and Mr. Ghanim Bin Saad Al Saad. The Board has delegated certain of its day-to-day functions to the Executive Committee, including certain financial, administrative and credit matters.

Board Affairs and Remuneration Committee

The Board Affairs and Remuneration Committee is chaired by Mr. Ebrahim Fayez Al Shamsi and its other members are Mr. Jamal Bin Ghalaita, Mr. Ghanim Bin Saad Al Saad and Mr. Adnan Ahmed Yousif, President & Chief Executive. The Board Affairs and Remuneration Committee meets at least once a year and considers all material elements of remuneration policy and the remuneration and incentivisation of the Board, the Executive Management Team and all other ABG employees, and makes recommendations to the Board on the framework for executive remuneration and its costs.

Audit Committee

The Audit Committee is chaired by Mr. Saleh Mohammed Al-Yousef. Other members are Dr. Anwar Ibrahim and Mr. Ebrahim Fayez Al Shamsi. The Audit Committee meets formally at least four times a year and external auditors attend at least one meeting annually. The external auditors, moreover, have unrestricted access to the Audit Committee and its Chairman throughout the year.

The Board of Directors has delegated to the Audit Committee the responsibility for ensuring that there is in place an effective system of accounting and financial control. The Committee achieves this through regular review of the adequacy and effectiveness of the internal control procedures. The Committee considers all matters relating to financial control and reporting, internal and external audits and their scope and results, regulatory compliance and risk management. It also considers the annual audit plans, monitors the independence of the external auditors and their remuneration and makes recommendations to the Board regarding the appointment and retirement of the external auditors.

The various internal and financial controls and processes are subject to independent review by the Group's Internal Audit Department and external auditors and regulators as appropriate. The reports of all these review bodies are forwarded to the Audit Committee, who, acting on behalf of the Board, ensures that appropriate corrective action is taken where required. The Committee is informed directly by Internal Audit's reports submitted to it, and by its discussions with external auditors, of the work undertaken by them and the conclusions they have reached, respectively.

The Committee reviews the Group's annual and interim financial statements, the adequacy of loss provisions and reports by external consultants on specific investigative or advisory engagements.

Risk Committee

The Risk Committee is chaired by Mr. Abdul Elah Sabbahi. Other members are Mr. Jamal Bin Ghalaita, Mr. Ghassan A Sulaihim and Mr. Adnan A. Yousif, President and Chief Executive. The Risk Committee meets formally at least four times a year and can call for the attendance of the Head of Credit & Risk Management and other Senior Executives of the Group.

The Group's risk appetite is determined by the Board, as recommended by the Risk Committee, which is responsible for setting acceptable levels of risks to which the Group may be exposed, for approving senior management's strategy for the managing of risk and for ensuring that all necessary steps are taken by senior management to identify, measure, monitor and control risk. Management has the prime responsibility for identifying and evaluating significant risks to the business of the Group and for the design and operation of appropriate internal controls.

Executive Management

In effecting full control over the Group, ABG's Executive Management Team has developed a system for filtering down to Group units the centralised strategic decisions taken at the parent level, thus ensuring the implementation of Groupwide policies and common operational processes and procedures.

As at the end of 2007, the team consisted of the President & Chief Executive, the Deputy Chief Executive and the Heads of Financial Control, Internal Audit, Strategic Planning, Credit & Risk Management, Treasury & Investment, Operations & Administration, Legal Affairs & Compliance and Corporate Governance. The Head of Commercial Banking is expected to join the team in due course.

Executive Management also exercises control via the following Committees, which have the following specific responsibilities:

Executive Management Committee

The Executive Management Committee's role is to oversee the implementation of the strategic objectives of the Group in relation to its business direction, operations, risk, expansion plans and overall policies and procedures. The Committee is chaired by the President & Chief Executive with the remaining membership comprising the Deputy Chief Executive and the Heads of Strategic Planning, Operations & Administration, Credit & Risk Management and Treasury & Investment, with the Heads of Financial Control and Internal Audit as observer-members.

Asset & Liability Committee ("ALCO")

The Asset & Liability Committee's mandate is to monitor the liquidity and capital adequacy of the Group and review the Group's long term equity investments and its penetration into the different markets. The Committee reviews liquidity and cash flow of ABG and sets balance sheet growth targets, besides monitoring the distribution of profits to investors. The Committee is chaired by the President & Chief Executive and its remaining members are the Heads of Treasury & Investment, Credit & Risk Management, Strategic Planning, Financial Control and Operations & Administration, together with a senior member from the Bahrain based subsidiary, Albaraka Islamic Bank (AIB).

Head Office Credit Committee

The Head Office Credit Committee is the authority that approves credits and considers issues of Group credit policy and Group credit exposures, problem credits and provisioning levels. The Head Office Credit Committee is chaired by the President & Chief Executive, with the remaining membership being drawn from among the Executive Management.

Management Risk Committee

The Management Risk Committee's role is to assist the Board Risk Committee in managing and controlling risks and introduce and support such measures which enhance the efficiency of risk management policies, procedures, practices and controls within the ABG Group. It is chaired by the President and Chief Executive with remaining membership comprising the Heads of Operations & Administration, Financial Control and Credit & Risk Management and the Manager of Credit Review & Analysis.

Head Office IT Steering Committee

The Head Office IT Steering Committee's role is to draw up the Group's short and long term IT strategy and oversee and monitor its implementation throughout the Group with a view to effecting standardisation in information and operation management.

The Committee is chaired by the Deputy Chief Executive with remaining membership comprising the Heads of Financial Control, Strategic Planning and Operations & Administration, together with senior support nominees from ABG and AIB.

Human Resources & Compensation Committee

The role of the Human Resources & Compensation Committee is to review the Human Resources policies, management and planning at ABG's Head Office. The Committee is chaired by the Deputy Chief Executive with the remaining membership comprising the Heads of Operations & Administration, Strategic Planning and Financial Control and the DGM and Head of Support & Overseas Branches, AIB.

Head Office Insiders Committee

The Insiders Committee has been formed in accordance with the guidelines issued by the CBB and the Bahrain Stock Exchange. The rationale behind the guidelines is to ensure the maintenance of a fair, orderly and transparent securities market and to enhance and develop the practices relating to the risk management systems and internal controls within listed companies and other similar institutions. The objectives of the Insiders Committee are to monitor and supervise issues relating to insiders and to regulate their dealings in ABG securities and to ensure that ABG insiders are acquainted with and aware of the legal and administrative requirements regarding their holdings and dealings in ABG securities, in addition to preventing the abuse of inside information by such insiders. The Committee is chaired by the President & Chief Executive and the other members are the Deputy Chief Executive and the Heads of Internal Audit, Legal & Compliance, Operations & Administration and Investors' Relations (who is also the Registrar and Committee Secretary).

Branding Committee

A Branding Committee has been formed to take charge of reviewing and assessing the Group's image and current brand equity with a view to recommending a unified corporate Identity for ABG and its subsidiaries. The Committee is also responsible for the future management of the new unified Identity and maintenance of a lasting positive image that reflects the dynamic and international nature of ABG's businesses and activities. The Committee is chaired by the Deputy Chief Executive with other members being the Heads of Operations & Administration and of Strategic Planning, the Deputy General Manager and Head of Support & Overseas Branches, AIB and the Assistant General Manager and Head Of Marketing & International Banking, AIB.

Other Committees

The Management forms ad hoc committees as and when required to address specific initiatives in which the Group may be engaged from time to time.

COMPLIANCE, POLICIES AND PROCEDURES, INFORMATION TECHNOLOGY

Regulation

The Group complies with all the regulatory requirements governing Islamic Banks issued by the CBB, which include, inter alia, regulations governing the Group's capital adequacy, asset quality and risk management, liquidity and fund management.

The CBB as the home supervisor sets and monitors ABG's capital requirements on both a consolidated and an unconsolidated basis, while the Group's individual banking subsidiaries are directly regulated by their local banking supervisors, who set and monitor their capital adequacy requirements.

The CBB currently requires each Bahrain-based bank or banking group to maintain a minimum ratio of total capital to on- and off-balance sheet risk-weighted assets of 12%, which requirement exceeds the 8% minimum ratio guideline of the Basel Committee on Banking Supervision under its 1988 Capital Accord. However, the new Capital Accord (Basel II) announced by the Basel Committee to replace the 1988 Accord is designed to achieve a more sophisticated degree of risk differentiation in establishing the amount of capital that banks should allocate to different categories of their credit risk exposure, in addition to including a capital charge for operational risk and incorporating an earlier guideline in relation to capital charges for market risk. Regulators will have wider discretion to increase or decrease capital requirements for banks according to their individual circumstances. The new rules will also require greater transparency of published information relating to bank risk management. The Group has taken the necessary steps to achieve in time the required degree of sophistication in risk assessment which will enable it to comply with the requirements of Basel II as stipulated by the CBB.

Anti-Money Laundering

The Group has implemented the CBB's anti-money laundering regulations, including the appointment of a Group Money Laundering Reporting Officer (MLRO) - which position is held by the Head of Operations & Administration, who also oversees the individual MLROs in each of the constituent banks. The intention is to implement a Groupwide overall policy for anti-money laundering at the Head Office level, taking into account the practice existing at the various Group units and complying with the CBB's anti-money laundering regulations.

Financial Performance Monitoring

The Group's management has in place various measures that help monitor and control the activities of the Group worldwide. A comprehensive financial consolidating procedure exists and is working effectively, whereunder all units submit their financial data in a format that is compatible with Islamic Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and International Financial Reporting Standards (IFRS). These are consolidated quarterly and a consolidated set of financial results is produced. Additionally, units submit a monthly return to Group headquarters providing details of their financial performance, measured against approved budgets.

Information Technology

Upon the formation of the Group, one of the earliest challenges identified was the need to move as swiftly as possible towards integration of the banking subsidiaries' diverse databases into a Group environment, in order to facilitate the creation of a common information platform. It was decided that, with the complex problems involved in bringing 10 different banking operations under one central organisational umbrella, it would be necessary to move in stages.

The first stage entailed the creation of an integrated financial management information structure, whereby each unit's financial data could be recorded unto a Web-based environment which would allow for the data to be combined with those of the other units and, after consolidation adjustments, used to produce consolidated statutory financial statements and MIS reports.

These original aims were accomplished in an impressively short time, such that ABG is now consolidated into a fully synergised operation and, following its extremely successful IPO in 2006, poised for further expansion into the global market. With technology being such a vital prerequisite to this expansion, especially in the highly-competitive Islamic banking market, the ABG IT Steering Committee commenced its activities in 2007 by drawing up both a short and long term IT strategy. The implementation of this strategy is continuously overseen and monitored by the Committee, with a view to effective standardisation of information and operation management throughout the Group.

The Group developed a Business Intelligence Roadmap for implementing its Web-based financial consolidation application, and a Corporate Performance Measurement methodology using Key Performance Indicators to set performance benchmarks for each subsidiary and to monitor them on a continuous basis. The Roadmap will be further enhanced to include elements of exposure management across the Group, including elements of risk management reporting, setting the stage for Basel II compliance. As at the end of 2007, implementation by the Group, assisted by an external expert consultant, of the first stage of this 'Management Planning & Control' project, was approximately 60% completed. It is anticipated that following resolution of a number of issues full implementation will be achieved in 2008.

In 2007, ABG took the opportunity of the impending renewal of Misys' Midas license agreement to reconsider its requirements. Following analysis of the relative functionalities of Midas versus other systems, particularly in light of Basel II requirements, it was decided to opt for the Equation – also by Misys – Islamic core banking system. AIB, as one of the subsidiaries currently utilising Midas, was selected by the IT Steering Committee for the pilot implementation. The initial exercise to introduce Equation at AIB was followed by a period of IT and 'champion' staff training, preparing those who will be responsible for training the end-user employees. The AIB team is currently engaged in the initial business analysis phase, to be followed by system build and system testing. Full implementation at AIB is anticipated by the end of 2008. The experience gained by AIB through the implementation exercise will represent an in-house knowledge base regarding Misys' Islamic Equation, which can be shared with other members of the Group. Once Equation has been fully implemented in AIB, the process will be repeated at the South African and Lebanese subsidiaries.

Also during the year the IT Steering Committee has mandated two of its members to identify and select an appropriate treasury system as an interim solution prior to the implementation of a core banking system. The team is currently working together with the Treasury & Investment Department in defining its requirements for both front and back office processing.

RISK MANAGEMENT

The Group is committed to complying with internationally established principles and policies in relation to risk management. In particular the Group fully subscribes to the guiding principles of risk management for Islamic financial services institutions set down by the Islamic Financial Services Board and the need for a comprehensive risk management and reporting process. ABG's Head of Credit & Risk Management is responsible for formulating and monitoring the Group's policies relating to all aspects of risk, developing the framework for risk measurement and coordinating the implementation of Basel II. He is also in charge of introducing risk measurement software, monitoring the Group's compliance with risk measurement standards and providing Group management with reports on the Group's risk adjusted return on capital.

The Board of Directors defines and sets the Group's overall levels of risk appetite, risk diversification and asset allocation strategies applicable to each Islamic financing instrument, economic activity, geographical spread, currency and tenor. Each of the Group's subsidiaries is managed by its respective Board of Directors. Group subsidiaries follow documented credit policies and procedures which are in the process of being updated to reflect the new Groupwide policies and thus ensure that sound risk management is in place in all units of the Group.

