Summary Documents of
Ordinary and Extraordinary General Meetings

Wednesday 23rd March 2011
Al Taj Ballroom, Sheraton Bahrain Hotel
Manama, Kingdom of Bahrain

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Contents

The Consolidated Financial statements have been extraced from the consolidated financial statements audited by Ernst & Young - Bahrain, who expressed an unqualified opinion on 23rd February 2011. Full Financial statements are available at AlBaraka website www.albaraka.com and with the registrar office KPMG Fakhroo.

Invitation to The Ordinary and The Extraordinary General Meetings

The Board of Directors of Al Baraka Banking Group is pleased to invite you to attend the Group's Ordinary and Extraordinary General Meetings to be held successively at 12:30 pm on 23 March 2011 at AlTaj Ballroom, Sheraton Bahrain Hotel, Manama, Kingdom of Bahrain. In case of the absence of a quorum the second or the third meeting will be held as per the notes below.:
The Agenda for both the AGM & EGM meetings shall be respectively as follows:

A. The Ordinary General Meeting Agenda

1. To review the Report of the Board of Directors on the activities of the Bank for the Financial Year ended 31/12/2010.
2. To review the External Auditors' Report for the Financial Year ended 31/12/2010.
3. To review the Sharia Supervisory Board's Report for the Financial Year ended 31/12/2010.
4. To review and approve the Consolidated Financial Statements for the Financial Year ended 31/12/2010.
5. To approve the proposed distribution of profits for the Financial Year ended 31/12/2010, after obtainment of the required official approvals, as follows:
   (a) To approve the transfer of 10% of the Net Income amounting to US$ 10,560,689 to the Statutory Reserve.
   (b) To approve the distribution of cash dividends to the shareholders registered as of the date of this meeting, amounting to US$ 39,525,000 (5 cents for each share).
   (c) To approve the transfer of US$ 55,521,200 to the Retained Earnings.
6. To approve the proposed distribution of one bonus share for every 10 fully paid up shares to the shareholders registered as of the date of this meeting (amounting to US$ 79,050,000) from the share premium after obtainment of the required official approvals.
7. To absolve the Directors from liability for the Financial Year ended 31/12/2010.
8. To approve a remuneration of US$ 750,000 to the Members of the Board of Directors.
9. To elect the Members of the Board of Directors.
10. To elect the Members of the Shari'a Supervisory Board.
11. Subject to the approval of the Central Bank of Bahrain, to reappoint Messrs Ernst and Young as Auditors for the Financial year ending 31/12/2011 and to authorize the Board of Directors to fix their remuneration.
12. To approve Issuance of a Sukuk for the amount of US$ 300 million.
13. Approval of the Corporate Governance Implementation Plan as per CBB instruction.
14. To approve the reappointment of Messer's KPMG Fakhroo as Shares Registrar of ABG's shares for the year 2011.

B. The Extraordinary General Meeting Agenda

1. To approve the increase of the issued and paid up share capital by transferring US$ 79,050,000 from the share premium to the share capital and issue bonus shares of one share for every 10 fully paid up shares to the shareholders registered as of the date of this meeting.
2. To approve the amendment of the Memorandum and Articles of Association as per the Resolution passed pursuant to item (1) of this Agenda.
3. To authorize and empower the Board of Directors or its delegate to take the necessary action, to effect amendment to the Memorandum and Articles of Association for the purpose of publicizing the increase in the share capital, and attesting the necessary amendment to the Memorandum and Articles of Association.

