

Albaraka Banking Group B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2009 (UNAUDITED)

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF
ALBARAKA BANKING GROUP B.S.C.**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Albaraka Banking Group B.S.C. ('the Bank') and its subsidiaries ('the Group') as at 31 March 2009, comprising of the interim consolidated balance sheet as at 31 March 2009 and the related interim consolidated statements of income, cash flows, changes in equity and changes in restricted investment accounts for the three month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies in note 2.




12 May 2009
Manama, Kingdom of Bahrain

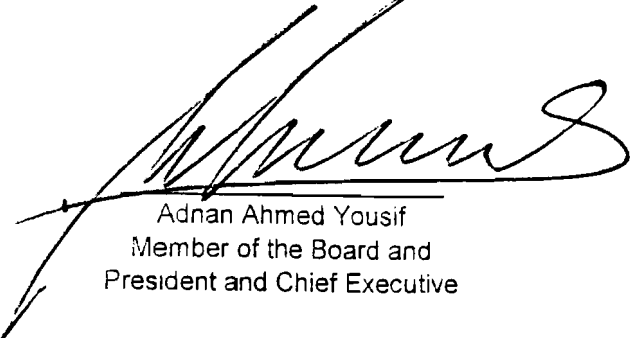
Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED BALANCE SHEET

At 31 March 2009 (Unaudited)

		<i>Audited</i>
	31 March	31 December
	2009	2008
<i>Notes</i>	US\$ '000	US\$ '000
ASSETS		
Cash and balances with banks	2,481,418	2,353,852
Receivables	6,091,233	6,188,219
Mudaraba and Musharaka financing	396,511	797,958
Investments	987,031	797,366
Ijarah Muntahia Bittamleek	310,971	304,824
Property and equipment	157,349	160,350
Other assets	309,958	317,719
TOTAL ASSETS	10,934,471	10,920,288
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		
LIABILITIES		
Customer current and other accounts	1,955,784	2,078,755
Due to banks	24,621	60,360
Other liabilities	504,122	497,771
Total liabilities	2,484,527	2,637,386
UNRESTRICTED INVESTMENT ACCOUNTS	6,928,563	6,732,741
EQUITY		
Share capital	744,000	697,500
Share premium	145,890	145,390
Reserves	67,263	63,460
Cumulative changes in fair values	19,572	9,435
Foreign currency translations	(50,383)	(18,118)
Retained earnings	181,023	157,615
Proposed appropriations	-	74,900
Equity attributable to the shareholders of the parent	1,107,365	1,130,682
Non-controlling interest	414,016	419,479
Total equity	1,521,381	1,550,161
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	10,934,471	10,920,288


 Saleh Abdullah Kamel
 Chairman


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

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2009 (Unaudited)

	31 March 2009 US\$ '000	31 March 2008 US\$ '000
Income		
Net income from jointly financed contracts and investments	185,183	177,430
Gross return on unrestricted investment accounts	(165,545)	(151,919)
Group's share as a Mudarib	52,572	42,035
Return on unrestricted investment accounts	<u>(112,973)</u>	<u>(109,884)</u>
Group's share of income from joint financing and investment accounts	72,210	67,546
Mudarib share for managing restricted investment accounts	355	463
Net income from self financed contracts and investments	20,985	24,907
Other fees and commission income	28,917	36,507
Other operating income	16,767	11,185
TOTAL OPERATING INCOME	<u>139,234</u>	<u>140,608</u>
Staff expenses	39,815	38,809
Depreciation and amortisation	6,487	4,377
Other operating expenses	22,483	20,877
TOTAL OPERATING EXPENSES	<u>68,785</u>	<u>64,063</u>
NET INCOME FOR THE PERIOD BEFORE PROVISIONS AND TAXATION	<u>70,449</u>	<u>76,545</u>
Provisions	(16,390)	(14,362)
NET INCOME FOR THE PERIOD BEFORE TAXATION	<u>54,059</u>	<u>62,183</u>
Taxation	(11,096)	(12,978)
NET INCOME FOR THE PERIOD	<u>42,963</u>	<u>49,205</u>
Attributable to:		
Equity shareholders of the parent	23,840	28,242
Non-controlling interest	19,123	20,963
	<u>42,963</u>	<u>49,205</u>
Basic and diluted earnings per share - US cents (note 10)	<u>3</u>	<u>4</u>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2009 (Unaudited)