The major risks to which the Group is exposed are Credit, Liquidity, Market (including Equity, Rate of Return and Foreign Exchange risk), Operational and Shari'a Compliance risks.

Credit Risk

Credit risk is the risk of loss from the failure of a customer or counterparty to meet its obligations in accordance with agreed terms. It applies to the Group in its management of the financing exposures arising out of receivables and leases (for example, murabaha and Ijarah) and working capital financing transactions (Salam, Istisna'a or mudaraba).

Each Group subsidiary has in place a framework for credit risk management that includes identification, measurement, monitoring, reporting and control of credit risks. Each subsidiary controls credit risk through the process of initial approval and granting of credit, subsequent monitoring of counterparty creditworthiness and the active management of credit exposures. Authority to approve credits is delegated by the subsidiary's Board of Directors to committees entrusted with the task of credit assessment and evaluation, under specific credit policies and operational procedures in place in that subsidiary.

Each subsidiary maintains an internal audit department responsible for carrying out reviews of credit exposures to counterparties and assessing their quality and adherence to laid down approval procedures.

Liquidity Risk

Liquidity risk is the risk of loss to the Group arising from its inability either to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses.

ABG and its subsidiaries each has in place a liquidity management framework, taking into account its liquidity exposures in respect of their current and savings accounts, deposits from banks and other financial institutions and their restricted and unrestricted investment accounts, so as to ensure that it maintains liquid assets at prudential levels so that cash can quickly be made available to honour all its obligations. Liquidity management also recognises the impact of potential cash outflows arising from irrevocable commitments to fund new assets, as well as the potential risk impact of withdrawals by large single depositors, ensuring that there is no reliance on one customer or small group of customers. Liquidity management reporting conforms to all local regulations.

Equity Investment Risk

Equity investment risk can be defined as the risk of financial loss to the Group arising from any of its units entering into a partnership for the purpose of undertaking or participating in a particular financing or general business activity, in which the provider of finance shares in the business risk.

Each Group subsidiary has in place appropriate strategies, risk management and reporting processes in respect of the risk characteristics of equity investments, including mudaraba, musharaka and other investments. Each subsidiary ensures that its valuation methodologies are appropriate and consistent, and assesses the potential impact of its methods on profit calculations and allocations mutually agreed between that subsidiary and its partners. Each subsidiary further has defined and established appropriate exit strategies and risk management and reporting processes in respect of each of their equity investment activities.

Profit Rate Risk or Rate of Return Risk

The Group is exposed to rate of return risk in that an increase in general benchmark rates may lead to investment account holders having expectations of a higher rate of return, thus putting operating units under market pressure to pay a rate of return that exceeds the rate that has been earned on assets financed by the investment account holders, by waiving all or part of their share of profits and/or fee as Mudarib. However, the Group is not liable to pay any predetermined returns to investment account holders.

Currency Risk

Currency or foreign exchange rate risk is the risk of an adverse impact on the Group's earnings or shareholders' equity due to currency rate movements. The Group is exposed to foreign exchange rate risk in that the value of a financial instrument, or its net investment in its foreign subsidiaries, may fluctuate due to changes in foreign exchange rates. The Group's significant net foreign currency exposures are detailed in Note 26 to the Financial Statements.

Operational Risk

Operational risk is the risk of financial loss or damage resulting from inadequate or failed internal processes, people and systems or from external events.

Operations risk is managed through internal procedures and monitoring mechanisms, while management of legal risk is through effective consultation with internal and external legal counsel. Other operational risk is managed by ensuring that trained and competent people and appropriate infrastructure, controls and systems are in place to ensure the identification, assessment and management of all substantial risks.

The Group is also exposed to risks relating to its fiduciary responsibilities towards fund providers. Fiduciary risk arises from the failure to perform in accordance with explicit and implicit standards applicable to an Islamic bank's fiduciary responsibilities, leading to losses in investments or failure to safeguard the interests of the investment account holders. Group units have in place appropriate mechanisms to safeguard the interests of all fund providers. Where investment account holders' funds are commingled with a Group unit's own funds, the respective Group unit ensures that the bases for asset, revenue, expense and profit allocations are established, applied and reported in a manner consistent with the Group's fiduciary responsibilities.

Group policy dictates that the operational functions of booking, recording and monitoring of transactions are carried out by staff independent of the staff initiating the transactions. Group units have primary responsibility for identifying and managing their own operational risks. Each unit is guided by policies, procedures, and controls that are relevant for each function. Internal control policies and procedures dictate the segregation of duties, delegation of authorities, exceptions reporting, exposures management and reporting, and reconciliations, and are based on the submission of timely and reliable management reporting.

The Group is taking steps to commission an outside consultancy to design Groupwide policies for disaster recovery and business continuity planning.

Separate Internal Control units carry out ongoing monitoring of day-to-day procedures and ensure adherence to key control functions. With the improvement in the Group's technology base, controls are frequently integrated into processing systems.

Shari'a Compliance Risk

Shari'a compliance risk arises from the failure to comply with the rules and principles of Shari'a and is therefore akin to reputation risk. Group units have in place systems and controls, including their respective Shari'a Supervisory Boards, to ensure compliance with all Shari'a rules and principles.

The success of the contemporary Islamic banking and finance movement owes much to the contribution and patronage of Sheikh Saleh Kamel, the founder of Albaraka Banking Group. Although the Group is young as a single legal entity, its antecedents go back to the late 1960s, when Sheikh Kamel oversaw the devising of Islamic contracts which, through his business operations, were the preferred route for doing business with conventional banks, a development that was quickly followed in the early 1970s by the establishment of Islamic financial institutions across the Arab world in the Al-Baraka name.

As part of ABG's Corporate Social Responsibility (CSR) outreach, we believe that we have a particular obligation to local communities, through patronage and sponsorship of educational and social projects, to enhance the living conditions and indeed the quality of life of needy individuals in the societies of which we are a part. In meeting this commitment to society we make all possible effort to apply one of the important philosophical pillars of Islamic banking: the concept of "construction of land", which means adding tangible value to assets. This concept has a direct relevance to the development of society and its social and economic progress and we seek to apply it through active investment mediation which complements real and value-added production and through the exchange of commodities and services, offering an alternative to those financial intermediaries that offer no benefit to society.

We at ABG consider the role of CSR in our organisation to be essential to the application of the principles derived from divine power and on which our business activities in all the countries in which we operate are based. All our subsidiaries embrace Islamic ethical principles and apply them to banking operations and services. These principles may be summarised as:

First: Investments may only be made in sectors and industries that meet ethical standards. The moral values of Islam dictate that Muslims must invest in the production of and trade in useful and beneficial goods only. They forbid investment in activities that, among others, contribute to the production of alcoholic beverages, tobacco or weapons, or are associated in any way with gambling, pornography or the abuse of children, women and minorities, and all other morally questionable practices.

Second: All Islamic banks and financial institutions eschew the payment of interest in their relations with depositors, consumers and businesses, as Islam prohibits the paying or charging of interest. Instead ABG's banking subsidiaries, like all Islamic banks, accept deposits on an investment basis, whereby depositors share with the bank in the actual results of the realisation of their investments. Financing is provided to businesses mainly on the basis of instalment sale, leasing or equity participation. In this way, like all Islamic banks, they and their depositors share the financial risk with the entrepreneurs and together they reap the benefits of the investments.

The prohibition of interest is to be found in the Qur'an and is fundamental to the ethical standards and core values laid out therein. ABG's subsidiaries, as Islamic banks, firmly adhere to these core values by disallowing the charging or paying of interest, an essential difference between Islamic and conventional banks. Yet, customers of Islamic banks and other financial institutions generally share a similar experience to that of customers of conventional banks - they share their profit with the depositors. The essential difference in Islam is that the practice of profit sharing is such that wealth creation is the result of a partnership between investors and entrepreneurs in which both the risks and rewards are shared: returns on invested capital are based on profits actually generated rather than predetermined interest rates.

Third: All contracts entered into by ABG's banking subsidiaries and all their relations with businesses and depositors must comply with the ethical standards of honesty, clarity and transparency.

"We believe that we have a particular obligation to local communities, through patronage and sponsorship of educational and social projects, to enhance the living conditions and indeed the quality of life of needy individuals in the societies of which we are a part."

Adnan Ahmed Yousif
President & Chief Executive

In the Name of Allah, The Beneficent, The Merciful, Ever Merciful
Praise be to Allah and peace be upon our Prophet Mohamed, His Apostles and Companions:

To: Albaraka Banking Group Shareholders

May peace and God's Mercy and Blessings Be Upon You

In accordance with Article (58) of the Articles of Association of Albaraka Banking Group, we are required to submit the following report:

We have reviewed the principles applied by the Group and reviewed the 2007 Shari'a reports issued by the Group Units' Shari'a Supervisory Boards or Shari'a Advisors. We have also reviewed their financial statements when needed. In addition, we examined the Group's financial position as of 31 December 2007and Statement of Income and their notes. We have queried from some of the Technical's on the points that need explanation and statement. We have also reviewed the process of calculating Zakat in accordance with the Accounting Standard No. (9) issued by an Accounting and Audit of the Islamic financial Institutions.

The Group and Units managements are responsible for ensuring that these operate and conduct their business in accordance with Islamic Shari'a Principles. Our responsibility is to express an independent opinion based on our review of the Shari'a reports and financial statements of the Group and its Units.

The Unit's Shari'a Supervisory Boards and Shari'a advisors, as is clear from their report, have supervised the Units' business activities including examining on test basis documentations and procedures applied by the Group and its Units.

The Units' Shari'a Supervisory Boards and Shari'a advisors, as is clear from their reports, planned and performed reviews so as to obtain all the information and explanations they considered necessary in order to provide them with sufficient evidence to provide reasonable assurance that the Group and its Units have not violated Shari'a Rules and Principles.

In our opinion:

- The Contracts, transactions and dealings entered into by the Group and its Units during the year ended 31st December 2007 are made in compliance with Shari'a Rules and Principles.

- The allocation of profit and charging of losses relating to investment accounts conform to the basis that have been approved in accordance with Shari'a Rules and Principles.

- All earnings realized from sources or by means prohibited by Islamic Shari'a Rules and Principles have been committed by the Management to dispose it off to Charitable Causes.

- The attached Zakat calculation was prepared in accordance with the provisions and principles of Islamic Sharia according to the Net Invested Fund Method in the Financial Accounting Standard No. (9) issued by an Accounting and Audit of Islamic financial Institutions and on the basis set out in the resolution of the International Islamic Fiqh Academy that if a company calculate Zakat, the shareholders is committed to pay his Zakat according to that calculation, whatever his intention was. Since the Group and the Units are not empowered to pay Zakat, shareholders should pay their share of Zakat. The Zakat per share is 4.17 US cents.

Praise be to God

Issued on 13 Safar 1429H,
corresponding to 20 February 2008 AD.

Executive Committee of the Unified Shari'a Supervisory Board

Dr. Abdul Sattar Abu Ghudah (President Shari'a Supervisory Board)	Dr. Ahmed Mohyedeen (Shari'a Supervisory Board's Member)

	US Dollar ('000)
Equity Attributable to Shareholders	1,143,763
Less:	
Ijarah Munthaia Bultamleek financed by Shareholders	(101,603)
Investment held to maturity financed by Shareholders	(63,907)
Investment in Associate financed by Shareholders	(5,368)
Properties and equipment financed by Shareholders	(110,634)
Intangible assets financed by Shareholders	(48,382)
Add:	
Long-term Liabilities	259,965
Shareholders shares on paid Zakat by Associate	4,924
Shareholders shares on paid Zakat by Subsidiaries	706
Zakatable amount	**1,079,464**
Zakat Percentage	2.5775%
Gross Zakat amount	**27,823**
Less: Shareholders shares on paid Zakat by Subsidiaries	(706)
Net due Zakat	**27,117**
Number of shares (thousand)	651,000
Zakat per share (US cent)	**4.17**

Auditors’ Report to the Shareholders of

Albaraka Banking Group B.S.C.

We have audited the accompanying consolidated balance sheet of Albaraka Banking Group B.S.C. (“the Bank”) and its subsidiaries (“the Group”) as of 31 December 2007, and the related consolidated statements of income, cash flows, changes in equity, restricted investment accounts, sources and uses of charity fund and sources and uses of good faith qard fund for the year then ended. These consolidated financial statements and the Bank’s undertaking to operate in accordance with Islamic Shari’a Rules and Principles are the responsibility of the Bank’s Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with both International Standards on Auditing and Auditing Standards for Islamic Financial Institutions. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007, the results of its operations, its cash flows, sources and uses of charity fund and sources and uses of good faith qard fund for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and the Shari’a Rules and Principles as determined by the Shari’a Supervisory Board of the Bank.

We confirm that, in our opinion, proper accounting records have been kept by the Bank and the consolidated financial statements, and the contents of the Report of the Board of Directors relating to these consolidated financial statements, are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the Central Bank of Bahrain and Financial Institutions Law, nor of the memorandum and articles of association of the Bank, have occurred during the year ended 31 December 2007 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position and that the Bank has complied with the terms of its banking licence.