Saleh Abdullah Kamel
Chairman

Notes:
1. The Annual General Meeting (AGM) shall be valid if attended by shareholders representing more than 50% of the issued capital. If the said quorum is not obtained, the AGM shall be called for a second Meeting with the same agenda to be held after a period of seven days. The Second Meeting shall be valid if attended by shareholders representing 30% of the issued capital. If the said quorum is not obtained the Third Meeting shall be valid irrespective of the number of shareholders present after a period of seven days in the same time and place.
2. The Extraordinary General Meeting (EGM) shall be valid if attended by shareholders representing more than two thirds of the issued capital. If the said quorum is not obtained, the EGM shall be called for a second Meeting with the same agenda to be held after a period of seven days. The Second Meeting shall be valid if attended by shareholders representing one third of the issued capital, If the said quorum is not obtained the Third Meeting shall be valid if attended by shareholders representing one fourth of the issued capital.
3. Any shareholder who intends to nominate himself to the membership of the Board of Directors must apply to the Chairman not Later than March 21, 2011 12:00 noon, subject to Article (173) of the Commercial Companies Law and the requirements of the Central Bank of Bahrain as regards election to the Board of Directors.
4. In case of Proxy, shareholders are required to deposit the Proxy Form (Copy available at our website www.albaraka.com) at least 24 hours prior to the proposed date for holding the AGM & EGM with the Shares Registrar Messrs KPMG Fakhro (Alhedaya Building – 5th floor – Phone (+973) 17215080, Fax (+973) 17212055 e-mail: BH-DLSharesusers@kpmg.com.bh). The appointed proxy shall neither be the Chairman, nor a director or an employee of the company and shall not represent as proxy more than 5% of the issued and paid up share capital of the company.
5. Copies of the Meetings Document will be made available on the meeting date and at our website: www.albaraka.com

Proxy form for the Ordinary and Extraordinary General Meetings

I, the undersigned..., being a shareholder in Al Baraka Banking Group B.S.C. appoint Mr. / Ms.. to represent me and vote on my behalf in the Annual General Meeting and the Extraordinary General Meeting to be successively held at AlTaj ballroom, Sheraton Bahrain Hotel, Manama, Kingdom of Bahrain on Wednesday 23 March 2011, or any subsequent adjournment of these meetings.

Authorization for the following:

A. The Ordinary General Meeting:

	Item	Yes	No
1.	Presentation of the Report of the Board of Directors on the activities of the Bank for the Financial Year ended 31/12/2010.	☐	☐
2.	Presentation of the External Audit Report for the Financial Year ended 31/12/2010.	☐	☐
3.	Presentation of the Sharia Supervisory Board's Report for the Financial Year ended 31/12/2010.	☐	☐
4.	To review and approve the Consolidated Financial Statements for the Financial Year ended 31/12/2010.	☐	☐
5.	To approve the proposed distribution of profits for the Financial Year ended 31/12/2010 as follows:		
	a - To approve the transfer of 10% of the Net Income amounting to US$ 10,560,689 to the Statutory Reserve.	☐	☐
	b - To approve the distribution of cash dividend to the shareholders registered as of the date of this meeting, amounting to US$ 39,525,000 (5 cents for each share).	☐	☐
	c - To approve the transfer of US$ 55,521,200 to the Retained Earnings.	☐	☐
6.	To approve the proposed distribution of one bonus share for every 10 fully paid up shares to the shareholders registered as of the date of this meeting (amounting to US$ 79,050,000) from the share premium after obtainment of the required official approvals.	☐	☐
7.	To absolve the Directors from liability for the Financial Year ended 31/12/2010.	☐	☐
8.	To approve a remuneration of US$ 750,000 to the Members of the Board of Directors.	☐	☐
9.	To elect the Members of the Board of Directors.	☐	☐
10.	To elect the Members of the Shari'a Supervisory Board.	☐	☐
11.	Subject to the approval of the Central Bank of Bahrain, to reappoint Messrs Ernst & Young as Auditors for the Financial year ending 31/12/2011 and to authorize the Board of Directors to fix their remuneration.	☐	☐
12.	To approve Issuance of a Sukuk in the amount of US$ 300 million.	☐	☐
13.	Approval of the Corporate Governance Implementation Plan as per CBB instruction.	☐	☐
14.	To approve the reappointment of Messer's KPMG Fakhroo as Shares Registrar of ABG's shares for the year 2011	☐	☐