	31 March 2009 US\$ '000	31 March 2008 US\$ '000
OPERATING ACTIVITIES		
Net income for the period before taxation	54,059	62,183
Adjustments for:		
Depreciation and amortisation	6,487	4,377
Depreciation on Ijarah Muntahia Bittamleek	14,066	20,853
Unrealised gain on trading securities	(261)	-
(Gain)/Loss on disposal of property and equipment	(672)	29
Provisions	16,390	14,362
Income from associates	(1,966)	-
	88,103	101,804
Operating profit before changes in operating assets and liabilities		
Net changes in operating assets and liabilities		
Reserves with Central Banks	21,806	(64,291)
Receivables	76,071	(411,992)
Mudaraba and Musharaka financing	101,450	(133,442)
Ijarah Muntahia Bitamleek	(20,214)	20,592
Other assets	9,870	12,464
Customer current and other accounts	(122,972)	110,810
Due to banks	(36,239)	145,093
Other liabilities	(15,756)	20,989
Taxation paid	(11,096)	(34,442)
	91,023	(232,415)
Net cash from (used in) operating activities		
INVESTING ACTIVITIES		
Net purchase of investments	(82,043)	(87,524)
Net purchase of property and equipment	(524)	(5,285)
Dividend received from associates	-	467
Purchase of investment in associates	-	(4,307)
	(82,567)	(96,649)
Net cash used in investing activities		
FINANCING ACTIVITIES		
Increase in unrestricted investment accounts	204,133	258,928
Net changes in non-controlling interest	(10,357)	(18,744)
	193,776	240,184
Net cash from financing activities		
	(52,862)	(50,945)
Foreign currency translation adjustments		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	149,370	(139,825)
Cash and cash equivalents at 1 January	1,735,650	1,737,048
CASH AND CASH EQUIVALENTS AT 31 MARCH	1,885,020	1,597,223
For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents are comprised of the following:		
Balances with Central Banks	886,534	637,560
Balances with other banks	805,383	795,381
Cash and cash in transit	193,103	164,282
	1,885,020	1,597,223

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2009 (Unaudited)

	<i>Attributable to equity shareholders of the parent</i>										
	<u>Reserves</u>				Cumulative changes in fair values	Foreign currency translations	Retained earnings	Proposed appropriations	Total	Non- controlling interest	Total equity
	Share capital	Share premium	Statutory reserve	Other reserves							
At 31 December 2008	697,500	145,890	33,810	29,651	9,434	(18,118)	157,614	74,900	1,130,681	419,478	1,550,159
Dividends declared (note 11)	-	-	-	-	-	-	-	(27,900)	(27,900)	-	(27,900)
Bonus shares issued (note 11)	46,500	-	-	-	-	-	-	(46,500)	-	-	-
Directors' remuneration paid (note 11)	-	-	-	-	-	-	-	(500)	(500)	-	(500)
Net movement in cumulative change in fair value	-	-	-	-	10,138	-	-	-	10,138	4,013	14,151
Net movement in other reserves	-	-	-	3,802	-	-	(431)	-	3,371	2,356	5,727
Foreign currency translation	-	-	-	-	-	(32,265)	-	-	(32,265)	(20,597)	(52,862)
Total income and expense for period recognised directly in equity	-	-	-	3,802	10,138	(32,265)	(431)	-	(18,756)	(14,228)	(32,984)
Net income for the period	-	-	-	-	-	-	23,840	-	23,840	19,123	42,963
Total income and expense for the period	-	-	-	3,802	10,138	(32,265)	23,409	-	5,084	4,895	9,979
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(5,573)	(5,573)
Net movement in non- controlling interest	-	-	-	-	-	-	-	-	-	(4,784)	(4,784)
At 31 March 2009	744,000	145,890	33,810	33,453	19,572	(50,383)	181,023	-	1,107,365	414,016	1,521,381

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2009 (Unaudited)

	<i>Attributable to equity shareholders of the parent</i>										
	<u>Reserves</u>				Cumulative changes in fair values	Foreign currency translations	Retained earnings	Proposed appropriations	Total	Non- controlling interest	Total equity
	Share capital	Share premium	Statutory reserve	Other reserves							
At 31 December 2007	651,000	192,390	22,440	1,520	5,883	55,787	109,153	105,590	1,143,763	425,895	1,569,658
Dividends declared (note 11)	-	-	-	-	-	-	-	(58,590)	(58,590)	-	(58,590)
Bonus shares issued (note 11)	46,500	-	-	-	-	-	-	(46,500)	-	-	-
Directors' remuneration paid (note 11)	-	-	-	-	-	-	-	(500)	(500)	-	(500)
Net movement in cumulative change in fair value	-	-	-	-	10,972	-	-	-	10,972	9,193	20,165
Net movement in other reserves	-	-	-	11,080	-	-	-	-	11,080	8,250	19,330
Foreign currency translation	-	-	-	-	-	(20,709)	-	-	(20,709)	(30,236)	(50,945)
Total income and expense for the period recognised directly in equity	-	-	-	11,080	10,972	(20,709)	-	-	1,343	(12,793)	(11,450)
Net income for the period	-	-	-	-	-	-	28,242	-	28,242	20,963	49,205
Total income and expense for the period	-	-	-	11,080	10,972	(20,709)	28,242	-	29,585	8,170	37,755
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(12,638)	(12,638)
Net movement in non- controlling interest	-	-	-	-	-	-	-	-	-	(6,106)	(6,106)
At 31 March 2008	697,500	192,390	22,440	12,600	16,855	35,078	137,395	-	1,114,258	415,321	1,529,579