Ernst & Young

26 February 2008
Manama, Kingdom of Bahrain

Consolidated Balance Sheet

31 December 2007

	Notes	2007 US$ '000	2006 US$ '000
ASSETS			
Cash and balances with banks	3	**2,281,127**	1,816,778
Receivables	4	**5,621,480**	4,086,920
Mudaraba and Musharaka financing	5	**707,458**	239,515
Investments	6	**711,049**	927,903
Ijarah Muntahia Bittamleek	7	**348,637**	211,325
Property and equipment	8	**163,825**	130,951
Other assets	9	**270,403**	212,435
TOTAL ASSETS		**10,103,979**	7,625,827
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Customer current and other accounts		**1,792,590**	1,333,954
Due to banks		**69,027**	115,276
Other liabilities	10	**449,883**	268,107
		2,311,500	1,717,337
UNRESTRICTED INVESTMENT ACCOUNTS	11	**6,222,821**	4,697,366
EQUITY	12		
Share capital		**651,000**	630,000
Share premium		**192,390**	238,890
Reserves		**85,630**	33,605
Retained earnings		**109,153**	42,672
Proposed appropriations		**105,590**	33,430
Equity attributable to the shareholders of the parent		**1,143,763**	978,597
Minority interest		**425,895**	232,527
TOTAL EQUITY		**1,569,658**	1,211,124
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		**10,103,979**	7,625,827

Saleh Abdullah Kamel
Chairman

Adnan Ahmed Yousif
Member of the Board and
President and Chief Executive

The attached explanatory notes 1 to 30 form part of these consolidated financial statements.

Consolidated Statement of Income

Year Ended 31 December 2007

	Notes	2007 US$ '000	2006 US$ '000
Income			
Joint income from receivables		449,146	330,548
Net income from jointly financed contracts and investments		118,387	112,371
	14	567,533	442,919
Gross return to unrestricted investment accounts	15	(497,800)	(373,850)
Group's share as a Mudarib	15	127,671	100,464
Return on unrestricted investment accounts		(370,129)	(273,386)
Groups share of income from joint financing and investment accounts		197,404	169,533
Mudarib share for managing restricted investment accounts		9,090	6,628
Net income from self financed contracts and investments	14	87,413	46,283
Other fees and commission income	16	112,235	87,796
Other operating income	17	38,312	29,327
TOTAL OPERATING INCOME		444,454	339,567
Staff expenses		126,340	91,330
Depreciation and amortisation	18	18,109	13,160
Other operating expenses	19	84,559	62,413
TOTAL OPERATING INCOME		229,008	166,903
NET INCOME FOR THE YEAR BEFORE PROVISIONS, PROFIT ON DEEMED DISPOSAL OF A SUBSIDIARY & TAXATION		215,446	172,664
Provisions	20	(24,117)	(33,015)
Profit on deemed disposal of a subsidiary	21	54,179	-
NET INCOME BEFORE TAXATION		245,508	139,649
Taxation		(44,666)	(15,933)
NET INCOME FOR THE YEAR		200,842	123,716
Attributable to:			
Equity shareholders of the parent		144,148	80,252
Minority interest		56,694	43,464
		200,842	123,716
Basic and diluted earnings per share - US cents (note 22)		22	14

The attached explanatory notes 1 to 30 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2007

	Notes	2007 US$ '000	2006 US$ '000
OPERATING ACTIVITIES			
Net income before taxation		**245,508**	139,649
Adjustments for non-cash items:			
Depreciation and amortisation	18	**18,109**	13,160
Depreciation on Ijarah Muntahia Bittamleek	14.4	**106,865**	105,868
Gain on sale of property and equipment	17	**(133)**	(347)
Provisions	20	**24,117**	33,015
Income from associates	14.3	**(1,200)**	(226)
Gain on sale of associates	14.3	**-**	(4,835)
Profit on deemed disposal of a subsidiary	21	**(54,179)**	-
Operating profit before changes in operating assets and liabilities		**339,087**	286,284
Net changes in operating assets and liabilities:			
Reserves with central banks		**(96,045)**	(93,969)
Receivables		**(1,549,180)**	(1,135,328)
Mudaraba and Musharaka financing		**(468,446)**	1,411
Ijarah Muntahia Bittamleek		**(244,177)**	(147,727)
Other assets		**(59,997)**	(28,461)
Customer current and other accounts		**458,636**	148,362
Due to banks		**(46,249)**	3,844
Other liabilities		**139,961**	39,053
Taxation paid		**(18,859)**	(16,642)
Directors' remuneration paid		**(430)**	-
Net cash used in operating activities		**(1,545,699)**	(943,173)
INVESTING ACTIVITIES			
Net disposal (purchase) of investments		**216,356**	(182,454)
Net purchase of property and equipment		**(39,879)**	(27,127)
Dividend received from associates		**841**	6,180
Disposal of investment in associates		**-**	16,859
Net cash from (used in) investing activities		**177,318**	(186,542)
FINANCING ACTIVITIES			
Proceeds from share capital issued		**-**	369,604
Equity transaction cost		**-**	(10,714)
Dividends paid to equity holders of parent		**(12,000)**	(17,000)
Increase in unrestricted investment accounts		**1,525,455**	682,197
Net changes in minority interest		**145,944**	(8,716)
Net cash from financing activities		**1,659,399**	1,015,371
Foreign currency translation adjustments		**77,286**	(7,480)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**368,304**	(121,824)
Cash and cash equivalents at 1 January		**1,368,744**	1,490,568
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	23	1,737,048	1,368,744

The attached explanatory notes 1 to 30 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the parent										
			Reserves								
	Share capital US$'000	*Share premium US$'000*	*Statutory reserve US$'000*	*Cumulative changes in fair values reserve US$'000*	*Foreign currrency reserve US$'000*	*Other reserves US$'000*	*Retained earnings US$'000*	*Proposed appropriations US$'000*	*Total US$'000*	*Minority intrest US$'000*	*Total equity US$'000*
Balance at 1 January 2007	**630,000**	**238,890**	**8,025**	**5,851**	**18,943**	**786**	**42,672**	**33,430**	**978,597**	**232,527**	**1,211,124**
Bonus shares issued (note 12)	21,000	-	-	-	-	-	-	(21,000)	-	-	**-**
Directors' remuneration paid	-	-	-	-	-	-	-	(430)	(430)	-	**(430)**
Net movement in cumulative changes in fair value	-	-	-	32	-	-	-	-	32	(57)	**(25)**
Net movement in other reserves	-	-	-	-	-	734	-	-	734	362	**1,096**
Foreign currency translation	-	-	-	-	43,295	-	-	-	43,295	33,991	**77,286**
Total income and expense for the year recognised directly in equity	-	-	-	32	43,295	734	-	-	44,061	34,296	**78,357**
Net income for the year	-	-	-	-	-		144,148	-	144,148	56,694	**200,842**
Total income and expense for the year	-	-	-	**32**	**43,295**	**734**	**144,148**	-	**188,209**	**90,990**	**279,199**
Transfer to statutory reserve	-	-	14,415	-	-	-	(14,415)	-	-	-	**-**
Dividends paid	-	-	-	-	-	-	-	(12,000)	(12,000)	-	**(12,000)**
Proposed dividends	-	-	-	-	-	-	(58,590)	58,590	-	-	**-**
Proposed bonus shares	-	(46,500)	-	-	-	-	-	46,500	-	-	**-**
Proposed directors' remuneration	-	-	-	-	-	-	(500)	500	-	-	**-**
Net proceeds from initial public offering of a subsidiary (note 21)	-	-	-	-	-	-	-	-	-	103,452	**103,452**
Adjustment on deemed disposal of a subsidiary (note 21)	-	-	-	-	(6,451)	-	-	-	(6,451)	6,451	**-**
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(10,877)	**(10,877)**
Adjustment on combination of Operations (note 27)	-	-	-	-	-	-	(4,162)	-	(4,162)	4,162	**-**
Net movement in minority interest	-	-	-	-	-	-	-	-	-	(810)	**(810)**
Balance at 31 December 2007	**651,000**	**192,390**	**22,440**	**5,883**	**55,787**	**1,520**	**109,153**	**105,590**	**1,143,763**	**425,895**	**1,569,658**

The attached explanatory notes 1 to 30 form part of these consolidated financial statements.

	Attributable to equity holders of the parent										
			Reserves								
	Share capital US$'000	*Share premium US$'000*	*Statutory reserve US$'000*	*Cumulative changes in fair values reserve US$'000*	*Foreign currrency reserve US$'000*	*Other reserves US$'000*	*Retained earnings US$'000*	*Proposed appropriations US$'000*	*Total US$'000*	*Minority intrest US$'000*	*Total equity US$'000*
Balance at 1 January 2006	387,998	-	14,351	9,368	23,518	2,573	111,526	17,000	566,334	200,799	767,133
Capitalisation (note 12)	122,002	-	(14,351)	-	-	-	(107,651)	-	-	-	-
Share capital issued for cash (note 12)	120,000	249,604	-	-	-	-	-	-	369,604	-	369,604
Equity transaction cost (note 12)	-	(10,714)	-	-	-	-	-	-	(10,714)	-	(10,714)
Net movement in cumulative change in fair value	-	-	-	(3,517)	-	-	-	-	(3,517)	1,295	(2,222)
Net movement in other reserves	-	-	-	-	-	(1,787)	-	-	(1,787)	(1,410)	(3,197)
Foreign currency translation	-	-	-	-	(4,575)	-	-	-	(4,575)	(2,905)	(7,480)
Total income and expense for the year recognised directly in equity	-	(10,714)	-	(3,517)	(4,575)	(1,787)	-	-	(20,593)	(3,020)	(23,613)
Net income for the year	-	-	-	-	-	-	80,252	-	80,252	43,464	123,716
Total income and expense for the year	-	(10,714)	-	(3,517)	(4,575)	(1,787)	80,252	-	59,659	40,444	100,103
Transfer to statutory reserve	-	-	8,025	-	-	-	(8,025)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(17,000)	(17,000)	-	(17,000)
Proposed dividends	-	-	-	-	-	-	(33,000)	33,000	-	-	-
Proposed directors' remuneration	-	-	-	-	-	-	(430)	430	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(2,678)	(2,678)
Net movement in minority interest	-	-	-	-	-	-	-	-	-	(6,038)	(6,038)
Balance at 31 December 2006	630,000	238,890	8,025	5,851	18,943	786	42,672	33,430	978,597	232,527	1,211,124

The attached explanatory notes 1 to 30 form part of these consolidated financial statements.

	Cash US$'000	Sales Receivable US$'000	Mudaraba financing US$'000	Musharaka financing US$'000	Investment Properties US$'000	Investment US$'000	Others US$'000	Total US$'000
Balance at 1 January 2006	50,096	248,846	1,500	2,732	12,293	83,020	8,104	406,591
Deposits	42,312	301,363	132,358	-	9,122	1,104	24,650	510,909
Withdrawls	(66,020)	(227,688)	(51,895)	(1,592)	(11,385)	(35,984)	(6,416)	(400,980)
Income net of expenses	-	18,976	1,961	15	6,212	(119)	735	27,780
Mudarib's share	-	(4,246)	(287)	(15)	(1,864)	(18)	(198)	(6,628)
Foreign exchange translations	-	-	-	-	-	62	-	62
Balance at 31 December 2006	**26,388**	**337,251**	**83,637**	**1,140**	**14,378**	**48,065**	**26,875**	**537,734**
Deposits	**110,960**	**110,924**	**10,717**	**-**	**2,664**	**74,449**	**32,147**	**341,861**
Withdrawals	**(72,131)**	**(92,593)**	**(22,448)**	**(1,140)**	**(4,141)**	**(57,742)**	**(33,983)**	**(284,178)**
Income net of expenses	**-**	**21,870**	**-**	**14**	**3,046**	**16,557**	**817**	**42,304**
Mudarib's share	**-**	**(4,179)**	**(14)**	**(14)**	**(761)**	**(3,908)**	**(214)**	**(9,090)**
Foreign exchange translations	**-**	**-**	**-**	**-**	**-**	**532**	**-**	**532**
Balance at 31 December 2007	**65,217**	**373,273**	**71,892**	**-**	**15,186**	**77,953**	**25,642**	**629,163**

The attached explanatory notes 1 to 30 form part of these consolidated financial statements.

Consolidated Statement of Sources and Uses of Charity Fund

Year Ended 31 December 2007

	Note	2007 US$ '000	2006 US$ '000
Sources of charity fund			
Contribution by the Group		**713**	479
Interest income on mandatory reserve		**10,505**	7,108
Other non-Islamic income		**1,300**	1,804
Total sources		**12,518**	9,391
Uses of charity fund			
Charitable contributions		**7,651**	6,350
Others		**695**	418
Total uses		**8,346**	6,768
Net increase of sources over uses		**4,172**	2,623
Foreign exchange translations		**885**	(207)
Balance of charity fund at beginning of the year		**4,969**	2,553
Balance of charity fund at end of the year	10	**10,026**	4,969

The attached explanatory notes 1 to 30 form part of these consolidated financial statements.