Proxy form for the Ordinary and Extraordinary General Meetings

B. The Extraordinary General Meeting

		Yes	No
1.	To approve the increase of the issued and paid up share capital by transferring US$ 79,050,000 from the share premium to the Share capital and issue bonus shares of one share for every 10 fully paid up shares to the shareholders registered as of the date of this meeting.	☐	☐
2.	To approve the amendment of the Memorandum and Articles of Association as per the Resolution passed pursuant to item (1) of this Agenda.	☐	☐
3.	To authorize and empower the Board of Directors or its delegate to take the necessary action, to effect amendment to the Memorandum and Articles of Association for the purpose of publicizing the increase in the share capital, and attesting the necessary amendment to the Memorandum and Articles of Association.	☐	☐

Shareholder Name :..

No. of Shares:...

Signature:.. Date: .... /............ / 2011

Important Notes to the Shareholders:

1- This proxy form should be deposited at least 24 hours prior to the proposed date for holding the AGM an the EGM with the registrars, KPMG, P.O Box 710, Manama, Kingdom of Bahrain, Fax No. (+973) 17212055.

2- The appointed proxy shall neither be the Chairman nor a director or an employee of the Company and shall not represent as proxy more than 5 % of the issued and paid up share capital of the Company.

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Manama, Kingdom of Bahrain
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Fax: +973 17536533
Website: www.albaraka.com
C.R. No. 48915

Global and Regional Economies

Looking back on the past year, it seems to us that there were times when the future was shrouded in mist and we had no way of knowing which way the global economy was going to go. There were fears of a slip back into recession, whilst at the same time there was much to be optimistic about. As the year progressed, however, and we were able to see a little more clearly, our innate confidence was increasingly justified and, as we see it, the year ended on a positive note notwithstanding the weakness of the recovery in some economies.

The uncertainties felt as we began the year 2010 were of course - as we had indicated in our 2009 overview - partly due to the fact that different economies had suffered from the global recession in different ways and those economies had each, in turn, adopted specific mechanisms to counter the impact as it had affected them. Thus, the great economies of the US, China and Japan had all in their way adopted stimulus packages: the US through 'quantitative easing' – that rather ungainly term for the injection of huge sums of cash into the economy to enable the domestic financial institutions to continue to provide credit; Japan largely through a continuation of its previously adopted fiscal strategies and China through a combination of measures aimed at maintaining its breakneck rush for modernisation via its expanding export markets. On the other side of the world, Germany – the largest and by far the strongest of the European Union economies - preferred to rely, as it has always done, on the locomotive economies – a term now expanded to include China and many of the larger Asian economies – to pull them through by virtue of the revival of their imports as they re-emerged from recession; a strategy that worked yet again, leading to Germany being the first to emerge from recession and able, thus, with the aid of France and one or two others to stimulate recovery in at least part of the remainder of the EU.

Not that the rest of the EU can be said to have recovered – far from it, as first Greece and then Ireland succumbed to the heavy weight of their debt and were forced to accept rescue packages from their EU fellow members, in particular their Euro zone partners. A few others of the weaker EU countries meanwhile appear to be teetering on the brink of requiring rescue themselves.

Many emerging economies did not suffer so badly. Some actually prospered, partly from the continuing strong demand for commodities and raw materials and partly, in the case of a few, due to being able to offer a reasonably safe – if albeit temporary - home for investment for some of the excess liquidity slushing around the global economy as a result of quantitative easing and continuing trade imbalances amongst the biggest economies. Others, the hydrocarbon-producers and exporters for example, were content to let the laws of supply and demand reassert themselves in tandem with the re-emergence from recession of the oil importers, so that in due course their current account surpluses would once again rise. Still others, even if not so well endowed with natural riches, were able to continue along the path of modernisation, economic reform and progress that they had earlier adopted, and so steered a cautious and balanced course through the choppy waters.

