

FOUNDERS OF ISLAMIC BANKING

**ABG CONTINUES ITS STRONG PERFORMANCE DURING THE
FIRST HALF OF 2006**

NET PROFITS UP BY 45% AND TOTAL ASSETS BY 6%

Manama, 3 September 2006: The Bahrain based leading Islamic financial institution Al Baraka Banking Group (ABG) announced that its financial results for the half year of 2006 indicate continuing strong performance by all of the Group's units which reflected in a substantial increase in net income before tax by 44.5% to reach US\$65.26 million during the first half 2006, compared to US\$45.16 million for the first half of 2005.

Shaikh Saleh Abdulla Kamel, Chairman of the Board of Directors of the Group said, "We are very pleased to announce such excellent results after the successful completion of the private placement and IPO. The excellent response from strategic and individual investors to the private and public offering induces us to work enthusiastically during the coming period to realize the objectives of the fourth phase of the Group's strategy, namely increasing the financing and investment product range and expanding into the regional, Arab and international markets.

The Group's audited financials for the first half year of 2006 show that the total income for the joint investments increased by 21.4% to reach US\$201.55 million compared to US\$166.06 million during the first half of 2005. This figure includes income from joint financing of US\$146.02 million and net income for joint financing and investment contracts of US\$55.54 million. After deducting the net return on unrestricted investment account, the Group's share of income as a Mudarib from the investment accounted amounted to US\$80.29 million during the first half of 2006, compared to US\$65.75 million during the first half of 2005, reflecting a good increase of 22.1%.

The financials for the half year also reveal a good improvement in the Group's income for other operating income sources such as fees and commissions (US\$36.23million) and income from Bank-financed financing and investment contracts (US\$16.24 million).

Subsequently, the net income after deducting the operating expenses and before tax amounted to US\$65.26 million during the first half of 2006, compared to US\$45.16 million during the first half of 2005, reflecting a significant increase of 44.5%. After deducting tax, the net income increased by 30.3% to reach US\$55.7 million, comprising return to the shareholders of the parent company of US\$33.10 million and return to the minority shareholders of US\$22.60 million. Similarly, the other items of the balance sheet, especially those related to the core financing and investment activities, recorded a good growth that resulted in an increase in the total assets to reach US\$6.65 billion by the end of June 2006, compared to US\$6.28 billion in December 2005, reflecting an increase of 6%.

Sale receivables increased by 13.1% to reach US\$3.34 billion and investments by 17.9% to US\$690 million whilst the Bank maintained its liquidity position at sound levels as cash and bank balances amounted to US\$1.74 billion, which represents 26.2% of total assets at the end of June 2006. In concurrence with the growth in the operating assets, the external financing sources witnessed a growth that reflects the increasing confidence and loyalty of the Group's customers and investors. In this regard, customer deposits increased by 4.8% to US\$5.55 billion and the unrestricted investment accounts by 3.6% to US\$4.14 billion by the end of June 2006.

In this regard, Mr. Adnan Ahmed Yousef, Chief Executive Officer of Al Baraka Banking Group, said he was delighted with these excellent results, thanks to the blessings of Almighty. He added that all the key banking units of the Group contributed towards achieving these excellent results during the first half of 2006. This reflects not only the sound financial position of the Group as a whole, but also the success in making all the banking units to work in harmony within coordinated and unified business strategies under the supervision and guidance of the parent company, which extended and will extend in future all help and support to these units.

On his part, Shaikh Saleh Abdulla Kamel, Chairman of the Board of Directors of the Group reiterated that "the success of the conversion of Al Baraka Banking Group into a public joint stock company and the listing of its shares on the Stock Exchange in Bahrain and Dubai represent a historic landmark in the development of the Group which was established some twenty five years ago. Such development will no doubt enhance our position as a leading Islamic banking group with the largest network of branches amongst the Islamic financial

institutions". He also noted that "the Islamic Banks in the region have progressed well relative to what they were at the beginning. Such banks are moving in the right direction towards enhancing their financial resources and diversifying their sources of income in accordance with a prudent vision based on inviting the community to participate in the ownership of their wealth. This is exactly the same direction that Al Baraka Banking Group pursued by offering its shares for public subscription by individuals, corporations and government organisations".

Shaikh Saleh Kamel expressed his sincere thanks and appreciation to the Ministry of Industry and Commerce, Bahrain Monetary Agency for the great cooperation and support they extended to the Group since inception, which reflects the important position of the Kingdom of Bahrain as an international Islamic financial centre.

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Al Baraka Banking Group is a leading international Islamic bank. It offers retail, corporate and investment banking and treasury services strictly in accordance with the principles of the Shari'a. The authorized capital of ABG is US\$1.5 billion. The Group has a wide geographical presence in the form of subsidiary banking Units in ten countries, which in turn conduct business through more than 200 branches. These banking Units are Banque Al Baraka D'Algerie, Al Amin Bank, Bahrain, Al Baraka Islamic Bank, Bahrain, the Egyptian Saudi Finance Bank, Egypt, Jordan Islamic Bank, Jordan, Al Baraka Bank Lebanon, Lebanon, Al Baraka Bank Ltd, South Africa, Al Baraka Bank Sudan, Sudan, Bank Et-tamweel Al Saudi Al Tunisi, Tunisia, Al Baraka Turk Participation Bank, Turkey and Al Baraka Bank, Pakistan.