Consolidated Statement of Sources and Uses of Good Faith Qard Fund

Year Ended 31 December 2007

	Note	2007 US$ '000	2006 US$ '000
Sources of Good Faith Qard fund			
Contribution by the Group		**11,725**	10,794
Others		**1,177**	831
Total Sources		**12,902**	11,625
Uses of Good Faith Qard fund			
Marriage		**1,100**	1,078
Medical treatment		**843**	894
Education		**1,956**	1,124
Settlement of current accounts		**6,195**	3,354
Others		**2,808**	5,175
Total uses		**12,902**	11,625
Balance of Good Faith Qard fund at beginning of the year		**9,638**	8,622
Advances granted during the year		**12,902**	11,625
Advances settled during the year		**(9,074)**	(10,609)
Foreign exchange translations		**139**	-
Balance of Good Faith Qard fund at end of the year	9	**13,605**	9,638

The attached explanatory notes 1 to 30 form part of these consolidated financial statements.

1 ACTIVITIES

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 Dubai International Financial Exchange.

The Bank operates under a wholesale 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. As of 31 December 2007, the total number of employees employed by the Group was 6,128 (2006: 5,435).

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

a. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, trading and available for sale investments that have been measured at fair value. The consolidated financial statements are presented in United States Dollars, and all values are rounded to the nearest US Dollar thousands.

b. Statement of Compliance

The consolidated financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (the “AAOIFI”), the Shari’a Rules and Principles as determined by the Shari’a Supervisory Board of the Group and the Bahrain Commercial Companies Law. For matters which are not covered by AAOIFI standards, the Group uses the International Financial Reporting Standards (the “IFRSs”).

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Minority share in a subsidiary’s net assets is reported as a separate item in the Group’s entity. In the consolidated statement of income, minority share is included in net profit.

Minority interests consist of the amount of those interests at the date of the original business combination and the minorities share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Transactions with minority interests are handled in the same way as transactions with external parties. Sale of participations to minority interests result in a gain or loss that is recognised in the consolidated statement of income. Acquisition of minority shares can result in goodwill if the cost exceeds the carrying amount of the acquired net assets. Acquisitions/disposals of minority interests are accounted for using the parent entity extension method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Basis of consolidation (continued)

The following are the principal subsidiaries of the Bank, which are consolidated in these financial statements:

Bank	*Ownership for 2007*	*Ownership for 2006*	*Year of incorporation*	*Country of incorporation*
Held directly by Bank				
Banque Albaraka D'Algeria (BAA)	**55.9%**	55.9%	1991	Algeria
Albaraka Islamic Bank - Bahrain (note 27)	**91.1%**	78.3%	1984	Bahrain
Bank Et-Tamweel Al-Tunisi Al-Saudi (BEST)	**78.4%**	78.4%	1983	Tunisia
Egyptian Saudi Finance Bank	**73.7%**	73.7%	1980	Egypt
Albaraka Bank Lebanon	**96.3%**	96.3%	1991	Lebanon
Jordan Islamic Bank (JIB)	**57.4%**	55.5%	1978	Jordan
Al Amin Bank (note 27)	**N/A**	100.0%	1987	Bahrain
Albaraka Turk Participation Bank	**54.1%**	67.8%	1985	Turkey
Albaraka Bank Limited (ABL)	**51.8%**	51.7%	1989	South Africa
Albaraka Bank Sudan	**86.2%**	86.2%	1984	Sudan

Company	*Subsidiary held through*	*Effective Ownership for 2007*	*Effective Ownership for 2006*	*Year of incorporation*	*Country of incorporation*
Al- Rizq Trading Company	JIB	**51.7%**	50.0%	1994	Jordan
Al-Omariya School Company	JIB	**54.2%**	52.4%	1987	Jordan
Al-Samaha Real Estate Company	JIB	**54.5%**	52.7%	1998	Jordan
Future Applied Computer Technology Company	JIB	**57.3%**	55.4%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	**57.4%**	55.5%	2006	Jordan
Dar AlBaraka	BAA	**55.9%**	55.9%	2003	Algeria
AlBaraka Properties (Pty) Ltd.	ABL	**51.7%**	51.7%	1991	South Africa
Best Lease (*)	BEST	**33.1%**	27.3%	1995	Tunisia

** During 2007, Best Lease became a subsidiary and is consolidated in Bank Et-Tamweel Al-Tunisi Al-Saudi (note 6.2).*

d. Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash on hand, balance with central bank and amounts due from banks on demand or with an original maturity of three months or less.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Receivables

Receivables comprise Sales (Murabaha) receivables, Ijarah receivables, Salam receivables and Istisna'a receivables.

Sales (Murabaha) receivables
Sales (Murabaha) receivables consist mainly of murabaha and international commodities stated net of deferred profits and provisions for impairment.

Ijarah receivables
Ijarah receivables is the outstanding rental at the end of the year less any provision for doubtful amount.

Salam receivables
Salam receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

Istisna'a receivables
Istisna'a receivables is the outstanding amount at the end of the year less any provision for doubtful amount.

f. Mudaraba and Musharaka financing

Mudaraba and Musharaka financing are partnerships in which the Bank contributes capital. These are stated at the fair value of consideration given less impairment.

g. Investments

Investments comprise investment properties, investment in associates, trading securities, available for sale investments and held to maturity investments.

Investment properties
Properties held for rental or for capital appreciation purposes, or both, are classified as investment properties. These are initially recognised at cost including transaction cost and subsequently re-measured at fair value with the resulting unrealised gains being recognised in the consolidated statement of changes in equity under investment properties fair value reserves to the extent of the portion of the fair value reserve relating to equity. Unrealised losses are recognised in equity to the extent of the available balance, taking into consideration the portion related to owners' equity and equity of unrestricted investment account holders. In case cumulative losses exceed the available balance under equity, the excess is recognised in the consolidated statement of income under unrealised re-measurement losses on investments.

Investment in associates
The Group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associates and the Group are identical and the associates accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Trading securities
"These are initially recognised at cost and subsequently re-measured at fair value. All related realised and unrealised gains or losses are included in the consolidated statement of income.

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Investments (continued)

Available for sale investments
Subsequent to acquisition, available for sale investments are re-measured at fair value. The cumulative gain on fair values (net of any losses) is reflected proportionately in owners' equity and unrestricted investment accounts. Cumulative losses are reflected in the consolidated statement of income.

In case there are unrealised losses that have been recognised in the consolidated statement of income in a previous financial period, the unrealised gains related to the current period are recognised to the extent of previous losses recognised in the consolidated statement of income. Any excess of such gains over such prior period losses is added to the cumulative changes in fair value in the consolidated statement of changes in equity. On disposal, the cumulative gains previously recognised in equity is recognised in the consolidated statement of income.

Held to maturity investments
Investments which have fixed or determinable payments and where the Group has both the intent and ability to hold to maturity are classified as held to maturity. Such investments are carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any premium or discount on acquisition. Any gain or loss on such investment is recognised in the consolidated income statement, when the investment is de-recognised or impaired.

h. Ijarah Muntahia Bittamleek

Assets acquired for leasing (Ijarah) are stated at cost, less accumulated depreciation.

Depreciation is provided on the straight line method over the period of the lease.

A provision for doubtful receivable is made if, in the opinion of management, the outstanding rentals net of security, are doubtful of recovery.

i. Property and equipment

Property and equipment are initially recognised at cost. The cost of additions and major improvements are capitalised; maintenance and repairs are charged to the consolidated statement of income as incurred. Gains or losses on disposal are reflected in other operating income. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets other than freehold land, which is deemed to have an indefinite life.

The calculation of depreciation is on the following basis:

Buildings	30 years
Office furniture and equipment	4 - 10 years
Vehicles	3 years
Others	4 - 5 years

j. Unrestricted investment accounts

All unrestricted investment accounts are carried at cost plus accrued profit and related reserves. Investment risk reserves and profit equalisation reserves are made at the Bank or subsidiary level.

k. Investment risk reserve

Investment risk reserves are amounts appropriated out of the income of unrestricted investment account holders, after allocating the mudarib share, in order to cater against future losses for unrestricted investment account holders. The Bank uses this reserve to cater against future losses for unrestricted investment account holders.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the Mudaraba income, before allocating the mudarib share, in order to maintain a certain level of return on investments for unrestricted investment account holders.

m. Taxation

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with the fiscal regulations of the respective countries in which the subsidiaries operate. The Group accounts for its share of associates profit after accounting for corporate taxation. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

n. Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group at current profit rates for contracts with similar term and risk characteristics.

For Sales (Murabaha) receivables the fair value is determined at Bank or subsidiary level at the end of the financial period at their cash equivalent value.

o. Shari'a supervisory board

The Group's business activities are subject to the supervision of a Shari'a supervisory board consisting of five members appointed by the general assembly.

p. Zakat

The responsibility of payment of Zakat is on individual shareholders of the Group, its unrestricted investment account holders and other account holders except for few subsidiaries where the responsibility of payment of Zakat is on the individual subsidiary as a single entity.

q. Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non-Islamic source. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for various social welfare activities. The movements in these funds is shown in statement of sources and uses of charity fund.

r. Revenue recognition

Sales (Murabaha) receivables
Profit from Sales (Murabaha) receivables is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to accounts that are 90 days overdue is excluded from the statement of income.

Mudaraba and Musharaka financing
Income on Mudaraba and Musharaka financing is recognised when the right to receive payment is established or on distribution by the Mudarib. Income related to accounts that are 90 days overdue is excluded from the statement of income.

Salam and Istisna'a financing
Income on Salam and Istisna'a is recognised on time-apportioned basis since the income from a contract is contractually determinable or quantifiable.

Fee income
Fee and commission income is recognised when earned.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Revenue recognition (continued)

Ijarah Muntahia Bittamleek
Income net of depreciation is recognised on a time-apportioned basis over the lease term.

Other income
Other income on investments is recognised when the right to receive payment is established.

Group's share as a Mudarib
The Group's share of profit as a Mudarib for managing unrestricted investment accounts is based on the terms and conditions of the related mudarib agreements.

Mudarib's share of restricted investment
The Group shares profit for managing restricted investment accounts based on the terms and conditions of related contracts.

s. Return on unrestricted investment accounts

Unrestricted investment accounts holders' share of income is calculated based on the applicable local laws and based on the underlining individual mudaraba contract. It represents the income generated from joint investment accounts and after deducting other expenses. Other expenses include all expenses incurred by the Group including specific provisions. The Group's share is deducted before distributing such income.

t. Joint and self financed

Investments, financing and receivables that are jointly owned by the Group and the unrestricted investment accounts holders are classified under the caption "jointly financed" in the consolidated financial statements. Investments, financing and receivables that are financed solely by the Group are classified under "self financed".

u. Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the assessment by the Group of the estimated cash equivalent value, is recognised in the consolidated income statement. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income.

In addition, the Group maintains a provision to reflect a potential loss that may occur as a result of currently unidentifiable risks in relation to receivables, financings or investment assets. The amount reflects estimated losses affecting these assets attributable to events that have already occurred at the date of the financial statements, and not estimated losses attributable to future events.

v. Restricted investment accounts

Restricted investment accounts represent funds received by the Group from third parties for investment in specified products as directed by the investment account holders. These assets are managed in a fiduciary capacity and the Group has no entitlement to these assets. Clients bear all of the risks and earn all of the rewards on these investments. Restricted investments are not included in the consolidated balance sheet since the Group does not have the right to use or dispose these investments except within the conditions of the contract between the Group and holders of restricted investment accounts.

w. Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a religious or legal right to offset the recognised amounts and there is actual expectation of the Group to settle on a net basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

x. Employees' end of service benefits

The Group provides for end of service benefits to its employees. Entitlement to these benefits is based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued for over the period of employment.

y. Provisions

Provisions are recognised when there is a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

z. Foreign currencies

Foreign currency transactions at the entity level
Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. The monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to income statement at the entity level.

Foreign currency translations
As at the reporting date, the assets and liabilities of foreign currencies are translated into the presentation currency of the Group (United States Dollars) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the consolidated statement of income.

aa. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which effects the amounts recognised in the financial statements:
Classification of investments
Management decides on acquisition of an investment whether it should be classified as trading, held to maturity or available for sale.

bb. Use of estimates in preparation of the consolidated financial statements

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities at the date of the consolidated financial statements. The use of estimates is used primarily to the determination of provisions for sales (murabaha) receivable, mudaraba financing, musharaka financing, available for sale investments, ijarah receivable and other assets.

cc. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

dd. Collateral pending sale

Collateral acquired in settlement of certain financing facilities is stated at the lower of the net realisable value of the related financing facilities and the current fair value of such assets. Gains or losses on disposal, and revaluation losses, are recognised in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

ee. Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

(i) the right to receive cash flows from the asset have expired;

(ii) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

(iii) the Group has transferred its rights to receive cash flows from the asset and either

(a) has transferred substantially all the risks and rewards of the asset, or

(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

ff. Intangible assets
Intangible assets comprise principally the value of computer software. Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

gg. Dividends
Dividends to shareholders are recognised as liabilities in the period in which they are declared.

3 CASH AND BALANCES WITH BANKS

	2007 US$ '000	*2006 US$ '000*
Balances with central banks*	**1,346,375**	1,188,785
Balances with other banks	**770,060**	507,423
Cash and cash in transit	**164,692**	120,570
	2,281,127	**1,816,778**

* Balances with the central banks include mandatory reserves amounting to US$ 544 million (2006: US$ 448 million). These amounts are not available for use in the Group's day-to-day operations.