A few statistics – necessarily only estimates at this time of writing but indicative nonetheless – will help to illustrate the extent of progress over the year. China once again led the large economies with a storming 10.3% growth rate, followed not far behind by India which turned in a respectable 9.1%. Compared with them, the US economy, struggling to regain the early momentum of its initial re-emergence in 2009 from the wastelands of the global recession, managed a relatively feeble 2.9% over the year, evincing a rising trend strengthening towards the end of the year, compelling a renewal of the Fed's quantitative easing programme, albeit much reduced at only $600 billion in comparison with the $1.75 trillion of the earlier programme. Canada and Australia remained healthy with 2.9% growth in each case. Among the large European economies, Germany was of course the best performer with 3.5% growth and, what is more, a buoyant mood which promises to take it through the next few years with internal growth supporting export performance. Others, such as France, Italy and the Netherlands, showed positive performance while those which had unwisely allowed their hitherto robust economic expansion to be increasingly based on borrowed money, consumerism and rising house prices paid the price, having to be bailed out on account of their mounting debt burden being serviced out of stagnating resources: Greece – whose GDP fell by a precipitous 3.9% - Ireland with a 1.0% overall drop, Spain with a 0.2% fall. The Far East showed the way forward – with perhaps a foretaste of the future – with a blistering 14.7% growth rate by Singapore, followed by 10.1% by Taiwan, Thailand with 7.0%, Malaysia with 6.8%, Indonesia 5.9% and South Korea 4.8%. Many of the Latin American countries had a similar story to tell: Argentina's economy recording growth of 8.2%, Brazil's by 7.7%, Mexico's by 5.0%. Closer to home, Egypt stood out with 5.1% growth, while Saudi Arabia turned in a respectable 3.8%. The UAE managed collectively to grow by 2.4% as Abu Dhabi demonstrated its intrinsic strengths and ability to shoulder the burdens of Dubai and other members by turning in a strong 3.6% growth.

Early estimates are that in the territories within which ABG operates, in addition to Egypt's, Turkey's economy showed the world its resilience as it bounced back from 2009's negative growth rate by recording 8.1% expansion, while South Africa managed 2.8% on rising international gold and commodity prices, Lebanon recorded a most impressive 8.0% growth rate, followed by Sudan with 5.5%, Algeria and Tunisia with 3.8%, Jordan 3.4%, Bahrain 3.0% and Pakistan 4.8%.

We are confident that the political situation in the North Africa, which continues to evolve as we write, will not adversely affect the Group in light of its strong foundations, soundness and financial strength. For the immediate future, our main concerns centre around the fact that the impact of all the austerity measures announced over the last 12 months is really only going to hit us in 2011. Like 2009, this last year has largely been focused on stimulus packages, but the whole developed world is now speaking of a new 'age of austerity' and, collectively, what is to come has been said by some to represent the largest synchronised budget contraction in more than 40 years. What this will do for global demand, and the repercussions for growth, remains hazy. However, it is be hoped that what faces us is at worst the prospect of a new global slowdown and not renewed recession. We shall see.

Nevertheless, as is in our nature, we continue to view the future with optimism, albeit tempered with caution and a determination to husband our resources for our stakeholders' sakes and to ensure that we continue to prosper and to deliver consistently rising shareholder value.

2010 Review

The Group's income from jointly financed accounts and investments, together with its share as Mudarib, was $299.9 million, some 5% below that for 2009. Income from self-financed contracts and investments and Mudarib share from managing restricted investment accounts was however 11% higher at $152.5 million. Including other operating income and revenues from banking services, the Group's total operating income was $658.6 million, 4% higher than that for 2009. Operating expenses of $342.3 million brought the net income before provisions and taxation to $316.3 million compared with $324.6 million the previous year. After allocating prudential provisions and taxation, the net income of the Group for the year was $193.2 million, a rise of 15% over the $167.4 million earned in 2009.

An 23% expansion of the customer deposit – including URIA, which grew to $13.6 billion, reflects the international market's confidence in the Al Baraka name, fuelled a general expansion in the Group's banking assets in all categories other than the Salam portfolios, and in its cash and liquid assets which ended the year 22% higher at $4.3 billion. The Group's total assets consequently rose to $15.9 billion, a 21% increase over 2009.