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the three months ended 31 March 2009 (Unaudited)

	<i>Cash</i> <i>US\$ '000</i>	<i>Sales</i> <i>receivables</i> <i>US\$ '000</i>	<i>Mudaraba</i> <i>financing</i> <i>US\$ '000</i>	<i>Investment</i> <i>properties</i> <i>US\$ '000</i>	<i>Investments</i> <i>US\$ '000</i>	<i>Others</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
At 31 December 2008	52,815	325,534	33,509	19,314	112,073	27,269	570,514
Deposits	9,724	19,357	1,657	8,959	16,866	2,136	58,699
Withdrawals	(3,874)	(133,075)	(10,972)	(4,251)	(19,669)	(898)	(172,739)
Income net of expenses	-	490	173	-	206	53	922
Mudarib's share	-	(190)	(108)	-	(46)	(11)	(355)
Foreign exchange translation	-	-	-	-	(959)	-	(959)
At 31 March 2009	58,665	212,116	24,259	24,022	108,471	28,549	456,082
	<i>Cash</i> <i>US\$ '000</i>	<i>Sales</i> <i>receivables</i> <i>US\$ '000</i>	<i>Mudaraba</i> <i>financing</i> <i>US\$ '000</i>	<i>Investment</i> <i>properties</i> <i>US\$ '000</i>	<i>Investments</i> <i>US\$ '000</i>	<i>Others</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
At 31 December 2007	65,217	373,273	71,892	15,186	77,953	25,642	629,163
Deposits	36,929	57,213	-	76	50,697	5,374	150,289
Withdrawals	(41,385)	(44,297)	(52,853)	(52)	(28,818)	(3,668)	(171,073)
Income net of expenses	-	2,563	-	-	225	20	2,808
Mudarib's share	-	(411)	-	-	(37)	(15)	(463)
Foreign exchange translation	-	-	-	-	67	-	67
At 31 March 2008	60,761	388,341	19,039	15,210	100,087	27,353	610,791

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2009

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 NASDAQ Dubai.

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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2009 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2008. In addition, results for the three months ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2008, which were 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, the Bahrain Commercial Companies Law, Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by the AAOIFI standards including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards.

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the period ended 31 March 2009. The financial statements of the subsidiaries are prepared for the same reporting period 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.

3 RECEIVABLES

	<i>Audited</i>	
	<i>31 March 2009</i>	
	<i>31 December 2008</i>	
	<i>US\$ '000</i>	
	<i>US\$ '000</i>	
Sales receivables	5,938,918	6,033,232
Ijarah receivables	15,276	23,456
Salam receivables	118,335	112,576
Istisna'a receivables	18,704	18,955
	6,091,233	6,188,219

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2009

4 MUDARABA AND MUSHARAKA FINANCING

	31 March 2009 US\$ '000	<i>Audited</i> 31 December 2008 US\$ '000
Mudaraba financing	541,077	638,858
Musharaka financing	155,434	159,100
	696,511	797,958

5 INVESTMENTS

	31 March 2009 US\$ '000	<i>Audited</i> 31 December 2008 US\$ '000
Investment properties	93,682	92,618
Investment in associates	24,648	24,100
Trading securities	30,117	25,200
Available for sale investments	349,410	294,403
Held to maturity investments	389,174	361,045
	887,031	797,366

6 OTHER ASSETS

	31 March 2009 US\$ '000	<i>Audited</i> 31 December 2008 US\$ '000
Bills receivables	121,884	143,415
Goodwill	44,513	46,906
Collateral pending sale	42,471	34,960
Prepayments	15,108	9,792
Deferred taxation	15,469	18,800
Good Faith Qard Fund	16,432	23,903
Intangible assets	5,876	5,770
Others	59,541	50,422
Total	321,294	333,968
Provisions	(11,336)	(16,249)
	309,958	317,719

Albaraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2009

7 OTHER LIABILITIES

	<i>Audited</i>	
	<i>31 March 2009</i>	<i>31 December 2008</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Payables	162,519	183,046
Cash margins	120,994	84,266
Other provisions	7,285	7,151
Current taxation	22,482	56,298
Deferred taxation	1,772	20,328
Accrued expenses	26,139	35,024
Charity fund	10,408	10,961
Others	152,523	100,697
	504,122	497,771

8 CREDIT RELATED COMMITMENTS

	<i>Audited</i>	
	<i>31 March 2009</i>	<i>31 December 2008</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Letters of credit	563,410	511,961
Guarantees	1,761,323	1,898,406
Acceptances	39,628	43,910
Undrawn Commitments	136,421	132,988
Others	13,587	59,331
	2,514,369	2,646,596

9 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:

	<i>31 March 2009</i>	<i>31 March 2008</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net income from jointly financed contracts and investments	978	447
Net income from self financed contracts and investments	89	-
Return on unrestricted investment accounts	16	19
Other operating income	8	-

Albaraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2009

9 RELATED PARTY TRANSACTIONS (continued)

The significant balances with related parties were as follows:

	<i>Audited</i>
	<i>31 March 31 December</i>
	<i>2009 2008</i>
	<i>US\$ '000 US\$ '000</i>
Assets:	
Cash and balances with banks	1,361 1,612
Receivables	62,894 55,634
Mudaraba and Musharaka financing	16,216 9,724
Ijarah Muntahia Bittamleek	- 262
Investments	81,947 85,930
Other assets	941 9,020
	<u> </u> <u> </u>
Liabilities:	
Customer current and other accounts	5,351 2,323
Other liabilities	2,383 1,825
	<u> </u> <u> </u>
Unrestricted investment accounts	7,241 8,460
	<u> </u> <u> </u>
Restricted investment accounts	8,443 14,226
	<u> </u> <u> </u>

All related party exposures are performing and are free of any provision for possible credit losses.

10 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2009</i>	<i>2008</i>
Net income attributable to the equity shareholders of the parent for the period - US\$ '000	23,840	28,242
	<u> </u>	<u> </u>
Weighted average number of shares outstanding during the period - (in thousands)	744,000	744,000
	<u> </u>	<u> </u>
Earnings per share - US cents	3	4
	<u> </u>	<u> </u>

The weighted average number of shares of the previous year has been adjusted on account of the bonus issue made in 2009 and 2008.

Albaraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2009

11 APPROPRIATIONS

	2009 US\$ '000	2008 US\$ '000
Cash dividend, 4% (2008: 9%)	27,900	58,590
Bonus shares	46,500	46,500
Directors' remuneration	500	500
	74,900	105,590

At the Annual General Meeting held on 28 March 2009 (2008: 26 March 2008), the shareholders of the Group resolved to distribute the above appropriations.

12 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by management and the Board of Directors.

For financial reporting purposes, the Group is divided into the following geographic segments:

Middle East
North Africa
Europe
Others

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's interim condensed consolidated financial statements as set out in note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

No business segment are presented as that is not applicable to the Group.

Segment assets, liabilities and unrestricted investment accounts was as follows:

	March 2009			<i>Audited</i> December 2008		
	Assets US\$ '000	Liabilities US\$ '000	Unrestricted investment accounts US\$ '000	Assets US\$ '000	Liabilities US\$ '000	Unrestricted investment accounts US\$ '000
Segment						
Middle East	5,800,456	1,285,086	3,642,371	5,855,240	1,326,330	3,652,678
North Africa	1,461,710	569,612	702,106	1,424,057	570,233	655,249
Europe	3,178,963	418,175	2,371,741	3,134,536	521,917	2,205,894
Others	493,342	211,654	212,345	506,455	218,906	218,920
	10,934,471	2,484,527	6,928,563	10,920,288	2,637,386	6,732,741

Albaraka Banking Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2009

12 SEGMENTAL INFORMATION (continued)

Segment operating income, net operating income and net income was as follows:

	<i>March 2009</i>			<i>March 2008</i>		
	<i>Total operating income</i>	<i>Net operating income</i>	<i>Net income</i>	<i>Total operating income</i>	<i>Net operating income</i>	<i>Net income</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Segment						
Middle East	42,434	13,337	6,158	50,681	24,258	13,376
North Africa	26,662	16,028	13,371	20,402	14,746	12,225
Europe	60,098	36,326	19,108	60,863	34,512	21,657
Others	10,040	4,758	4,326	8,662	3,029	1,947
	139,234	70,449	42,963	140,608	76,545	49,205