4 RECEIVABLES

	2007 US$ '000	*2006 US$ '000*
Sales (Murabaha) receivables (4.1)	**5,482,299**	3,971,681
Ijarah receivables (4.2)	**22,484**	21,096
Salam receivables (4.3)	**101,043**	79,614
Istisna'a receivables (4.4)	**15,654**	14,529
	5,621,480	**4,086,920**

4 RECEIVABLES (continued)

4.1 Sales (Murabaha) receivables

	2007			2006		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
International commodity murabaha	276,288	311,512	587,800	119,582	587,443	707,025
Other murabaha	447,943	4,861,212	5,309,155	326,360	3,257,025	3,583,385
Gross Sales (Murabaha) receivables	724,231	5,172,724	5,896,955	445,942	3,844,468	4,290,410
Provisions (note 20)	(7,925)	(163,917)	(171,842)	(7,050)	(140,598)	(147,648)
	716,306	5,008,807	5,725,113	438,892	3,703,870	4,142,762
Deferred profits	(3,536)	(239,278)	(242,814)	(2,383)	(168,698)	(171,081)
Net Sales (Murabaha) receivables	712,770	4,769,529	5,482,299	436,509	3,535,172	3,971,681

Sales (Murabaha) receivables, which are non-performing as of 31 December 2007, amounted to US$ 375 million (2006: US$ 341 million).

The Group considers the promise made in Sales (Murabaha) receivables to the purchase orderer as obligatory.

4.2 Ijarah receivables

	2007			2006		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross amount	3,509	22,457	25,966	3,708	20,716	24,424
Provisions (note 20)	(1,893)	(1,589)	(3,482)	(2,983)	(345)	(3,328)
	1,616	20,868	22,484	725	20,371	21,096

Ijarah receivables, which are non-performing as of 31 December 2007, amounted to US$ 6.1 million (2006: US$ 2.8 million).

4.3 Salam receivables

	2007			2006		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross amount	-	108,643	108,643	-	85,707	85,707
Provisions (note 20)	-	(7,600)	(7,600)	-	(6,093)	(6,093)
	-	101,043	101,043	-	79,614	79,614

Salam receivables, which are non-performing as of 31 December 2007, amounted to US$ 12.2 million (2006: US$ 10.0 million).

4 RECEIVABLES (continued)

4.4 Istisna'a receivables

	2007			2006		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross amount	-	15,840	15,840	-	14,801	14,801
Provisions (note 20)	-	(186)	(186)	-	(272)	(272)
	-	15,654	15,654	-	14,529	14,529

Istisna'a receivables, which are non-performing as of 31 December 2007, amounted to US$ 122 thousand (2006: US$ 112 thousand).

5 MUDARABA AND MUSHARAKA FINANCING

	2007 US$ '000	2006 US$ '000
Mudaraba financing (5.1)	527,880	155,071
Musharaka financing (5.2)	179,578	84,444
	707,458	239,515

5.1 Mudaraba financing

	2007			2006		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross amount	52,309	476,132	528,441	6,420	149,212	155,632
Provisions (note 20)	-	(561)	(561)	-	(561)	(561)
	52,309	475,571	527,880	6,420	148,651	155,071

Mudaraba financing, which are non-performing as of 31 December 2007, amounted to US$ 0.6 million (2006: US$ 0.6 million).

5.2 Musharaka financing

	2007			2006		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross amount	41,622	140,038	181,660	4,480	81,224	85,704
Provisions (note 20)	(115)	(1,967)	(2,082)	(115)	(1,145)	(1,260)
	41,507	138,071	179,578	4,365	80,079	84,444

Musharaka financing, which are non-performing as of 31 December 2007, amounted to US$ 3.3 million (2006: US$ 2.2 million).

6 INVESTMENTS

	2007 US$ '000	2006 US$ '000
Investment properties (6.1)	71,720	68,184
Investment in associates (6.2)	17,642	17,876
Trading securities (6.3)	27,251	3,799
Available for sale investments (6.4)	296,028	207,851
Held to maturity investments (6.5)	298,408	630,193
	711,049	927,903

6.1 Investment properties

	2007			2006		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Cost	5,753	49,015	54,768	1,382	42,752	44,134
Accmulated fair value adjustments	-	16,952	16,952	-	24,050	24,050
	5,753	65,967	71,720	1,382	66,802	68,184

Investment properties at fair value at 31 December consist of the following:

	2007			2006		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Land	-	27,528	27,528	-	32,920	32,920
Buildings	5,753	38,439	44,192	1,382	33,882	35,264
	5,753	65,967	71,720	1,382	66,802	68,184

6 INVESTMENTS (continued)

6.2 Investment in associates

Investments in associates comprise the following:

			2007			
	Ownership % 2007	*Country of incorporation*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*	*Market value US$ '000*
Quoted						
Investment Banking						
AlAmin Investment Company	32.2	Jordan	-	7,001	7,001	8,774
Insurance						
Islamic Insurance Company	35.3	Jordan	-	5,977	5,977	6,130
Others						
Jordan Centre for International Trade Company	40.8	Jordan	-	2,408	2,408	5,357
			-	15,386	15,386	20,261
Unquoted						
Real Estate						
Baraka Development Immobile	20.0	Algeria	1,019		1,019	
Egyptian Saudi Finance Real Estate	40.0	Egypt	-	412	412	
Insurance						
Aman Takaful Insurance	38.7	Lebanon	825	-	825	
			1,844	412	2,256	
			1,844	15,798	17,642	

6 INVESTMENTS (continued)

6.2 Investment in associates (continued)

Investments in associates comprise the following:

			2006			
	Ownership % 2006	*Country of incorporation*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*	*Market value US$ '000*
Quoted						
Investment Banking						
AlAmin Investment Company	32.2	Jordan	-	6,727	6,727	5,890
Insurance						
Islamic Insurance Company	35.3	Jordan	-	5,177	5,177	6,130
Others						
Jordan Centre for International Trade Company	40.8	Jordan	-	2,447	2,447	2,348
			-	14,351	14,351	14,368
Unquoted						
Real Estate						
Baraka Development Immobile	20.0	Algeria	924	-	924	
Egyptian Saudi Finance Real Estate	40.0	Egypt	-	396	396	
Leasing						
BEST Lease (*)	34.8	Tunis	1,380	-	1,380	
Insurance						
Aman Takaful Insurance	38.7	Lebanon	825	-	825	
			3,129	396	3,525	
			3,129	14,747	17,876	

* Bank Et-Tamweel Al-Tunisi Al-Saudi (BEST Bank) acquired additional shares of BEST Lease increasing the ownership to 42.3% (2006: 34.8%). In addition, BEST Bank has during 2007 obtained control over BEST Lease through its power to govern the financial and operating policies of BEST Lease and also has the power to cast the majority of votes at meetings of the Board of Directors, therefore has been consolidated in 2007.

6 INVESTMENTS (continued)

6.3 Trading securities

	2007 Self financed US$ '000	2007 Jointly financed US$ '000	2007 Total US$ '000	2006 Self financed US$ '000	2006 Jointly financed US$ '000	2006 Total US$ '000
Quoted equities	3,568	23,683	27,251	1,666	2,133	3,799

6.4 Available for sale investments

	2007 Self financed US$ '000	2007 Jointly financed US$ '000	2007 Total US$ '000	2006 Self financed US$ '000	2006 Jointly financed US$ '000	2006 Total US$ '000
Quoted investments						
Managed funds	7,475	36,164	43,639	4,128	37,101	41,229
Equities and sukook	8,968	126,655	135,623	3,339	41,313	44,652
	16,443	162,819	179,262	7,467	78,414	85,881
Unquoted investments at cost						
Managed funds	-	4,434	4,434	802	18,637	19,439
Equities and sukook	94,617	22,849	117,466	95,040	12,080	107,120
	94,617	27,283	121,900	95,842	30,717	126,559
Provisions (note 20)	(4,850)	(284)	(5,134)	(4,305)	(284)	(4,589)
	106,210	189,818	296,028	99,004	108,847	207,851

6.5 Held to maturity investments

	2007 Self financed US$ '000	2007 Jointly financed US$ '000	2007 Total US$ '000	2006 Self financed US$ '000	2006 Jointly financed US$ '000	2006 Total US$ '000
Unquoted investments at cost						
Sukook and similar items	6,619	291,789	298,408	7,160	623,033	630,193

7 IJARAH MUNTAHIA BITTAMLEEK

	2007			2006		
	Self financed US$ '000	*Jointly financed US$ '000*	*Total US$ '000*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Cost:						
1 January	**28,172**	**295,403**	**323,575**	17,114	255,629	272,743
Additions	**54,068**	**180,786**	**234,854**	14,819	148,652	163,471
Disposals	**(952)**	**(33,855)**	**(34,807)**	(2,915)	(100,717)	(103,632)
Foreign exchange translations	**6,261**	**44,977**	**51,238**	(846)	(8,161)	(9,007)
31 December	**87,549**	**487,311**	**574,860**	28,172	295,403	323,575
Accumulated depreciation:						
1 January	**10,167**	**102,083**	**112,250**	8,721	93,555	102,276
Additions	**7,862**	**99,003**	**106,865**	5,053	100,815	105,868
Disposals	**(924)**	**(16,903)**	**(17,827)**	(3,392)	(89,033)	(92,425)
Foreign exchange translations	**1,728**	**23,207**	**24,935**	(215)	(3,254)	(3,469)
31 December	**18,833**	**207,390**	**226,223**	10,167	102,083	112,250
Net book value:						
At 31 December	**68,716**	**279,921**	**348,637**	18,005	193,320	211,325

	Properties US$ '000	*Equipment US$ '000*	*Others US$ '000*	*2007 US$ '000*
Cost:				
1 January	**77,060**	**221,595**	**24,920**	**323,575**
Additions	**78,900**	**130,642**	**25,312**	**234,854**
Disposals	**(12,061)**	**(12,178)**	**(10,568)**	**(34,807)**
Foreign exchange translations	**8,610**	**42,047**	**581**	**51,238**
At 31 December	**152,509**	**382,106**	**40,245**	**574,860**
Depreciation:				
At 1 January	**19,828**	**87,596**	**4,826**	**112,250**
Provided during the year	**16,051**	**86,173**	**4,641**	**106,865**
Disposals	**(3,800)**	**(13,093)**	**(934)**	**(17,827)**
Foreign exchange translations	**3,080**	**21,855**	**-**	**24,935**
At 31 December	**35,159**	**182,531**	**8,533**	**226,223**
Net book value:				
At 31 December 2007	**117,350**	**199,575**	**31,712**	**348,637**
Net book value:				
At 31 December 2006	57,232	133,999	20,094	211,325

8 PROPERTY AND EQUIPMENT

	Land and buildings US$ '000	*Office furniture and equipment US$ '000*	*Vehicles US$ '000*	*Others US$ '000*	*Total US$ '000*
Cost:					
At 1 January 2007	**121,301**	**88,136**	**9,450**	**9,740**	**228,627**
Additions	22,431	14,185	2,620	4,951	44,187
Disposals	(2,890)	(5,002)	(1,164)	(4)	(9,060)
Foreign exchange translations	8,188	6,585	885	1,864	17,522
At 31 December 2007	**149,030**	**103,904**	**11,791**	**16,551**	**281,276**
Depreciation:					
At 1 January 2007	**28,332**	**59,706**	**5,387**	**4,251**	**97,676**
Provided during the year	4,040	7,930	1,498	2,373	15,841
Disposals	(960)	(3,042)	(939)	(662)	(5,603)
Foreign exchange translations	3,402	3,866	425	1,844	9,537
At 31 December 2007	**34,814**	**68,460**	**6,371**	**7,806**	**117,451**
Net book value:					
At 31 December 2007	**114,216**	**35,444**	**5,420**	**8,745**	**163,825**
At 31 December 2006	92,969	28,430	4,063	5,489	130,951

9 OTHER ASSETS

	2007 US$ '000	*2006 US$ '000*
Bills receivable	**132,188**	92,541
Goodwill 9(a)	**44,344**	47,227
Collateral pending sale	**18,704**	25,859
Deferred taxation	**11,831**	11,501
Good Faith Qard Fund	**13,605**	9,638
Intangible assets	**4,038**	4,199
Others	**55,476**	30,283
Total	**280,186**	221,248
Provisions (note 20)	**(9,783)**	(8,813)
	270,403	212,435

9 OTHER ASSETS (continued)

9 (a) Goodwill

	2007 US$ '000	2006 US$ '000
Cost:		
At 1 January 2007	**47,227**	40,000
Additions	**5,206**	7,227
Disposals made during the year (note 21)	**(8,089)**	-
At 31 December	**44,344**	47,227

Goodwill acquired through business combinations with indefinite lives have been allocated to three individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2007 US$ '000	2006 US$ '000
Albaraka Turk Participation Bank	**31,911**	40,000
Egyptian Saudi Finance Bank	**5,044**	5,044
Jordan Islamic Bank	**7,389**	2,183
	44,344	47,227

10 OTHER LIABILITIES

	2007 US$ '000	2006 US$ '000
Payables	**150,155**	120,858
Cash margins	**117,173**	59,819
Other provisions (note 20)	**10,448**	10,600
Current taxation *	**32,214**	12,474
Deferred taxation *	**16,277**	9,880
Accrued expenses	**30,579**	14,258
Charity fund	**10,026**	4,969
Others	**83,011**	35,249
	449,883	268,107

* In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a reconciliation between the accounting and taxable profits together with the details of effective tax rates.

11 UNRESTRICTED INVESTMENT ACCOUNTS

	2007 US$ '000	2006 US$ '000
Unrestricted investment accounts	6,144,231	4,629,422
Profit equalisation reserve (note 11.1)	2,236	207
Investment risk reserve (note 11.2)	53,190	43,453
Cumulative changes in fair value attributable to unrestricted investment accounts (11.3)	23,164	24,284
	6,222,821	4,697,366

11.1 Movement in profit equalisation reserve

	2007 US$ '000	2006 US$ '000
Balance at 1 January	207	10
Amount apportioned from income allocable to unrestricted investment account holders	1,942	200
Amount used during the period	-	(3)
Foreign exchange translations	87	-
Balance at 31 December	2,236	207

11.2 Movement in investment risk reserve

	2007 US$ '000	2006 US$ '000
Balance at 1 January	43,453	39,015
Amount appropriated (to) from provision (note 20)	(2,949)	4,363
Amount apportioned from income allocable to unrestricted investment account holders	9,727	555
Foreign exchange translations	2,959	(480)
Balance at 31 December	53,190	43,453

11 UNRESTRICTED INVESTMENT ACCOUNTS (continued)

11.2 Movement in accumulated fair value adjustments

	2007 US$ '000	2006 US$ '000
Balance at 1 January	24,284	7,375
Change in fair values attributable to unrestricted investment accounts	1,578	19,605
Acquisitions/(disposals) - net	(2,698)	(2,696)
	23,164	24,284
Attributable to investment properties	16,952	24,050
Attributable to available for sale	6,212	234
	23,164	24,284

12 EQUITY

The extra-ordinary meeting No. (5) dated 20 March 2006 approved the capitalisation of US$ 14.4 million of the statutory reserve and an amount of US$ 107.7 million of the retained earnings. As a result, the share capital increased to US$ 510 million. In the same extra-ordinary meeting, the Group was converted from a closed joint stock company to a public joint stock company. In addition, the Bank issued 120 million new shares through an initial public offering of US$ 3.08 per share including a premium of US$ 2.08 per share. This resulted in an increase in share capital to US$ 630 million.

The Bank issued bonus shares at one bonus share for each 30 shares held following shareholders' approval and the Board of Directors' resolution in its meeting held in March 2007. This was also approved by the Ministry of Industry and Commerce and the Central Bank of Bahrain.

	2007 US$ '000	2006 US$ '000
Share capital		
Authorised 1,500,000,000 shares of US$ 1 each	1,500,000	1,500,000

	2007 US$ '000	2006 US$ '000
Issued and fully paid up		
At beginning of the year 630,000,000 (2006: 387,998,025) shares of US$1 each	630,000	387,998
Capitalisation of retained earnings and statutory reserve Nil (2006: 122,001,975) shares of US$1 each	-	122,002
Issued during the year	-	120,000
Nil (2006: 120,000,000) shares of US$1 each, issued in cash		
21,000,000 Bonus shares (2006: nil) of US$1 each	21,000	-
At end of the year 651,000,000 (2006: 630,000,000) shares of US$1 each	651,000	630,000

12 EQUITY (continued)

Additional information on shareholding pattern

i) Names and nationalities of the major shareholders and the number of shares in which they have an interest of 5% or more of outstanding shares:

At 31 December 2007

Names	*Nationality*	*No. of shares*	*% holding*
Saleh Abdulla Kamel	Saudi	196,019,181	30.11%
Dallah AlBaraka Holding Company E.C.	Bahraini	160,379,752	24.64%
Altawfeek Company For Investment Funds	Cayman Island	134,828,537	20.71%
Abdulla AbdulAziz AlRajihi	Saudi	44,324,209	6.81%

At 31 December 2006

Names	*Nationality*	*No. of shares*	*% holding*
Saleh Abdulla Kamel	Saudi	189,695,984	30.11%
Dallah AlBaraka Holding Company E.C.	Bahraini	155,206,214	24.64%
Altawfeek Company For Investment Funds	Cayman Island	131,052,187	20.80%
Abdulla AbdulAziz AlRajihi	Saudi	42,894,396	6.81%

During the year Saudi Investment Bank and Dallah Al Baraka Holding Company E.C. have entered into memorandum of understanding that will result in Saudi Investment Bank acquiring 50% of the shares belonging to Dallah Al Baraka Holding Company and Saleh Abdulla Kamel in exchange for Dallah Al Baraka Holding Company owning shares in Saudi Investment Bank at a swap price to be agreed by the two parties on the finalisation of legal and operational formalities which are expected to be completed during 2008.

ii) The Bank has only one class of shares and the holders of these shares have equal voting rights.
iii) Distribution schedule of shares, setting out the number of holders and percentage in the following categories:

At 31 December 2007

Categories	*No. of shares*	*No. of shareholders*	*% of total outstanding shares*
Less than 1%	34,281,897	1,348	5.26%
1% up to less than 5%	81,166,424	8	12.47%
5% up to less than 10%	44,324,209	1	6.81%
20% up to less than 50%	491,227,470	3	75.46%
	651,000,000	1,360	100.00%

12 EQUITY (continued)

At 31 December 2006

Categories	No. of shares	No. of shareholders	% of total outstanding shares
Less than 1%	31,540,559	1,586	5.00%
1% up to less than 5%	79,610,660	9	12.64%
5% up to less than 10%	42,894,396	1	6.81%
20% up to less than 50%	475,954,385	3	75.55%
	630,000,000	**1,599**	**100.00%**

Share premium/Equity transaction cost
Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue costs, are treated as share premium. This amount is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law.

Equity transaction cost, represent costs incurred by the Bank that are directly related to raising capital and have been incurred in cash.

The Bank proposed issuance of bonus shares from the share premium at one bonus share for each 14 shares. This will be submitted for formal approval at the Extra-ordinary General Meeting subject to regulatory approval.

Statutory reserve
In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital.

Cumulative changes in fair values
This represents the net unrealised fair value gains relating to the equity of the parent on available-for-sale investments and investment properties.

Foreign currency reserve
The foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Other reserves
Other reserves mainly consist of general banking risk reserves maintained by the subsidiaries in accordance with local regulations.

Proposed Appropriations

	2007 US$ '000	*2006 US$ '000*
Cash dividend 9% (2006: 1.9%)	**58,590**	12,000
Bonus shares	**46.500**	21,000
Directors' remuneration	**500**	430
	105,590	33,430

The above proposed appropriations will be submitted for formal approval at the Annual General Meeting subject to regulatories approval.

The proposed appropriations for the year 2006 was approved at Annual General Meeting on 28 March 2007 and was effected in 2007 following that approval.

Net movement in minority interest
This mainly includes the effect of changes in capital of subsidiaries.

13 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. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The risk asset ratio, calculated in accordance with the capital adequacy guidelines approved by the CBB (Basel I), for the Bank is as follows:

	2007 US$ '000	*2006 US$ '000*
Capital base:		
Tier 1 capital	**1,455,671**	1,126,317
Tier 2 capital	**87,599**	70,504
Total capital base	**1,543,270**	1,196,821
Risk weighted assets	**4,593,933**	3,844,052
Capital adequacy	**33.59%**	31.13%
Minimum requirement	**12.00%**	12.00%

Capital adequacy guidelines approved by the CBB related to Basel II calculation will be effective from 1 January 2008. The management believes that the Bank will be able to meet the requirement of the CBB to comply with the above within the time set by the CBB.

14 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS

	2007 US$ '000	*2006 US$ '000*
Receivables (note 14.1)	**521,468**	372,489
Mudaraba and Musharaka financing (note 14.2)	**26,932**	22,692
Investments (note 14.3)	**59,575**	68,130
Ijarah Muntahia Bittamleek (note 14.4)	**28,842**	18,808
Others	**18,129**	7,083
	654,946	489,202
Net income from jointly financed contracts and investments	**567,533**	442,919
Net income from self financed contracts and investments	**87,413**	46,283
	654,946	489,202

14 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS (continued)

14.1 Receivables

	2007 US$ '000	2006 US$ '000
Sales (Murabaha) receivables	514,071	365,505
Salam receivables	6,146	6,048
Ilstisna'a receivables	1,251	936
	521,468	372,489

14.2 Mudaraba and Musharaka financing

	2007 US$ '000	2006 US$ '000
Mudaraba financing	15,903	15,953
Musharaka financing	11,029	6,739
	26,932	22,692

14.3 Investments

	2007 US$ '000	2006 US$ '000
Available for sale and held to maturity investments	53,235	60,964
Investment properties	3,809	2,330
Investment in associates	1,200	226
Gain on sale of associates	-	4,835
Trading securities	1,331	(225)
	59,575	68,130

14.4 Ijarah Muntahia Bittamleek

	2007 US$ '000	2006 US$ '000
Income from Ijarah Muntahia Bittamleek	135,707	124,676
Less: Depreciation on Ijarah Muntahia Bittamleek (note 7)	(106,865)	(105,868)
	28,842	18,808

15 RETURN ON UNRESTRICTED INVESTMENT ACCOUNTS

Group's share as a Mudarib is determined at the level of each subsidiary and is based on the terms and conditions of the related agreements.

16 OTHER FEES AND COMMISSION INCOME

	2007 *US$ '000*	*2006* *US$ '000*
Fees and commissions	68,268	57,229
Letters of credit	29,226	21,750
Guarantees	12,956	7,471
Acceptances	1,785	1,346
	112,235	87,796

17 OTHER OPERATING INCOME

	2007 *US$ '000*	*2006* *US$ '000*
Foreign exchange gain	16,321	7,616
Gain on sale of property and equipment	133	347
Others	21,858	21,364
	38,312	29,327

18 DEPRECIATION AND AMORTISATION

	2007 *US$ '000*	*2006* *US$ '000*
Property and equipment (note 8)	15,841	11,878
Amortisation of intangible assets	2,268	1,282
	18,109	13,160

19 OTHER OPERATING EXPENSES

	2007 *US$ '000*	*2006* *US$ '000*
General and administration	49,529	46,075
Business	14,445	10,959
Premises	20,585	5,379
	84,559	62,413

20 PROVISIONS

	Sales (Murabaha) receivables US$'000	Ijarah receivables US$'000	Salam receivables US$'000	Istisna'a receivables US$'000	Murabaha financing US$'000	Musharaka financing US$'000	Investments US$'000	Other assets US$'000	Other provisions US$'000	Total US$'000
2007										
Provisions at 1 January	**147,648**	**3,328**	**6,093**	**272**	**561**	**1,260**	**4,589**	**8,813**	**10,600**	**183,164**
Charged during the year	**24,564**	**139**	**833**	**9**	**-**	**503**	**832**	**302**	**8,073**	**35.255**
Written back during the year	**(10,925)**	**-**	**-**	**-**	**-**	**-**	**-**	**(211)**	**(2)**	**(11,138)**
	13,639	**139**	**833**	**9**	**-**	**503**	**832**	**91**	**8,071**	**24,117**
	161,287	**3,467**	**6,926**	**281**	**561**	**1,763**	**5,421**	**8,904**	**18,671**	**207,281**
Written off during the year	**(2,375)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,365)**	**(10,740)**
Amount appropriated from investment risk reserve (note 11.2)	**2,949**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,949**
Foreign exchange translations	**9,981**	**15**	**674**	**(95)**	**-**	**319**	**(287)**	**879**	**142**	**11,628**
Provisions at 31 December	**171,842**	**3,482**	**7,600**	**186**	**561**	**2,082**	**5,134**	**9,783**	**10,448**	**211,118**
Notes	**4.1**	**4.2**	**4.3**	**4.4**	**5.1**	**5.2**	**6.4**	**9**	**10**	

	Sales (Murabaha) receivables US$'000	Ijarah receivables US$'000	Salam receivables US$'000	Istisna'a receivables US$'000	Murabaha financing US$'000	Musharaka financing US$'000	Investments US$'000	Other assets US$'000	Other provisions US$'000	Total US$'000
2006										
Provisions at 1 January	141,496	1,084	3,860	242	643	1,102	5,935	2,954	6,473	163,789
Charged during the year	36,278	1,366	2,231	106	-	163	216	2,867	9,041	52,268
Written back during the year	(18,217)	(418)	-	(89)	-	(162)	(367)	-	-	(19,253)
	18,061	948	2,231	17	-	1	(151)	2,867	9,041	33,015
	159,557	2,032	6,091	259	643	1,103	5,784	5,821	15,514	196,804
Written off during the year	(10,915)	-	-		(82)	(15)	(1,113)	(1,123)	(555)	(13,803)
Amount appropriatedto profit equalisation and investment risk reserve (note 11.2)	-	-	-	-	-	-	-	-	(4,363)	(4,363)
Other adjustments	-	-	-	-	-	-	-	4,115	-	4,115
Foreign exchange translations	(994)	1,296	2	13		172	(82)	-	4	411
Provisions at 31 December	147,648	3,328	6,093	272	561	1,260	4,589	8,813	10,600	183,164
Notes	4.1	4.2	4.3	4.4	5.1	5.2	6.4	9	10	

21 PROFIT ON DEEMED DISPOSAL OF A SUBSIDIARY

This relates to the reduction of the Bank's shareholding in Albaraka Turk Participation Bank due to an initial public offering (IPO) in which the Bank did not participate. As a result of this, the Bank's shareholding reduced from 67.76% to 54.06% and a gain of US$ 54,179 thousand was recognised after adjusting for goodwill and foreign currency reserve as follows:

	US$ '000
Gross gain	**55,817**
Share of foreign exchange reserve	**6,451**
Reduction of goodwill	**(8,089)**
	54,179

22 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	2007	*2006*
Net income attributable to the equity shareholders of the parent for the year - US$'000	**144,148**	80,252
Weighted average number of shares outstanding during the year (in thousands)	**651,000**	571,000
Earnings per share - US cents	**22**	14

The weighted average number of shares of the previous year has been adjusted on account of the bonus issue made in 2007.

23 CASH AND CASH EQUIVALENTS

	2007 US$ '000	*2006 US$ '000*
Balances with central banks excluding mandatory reserve	**804,699**	740,751
Balances with other banks	**767,656**	507,423
Cash and cash in transit	**164,693**	120,570
	1,737,048	1,368,744

24 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group.

The income and expenses in respect of related parties are as follows:

	2007 US$ '000	2006 US$ '000
Net income from joint Sales (Murabaha) receivable and jointly financed contracts and investments	1,350	4,131
Net income / (loss) from self financed financing and investments	2,012	(805)
Return on unrestricted investments	135	-

The significant balances with related parties at 31 December were as follows:

	2007 US$ '000	2006 US$ '000
Assets:		
Receivables	1,856	7,575
Mudaraba and Musharaka financing	27,708	38,993
Ijarah Muntahia Bittamleek	-	10,471
Investments	84,508	90,696
Other assets	9,828	8,160
Liabilities:		
Customer current and other accounts	3,205	7,222
Unrestricted investment accounts	10,956	6,339
Restricted investment accounts	11,081	13,704

All related party exposures are performing and are free of any provision for possible credit losses.
Details of Directors' interests in the Bank's shares as at the end of the year were:

	2007		2006	
	No. of shares	No. of directors	No. of shares	No. of directors
Categories:				
Less than 1%	379,584	3	367,339	3
20% up to less than 50%	196,019,181	1	189,695,984	1
	196,398,765	4	190,063,323	4

25 COMMITMENTS

	2007 US$ '000	2006 US$ '000
Letters of credit	435,121	350,304
Guarantees	995,531	549,451
Acceptances	122,931	43,282
Others	75,089	39,655
	1,628,672	982,692

26 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 exposures by setting limits approved by the Board of Directors.

a) 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. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on regular basis.

The table below 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 effective maturities as indicated by the Group's retention history of its investment account holders and the availability of bank lines.

The maturity profile at 31 December 2007 was as follows:

	Up to 1 month US$'000	1 to 3 months US$'000	3 to 6 months US$'000	6 months to 1 year US$'000	1 to 3 years US$'000	Over 3 years US$'000	Undated US$'000	Total US$'000
ASSETS								
Cash and balances with banks	1,497,837	239,211	-	-	-	-	544,079	2,281,127
Receivables	1,230,220	893,860	860,922	930,704	1,072,269	633,505	-	5,621,480
Musharaka and Mudaraba financing	189,955	121,440	77,577	86,380	102,193	129,913	-	707,458
Investments	236,798	51,816	51,067	35,714	48,884	4,968	281,802	711,049
Ijarah Muntahia Bittamleek	24,760	14,890	25,518	57,262	138,595	87,612	-	348,637
Property and equipment	-	-	-	-	-	-	163,825	163,825
Other assets	128,870	10,030	14,221	6,816	3,872	106,594	-	270,403
Total assets	3,308,440	1,331,247	1,029,305	1,116,876	1,365,813	962,592	989,706	10,103,979

26 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

	Up to 1 month US$'000	1 to 3 months US$'000	3 to 6 months US$'000	6 months to 1 year US$'000	1 to 3 years US$'000	Over 3 years US$'000	Undated US$'000	Total US$'000
LIABILITIES								
Customer current and other accounts	1,507,365	30,852	103,691	63,931	43,376	43,375	-	1,792,590
Due to banks	34,636	6,921	24,468	-	-	3,002	-	69,027
Other liabilities	227,771	18,486	16,238	23,629	98,151	65,608	-	449,883
Total Liabilities	1,769,772	56,259	144,397	87,560	141,527	111,985	-	2,311,500
Unrestricted investment accounts	2,922,450	865,644	568,759	924,025	574,606	367,337	-	6,222,821
Total liabilities and unrestricted investment accounts	4,692,222	921,903	713,156	1,011,585	716,133	479,322	-	8,534,321
Net liquidity gap	(1,383,782)	409,344	316,149	105,291	649,680	483,270	989,706	1,569,658

The maturity profile at 31 December 2006 was as follows:

	Up to 1 month US$'000	1 to 3 months US$'000	3 to 6 months US$'000	6 months to 1 year US$'000	1 to 3 years US$'000	Over 3 years US$'000	Undated US$'000	Total US$'000
ASSETS								
Cash and balances with banks	1,179,830	188,914	-	-	-	-	448,034	1,816,778
Receivables	823,723	726,526	663,280	592,970	746,679	533,742	-	4,086,920
Musharaka and Mudaraba financing	24,034	47,123	43,485	19,521	37,370	67,982	-	239,515
Investments	193,686	182,701	127,273	149,767	74,250	114,166	86,060	927,903
Ijarah Muntahia Bittamleek	7,892	15,637	19,133	32,025	115,177	21,461	-	211,325
Property and equipment	-	-	-	-	-	-	130,951	130,951
Other assets	86,633	35,190	7,403	9,694	18,878	7,901	46,736	212,435
Total assets	2,315,798	1,196,091	860,574	803,977	992,354	745,252	711,781	7,625,827

26 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

	Up to 1 month US$'000	*1 to 3 months US$'000*	*3 to 6 months US$'000*	*6 months to 1 year US$'000*	*1 to 3 years US$'000*	*Over 3 years US$'000*	*Undated US$'000*	*Total US$'000*
LIABILITIES								
Customer current and other accounts	831,555	134,553	84,610	283,236	-	-	-	1,333,954
Due to banks	32,460	40,627	41,388	801	-	-	-	115,276
Other liabilities	144,449	25,428	18,903	18,996	59,189	1,142	-	268,107
Total Liabilities	1,008,464	200,608	144,901	303,033	59,189	1,142	-	1,717,337
Unrestricted investment accounts	2,118,856	846,814	462,864	661,202	357,397	250,233	-	4,697,366
Total liabilities and unrestricted investment accounts	3,127,320	1,047,422	607,765	964,235	416,586	251,375	-	6,414,703
Net liquidity gap	(811,522)	148,669	252,809	(160,258)	575,768	493,877	711,781	1,211,124

b) 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. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties. Financing contracts are mostly secured by the personal guarantees of the counterparty, by collateral in form of mortgage of the objects financed or other tangible security.

Type of credit risk

Financing contracts mainly comprise Sales (Murabaha) receivables, mudaraba financing and musharaka financing.

Sales (Murabaha) receivables
The Group finances these transactions through buying a commodity which represents the object of the murabaha and then resells this commodity to the murabeh (beneficiary) at a profit. The sale price (cost plus the profit margin) is repaid in installments by the murabeh over the agreed period. The transactions are secured at times by the object of the murabaha (in case of real estate finance) and other times by a total collateral package securing the facilities given to the client.

Mudaraba financing
The Group enters into mudaraba contracts by investing in funds operated primarily by other banks and financial institutions for a definite period of time.

Musharaka financing
An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital or the enterprise.

Ijarah Muntahia Bittamleek
This is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijarah (lease) term, provided that all Ijarah instalments are settled.

26 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Salam receivables
Salam is a contract whereby the bank makes an immediate payment to a seller for the future delivery of a commodity. To protect itself from risk associated with the commodity the Bank simultaneously enters into Parallel Salam contract whereby it sells the commodity for deferred delivery for immediate payment.

Istisna'a receivables
Istisna'a is a sale agreement between the Bank as the seller and the customer as the ultimate purchaser whereby the Bank undertakes to have manufactured or acquire a commodity and sell it to the customer for an agreed upon price on completion at future date.

c) Concentration risk

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular geographic location.

The distribution of assets, liabilities and unrestricted investment account items by geographic region was as follows:

	2007			*2006*		
	Assets US$ '000	***Liabilities US$ '000***	***Unrestricted investment accounts US$ '000***	*Assets US$ '000*	*Liabilities US$ '000*	*Unrestricted investment accounts US$ '000*
Geographic region:						
Domestic (Bahrain)	**625,773**	**55,118**	**236,311**	509,899	28,345	108,003
Other Middle East	**4,085,369**	**1,078,770**	**2,935,426**	3,803,788	831,380	2,680,689
Europe	**3,496,986**	**500,791**	**2,181,984**	1,883,831	342,257	1,191,356
Asia	**409,649**	**41,114**	**274,321**	326,819	50,443	228,419
Africa	**1,372,846**	**629,407**	**584,938**	1,049,614	460,447	478,311
Others	**113,356**	**6,300**	**9,841**	51,876	4,465	10,588
	10,103,979	**2,311,500**	**6,222,821**	7,625,827	1,717,337	4,697,366

Segment information relating to distribution of operating income, net operating income and net income attributable to the shareholders of the parent by geographic region was as follows:

	2007			*2006*		
	Total operating income US$ '000	***Net operating income US$ '000***	***Net income US$ '000***	*Total operating income US$ '000*	*Net operating income US$ '000*	*Net income US$ '000*
Geographic region:						
Domestic (Bahrain)	**10,571**	**(10,414)**	**(10,414)**	21,882	(6,264)	(8,521)
Other Middle East	**148,194**	**80,170**	**58,301**	121,739	68,943	48,002
Europe	**174,621**	**92,060**	**119,517**	119,979	65,377	53,688
Asia	**1,221**	**1,328**	**1,221**	2,164	3,320	2,674
Africa	**107,242**	**50,276**	**30,192**	71,397	38,882	25,467
Others	**2,605**	**2,026**	**2,025**	2,406	2,406	2,406
	444,454	**215,446**	**200,842**	339,567	172,664	123,716

26 RISK MANAGEMENT (continued)

d) Market risk

Market risk arises from fluctuations in profit rates, equity prices and foreign exchange rates. The management of the Group have set limits on the level of risk that may be accepted. This is monitored by the local management at the subsidiary level.

Profit rate risk
The Group has risk to changes in profit rate arising from the possibility that changes in profit rate will affect the fair value of the financial instruments or will affect future cash flows.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the investment portfolio. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

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.

The Group had the following significant net exposures denominated in foreign currencies as of 31 December:

	2007 US$ '000 equivalent long (short)	*2006 US$ '000 equivalent long (short)*
Jordanian Dinar	**170,226**	148,449
Turkish Lira	**238,764**	154,945
Egyptian Pound	**76,474**	69,485
Sudanese Pound	**34,589**	31,044
Bahraini Dinar	**15,763**	21,786
Algerian Dinar	**47,572**	39,874
Lebanese Pound	**(54)**	13,559
Saudi Riyal	**(546)**	578
Pound Sterling	**(69)**	930
Tunisia Dinar	**7,447**	212
Euro	**2,122**	(5,231)
South African Rand	**15,348**	12,691
Pakistani Rupees	**4,240**	(2,059)
Others	**9,518**	1,211

27 COMBINATION OF OPERATIONS

During the year the operations of the Bank's wholly owned subsidiary Al Amin Bank B.S.C. (E.C.) and the Bank's other 78% owned subsidiary Al Baraka Islamic Bank B.S.C. (E.C.) were combined. As a result of this combination, the Group's retained earnings have reduced by US$ 4.16 million and minority interest have increased by the same amount.

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Included under investments are unquoted available for sale investments amounting to US$ 121.9 million (2006: US$ 126.6 million) which are carried at cost due to lack of other reliable methods for arriving at a reliable fair value for these investments.

The fair values of other on-balance sheet financial instruments are not significantly different from the carrying values included in the financial statement.

29 SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes and organisations.

30 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect previously reported net income or equity.

EGYPT مصر

السيد / أشرف الغمراوي
العضو المنتدب

Mr. Ashraf Al Ghamrawi
Managing Director

بنك التمويل المصري السعودي

تأسس بنك التمويل المصري السعودي في عام ١٩٨٠، وتتمثل أنشطة البنك الرئيسية في تقديم الخدمات المصرفية للأفراد والخدمات المصرفية التجارية. يقوم البنك بتشغيل ١٦ فرعاً، بيانات الاتصال للبنك هي كالتالي:

٦٠ شارع محي الدين أبوالعز،
ص.ب. ٤٥٥ الدقي، القاهرة،
مصر
هاتف: +٢٠٢٣ ٧٤٨ ١٢٢٢
فاكس: +٢٠٢٣ ٧٦١ ١٤٣٦/٧
الموقع الإلكتروني: www.esf-bank.com

THE EGYPTIAN SAUDI FINANCE BANK

The Egyptian Saudi Finance Bank was incorporated in 1980 and its activities consist of retail and commercial banking. The bank operates 16 branches and several offices.
The contact details of the bank are:

The Egyptian Saudi Finance Bank, 60, Mohie Elddin Abu ElEzz Street, P.O. Box 455 Dokki, Cairo,
Egypt
Tel: +2023 748 1222
Fax: +2023 761 1436/7
Website: www.esf-bank.com

LEBANON لبنان

السيد / معتصم محمصاني
عضو مجلس الإدارة و المدير العام

Mr. Mutasim Mahmassani
Board Member & General Manager

بنك البركة لبنان

تأسس بنك البركة لبنان في عام١٩٩٢ ويزاول أنشطته بموجب الترخيص المصرفي التجاري، وتتمثل أنشطة البنك الرئيسية في تقديم الخدمات المصرفية للأفراد والخدمات المصرفية التجارية. يقوم البنك بتشغيل ٦ فروع، بيانات الاتصال للبنك هي كالتالي:

شارع رشيد كرامي، سنتر فردان ٢٠٠٠، بيروت
لبنان
هاتف: +٩٦١١ ٨٠٨٠٠٨
فاكس: +٩٦١١ ٨٠٦٤٩٩
الموقع الإلكتروني: www.al-baraka.com

ALBARAKA BANK LEBANON

AlBaraka Bank Lebanon was established in 1992 and operates under a commercial banking license. Its activities comprise retail and commercial banking. The bank operates 6 branches.
The contact details of the bank are:

AlBaraka Bank Lebanon, Rashid Karameh Street, Verdun 2000 Centre, Beirut,
Lebanon
Tel: +9611 808008
Fax: +9611 806499
Website: www.al-baraka.com

SYRIA سورية

السيد / مأمون دركزللي
المدير العام

Mr. Mamoun Darkazally
General Manager

بنك البركة – سورية

(تحت التأسيس)

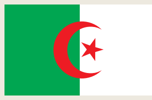
بنك البركة سورية
ساحة عدنان المالكي، شارع طليطلة بناء رقم ٩
ص.ب. ١٠٠ مركز بريد الحجاز – دمشق
سورية
هاتف: +٩٦٣١١ ٣٣٢-١٩٨٠
فاكس: +٩٦٣١١ ٣٣١-٠٠٨١

ALBARAKA BANK SYRIA

(Under Formation)

Al Baraka Bank - Syria
9 Tulaytulah Street, Al Malki Square
Damascus, Syria
P. O. Box: 100, Hijaz Post Center. Damascus, Syria
Tel: +96311 332-1980
Fax: +96311 331-0081

ALGERIA الجزائر



السيد / محمد صديق حفيظ
عضو مجلس الإدارة و المدير العام

Mr. Mohammed Seddik Hafid
Board Member and General Manager

بنك البركة الجزائري

تأسس بنك البركة الجزائري في مايو ١٩٩١ كمصرف إسلامي ويزاول أنشطته بموجب الترخيص المصرفي التجاري الصادر من بنك الجزائر، تتمثل أنشطة البنك الرئيسية في تقديم الخدمات المصرفية للأفراد والخدمات المصرفية التجارية. يقوم البنك بتشغيل ١٧ فرعاً، بيانات الاتصال للبنك هي كالتالي:

حي بوتلجة هويدف، طريق الجنوب، بن عكنون،
الجزائر
هاتف: ٤٥٤ ٩١٦ ٢١٣٢١+
فاكس: ٤٥٨ ٩١٦ ٢١٣٢١+
الموقع الإلكتروني: www.albaraka-bank.com

BANQUE ALBARAKA D'ALGERIE

Banque AlBaraka D'Algerie was incorporated in May 1991 as an 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 17 branches.
The contact details of the bank are:

Hai Bouteldja Houidef, Villa No.1 Rocade Sud, Ben Aknoun, Algiers,
Algeria
Tel: +21321916 454
Fax: +21321 916 458
Website: www.albaraka-bank.com

SOUTH AFRICA جنوب افريقيا

السيد / شبير شوهان
الرئيس التنفيذي

Mr. Shabir Chohan
Chief Executive Officer

بنك البركة المحدود

تأسس بنك البركة المحدود في يونيو عام١٩٨٩ ويزاول أنشطة تقديم الخدمات المصرفية التجارية الإسلامية. يقوم البنك بتشغيل ٦ فروع، بيانات الاتصال للبنك هي كالتالي:

الطابق الأول، ١٣٤ الشارع التجاري، دوربان ٤٠٠١
جنوب أفريقيا
هاتف: ٣٦٦٢٨٠٠ ٢٧٣١+
فاكس: ٣٠٥ ٢٦٣١ ٢٧٣١+
الموقع الإلكتروني: www.albaraka.co.za

ALBARAKA BANK LTD

AlBaraka Bank Ltd was established in 1989 and operates as a commercial Islamic bank. The bank has 6 branches.
The contact details of the bank are:

AlBaraka Bank Ltd., 1st Floor, 134, Commercial Road, Durban 4001,
South Africa
Tel: +2731 366 2800
Fax: +2731 305 2631
Website: www.albaraka.co.za

SUDAN السودان

السيد / عبدالله خيري
المدير العام

Mr. Abdulla Khairy
General Manager

بنك البركة السوداني

تأسس بنك البركة السوداني عام١٩٨٤ وتتمثل أنشطة البنك الرئيسية في تقديم الخدمات المصرفية للأفراد والخدمات المصرفية التجارية والإستثمارية. يقوم البنك بتشغيل ٢٣ فرعاً، بيانات الاتصال للبنك هي كالتالي:

برج البركة، ص.ب. ٣٥٨٣، الخرطوم،
السودان
هاتف: ٧٨٠٦٨٨ ٢٤٩١٨٣+
فاكس: ٧٨٨٥٨٥ ٢٤٩١٨٣+
الموقع الإلكتروني: www.albarakasudan.com

ALBARAKA BANK SUDAN

AlBaraka Bank Sudan was established in 1984 and its activities comprise retail, commercial and investment banking. The bank operates 23 branches.
The contact details of the bank are:

AlBaraka Bank Sudan, AlBaraka Tower, P.O. Box 3583, Khartoum,
Sudan
Tel: +249183 780 688
Fax: +249183 788 585
Website: www.albarakasudan.com

TUNISIA **تونس**

السيد / عيس الحيدوسي
نائب رئيس مجلس الإدارة والمدير العام

Mr. Essa Al-Haidosi
Vice Chairman & General Manager

بنك التمويل التونسي السعودي

تأسس بنك التمويل التونسي السعودي في عام١٩٨٣ ويزاول البنك كل من أنشطة الأوفشور وأنشطة الخدمات المصرفية للأفراد. يقوم البنك بتشغيل ٨ فروع، بيانات الاتصال للبنك هي كالتالي:

٨٨ شارع هادي شاكر، ١٠٠٢، تونس،
تونس
هاتف: +٢١٦٧١ ٧٩٠٠٠٠
فاكس: +٢١٦٧١ ٧٨٠٢٣٥
الموقع الإلكتروني: www.bestbank.com.tn

BANK ET-TAMWEEL AL-TUNISI AL-SAUDI

Bank Et-Tamweel Al-Tunisi Al-Saudi was established in 1983. The bank has both offshore and local retail activities The bank operates 8 branches.
The contact details of the bank are:

Bank Et-Tamweel Al-Tunisi Al-Saudi, 88, Avenue Hedi Chaker 1002, Tunis,
Tunisia
Tel: +21671 790000
Fax: +21671 780235
Website: www.bestbank.com.tn

TURKEY **تركيا**

الدكتور / عدنان بوكودنيز
عضو مجلس الإدارة و المدير العام

Dr. Adnan Buyukdeniz
Board Member and General Manager

بنك البركة التركي للمشاركة

تأسس بنك البركة التركي في عام١٩٨٤ . تتمثل أنشطة البنك الرئيسية في تقديم الخدمات المصرفية للأفراد والخدمات المصرفية التجارية. يقوم البنك بتشغيل ٨٠ فرعاً، بيانات الاتصال للبنك هي كالتالي:

بويو كدير كود ٠٧٨ ، ميسيديكوي ٨٠٢٩٠، أسطنبول،
تركيا
هاتف: +٩٠ ٢١٢ ٢٧٤ ٩٩٠٠
فاكس: +٩٠ ٢١٢ ٢٧٢ ٤٤٧٠
الموقع الإلكتروني: www.albarakaturk.com.tr

ALBARAKA TURK PARTICIPATION BANK

AlBaraka Turk Participation Bank was established in 1984. The bank's activities consist of retail and commercial banking. The bank operates 80 branches.
The contact details of the bank are:

AlBaraka Turk Participation Bank, Buyukdere Cad No.78, 80290 Mecidiyekoy, Istanbul,
Turkey
Tel: +90 212 274 9900
Fax: +90 212 272 4470
Website: www.albarakaturk.com.tr

BAHRAIN **البحرين**

السيد / محمد المطاوعة
عضو مجلس الإدارة و الرئيس التنفيذي

Mr. Mohamed Al Mutaweh
Board Member & Chief Executive Officer

نك البركة الإسلامي

تأسس بنك البركة الإسلامي في البحرين في فبراير عام ١٩٨٤، ويزاول أنشطته كمصرف إسلامي أوفشور (وحدة مصرفية خارجية) وكمصرف إسلامي تجاري. وقد حصل البنك على الترخيص المصرفي التجاري في باكستان في عام ١٩٩١. تتمثل أنشطة البنك الرئيسية في تقديم الخدمات المصرفية للأفراد والخدمات المصرفية التجارية والإستثمارية. يقوم البنك بتشغيل ٢٢ فرعاً في البحرين وباكستان، بيانات الاتصال للبنك هي كالتالي:

برج البركة، ص.ب. ١٨٨٢
المنامة، مملكة البحرين
هاتف : +٩٧٣ ١٧ ٥٣٥ ٣٠٠
فاكس: + ٩٧٣ ١٧ ٥٣٠ ٦٩٥
الموقع الإلكتروني: www.barakaonline.com

ALBARAKA ISLAMIC BANK

AlBaraka Islamic Bank was incorporated in Bahrain in February 1984 and operates as an off-shore and commercial Islamic bank. It obtained a commercial banking licence in Pakistan in 1991. The activities of the bank are retail, commercial and investment banking. The bank operates 22 branches in Bahrain and Pakistan.
The contact details of the bank are:

AlBaraka Islamic Bank, AlBaraka Tower, P.O. Box 1882, Manama, Kingdom of Bahrain
Tel: +973 17 535 300
Fax: +973 17 530 695
Website: www.barakaonline.com

JORDAN — الأردن

السيد / موسى شحادة
نائب رئيس مجلس الإدارة والمدير العام

Mr. Musa Shihadeh
Vice Chairman & General Manager

البنك الإسلامي الأردني

كان البنك الإسلامي الأردني أول بنك إسلامي يتأسس في الأردن في عام١٩٧٨ وتتمثل أنشطة البنك الرئيسية في تقديم الخدمات المصرفية للأفراد والخدمات المصرفية التجارية. يقوم البنك بتشغيل ٦٤ فرعاً، بيانات الاتصال للبنك هي كالتالي:

ص.ب. ٩٢٦٢٢٥، عمّان،
الأردن
هاتف: ‎+٩٦٢٦ ٥٦٧ ٧٣٧٧
فاكس: ‎+٩٦٢٦ ٥٦٦ ٦٣٢٦
الموقع الإلكتروني: www.jordanislamicbank.com

JORDAN ISLAMIC BANK

Jordan Islamic Bank was the first Islamic bank to be established in Jordan, in 1978. Its activities comprise retail, commercial and investment banking. Jordan Islamic Bank has a total of 64 branches.

Jordan Islamic Bank, P.O. Box 926225
Amman,
Jordan
Tel: +9626 567 7377
Fax: +9626 566 6326
Website: www.jordanislamicbank.com

INDONESIA — اندونيسيا

السيد / موسى مختار
رئيس المكتب التمثيلي

Mr. Moes Mokhtar
Chief Representative

مكتب تمثيلي

شارع جيلان كيبون سيريه رقم ٧٥،
جاكرتا – بوساة ١٠٣٤٠
إندونيسيا
هاتف: ‎+٦٢ ٢١ ٣٩٢ ٧٦٣٣
فاكس: ‎+٦٢ ٢١ ٣٩٢ ٧٦٣٧

ABG REPRESENTATIVE OFFICE

Ravindo Building, 7th Floor,
Jalan Kebon Sirih No. 75, Jakarta Pusat 10340,
Indonesia
Tel: +62 21 392 7633
Fax: +62 21 3927637

PAKISTAN — باكستان

السيد / شفاقت أحمد
المدير العام الإقليمي

Mr. Shafqaat Ahmed
Regional General Manager & Country Head

بنك البركة الإسلامي

المكتب الإقليمي لفروع باكستان

السيد / شفاقت أحمد، المدير العام الإقليمي
بي أي سي أي هاوس، ١٤ ش إيوان تجارة، ص.بك ١٦٨٦ – لاهور ٥٤٠٠٠
باكستان
هاتف: ‎+٩٢ ٤٢ ٦٣٠٩٩٦١
فاكس: ‎+٩٢ ٤٢ ٦٣٠٩٩٦٥
الموقع الإلكتروني: www.albaraka.com.pk

AL BARAKA ISLAMIC BANK, PAKISTAN

PICIC House, 14, Shahrah'e Aiwan'e Tajarati,
P.O. Box 1686, Lahore 54000,
Pakistan
Tel: +92 42 6309961
Fax: +92 42 6309965
Website: www.albaraka.com.pk