We were pleased to note that despite the negative impact on the incomes of those of our units operating in currencies other than the US dollar, brought about by the decline of their local currencies vis-à-vis the dollar over the year, all but two reported a positive net outcome. Moreover, both of these subsidiaries – Al Baraka Lebanon and the newly established Al Baraka Syria - managed a significant improvement over the previous year. It is also noteworthy that, when viewed through the prism of their own local currencies, only one unit – Al Baraka South Africa - reported a reduced position compared with last year which, in what was a difficult year in the majority of the economies in which the Group operates, was no mean feat.

In light of the Group's performance in 2010, the Board of Directors has recommended a cash dividend distribution to the shareholders of 5% of the paid up capital, amounting to $39.5 million, and a bonus dividend of one share for every 10 shares held. The Board has also recommended a transfer of $10.6 million to legal reserves, with $55.5 million being allocated to retained earnings. The Board has further recommended a remuneration distribution of $750 thousand, to be charged to expenses following the approval of shareholders at the Annual General Meeting.

Looking Ahead...

ABG has emerged from 2010 stronger than before. Its liquidity is sound and its core business is healthy. The events of 2010 have set a positive tone for ABG's continuing growth and organic expansion, enabling it to take advantage of the opportunities in the markets where it is present whilst looking ahead towards new ones. Having met its early targets, the Group is now well on track to meet its medium term strategic objectives:

Directors' Report

(All figures in US dollars unless otherwise stated)

- ***Planned geographical expansion:*** ABG's new subsidiary in Syria further consolidated its advent into this market, following the opening of its head office and one branch in 2010, by completing the establishment of its back office operations, now boasting a brand new core banking system and having absorbed the knowledge transfer of procedures and practices from other ABG units. The intention is to open more branches in 2011 in order to continue to gain market share. In addition to expansion in Syria, ABG completed the merger of the branch operations of Al Baraka Islamic Bank in Pakistan with Emirates Global Islamic Bank, to form one of the largest Islamic banks in Pakistan. The future augers well for 2011 as the Group expects to further consolidate its presence under the new banner of Al Baraka Bank (Pakistan) Limited. We are also in the process of opening a representative office in Libya and expect the formalities in this regard to be completed during 2011. Thus, we maintain our consistent search for expansion opportunities, both within and outside of our established markets.
- ***Increased profitability:*** 2010 was a year when we continued to strengthen our internal and external operation and business capabilities in order to enhance profitability, as amply reflected in our results for the year. With prudent management and cautious, low risk growth, we are confident of maintaining the trend towards sustainable, increasing profitability.
- ***Product innovation:*** The strength of the Group's well-knit operations was further evidenced in 2011 by the exchange of innovative product ideas between its units, with many of the subsidiaries introducing new products offering new and exciting financing options to customers. We confidently anticipate the continuing spread of this symbiotic relationship to continue.
- ***Advanced IT systems and processes:*** State-of-the-art systems have been implemented in most operating units, designed to meet the Group's demands into the next decade and achieve optimum management efficiency and customer satisfaction.
- ***Continuous strengthening of the risk management and corporate governance culture:*** Our risk management processes and corporate governance practices are continuously being upgraded to ensure that they remain at the level of best industry practice.

In conclusion, I should like as always to take this opportunity to extend, on behalf of the Board and Executive Management, our appreciation to our Shari'a Supervisory Board, the Central Bank of Bahrain, the Ministry of Commerce and Industry and all of our subsidiaries' regulatory authorities, for their support and guidance during 2010.

For and on behalf of the Board of Directors

Saleh Abdullah Kamel
Chairman

Unified Shari'a Supervisory Board Report Al Baraka Banking Group B.S.C.

For the year ended 31 December 2010

In the name of Allah, The Beneficent, The Merciful, Ever Merciful

To: Al Baraka 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 Al Baraka Banking Group, we are required to submit the following report:

We have reviewed the principles applied by the Group and reviewed the 2010 Shari'a reports issued by the Group Units' Shari'a Supervisory Boards. We have also reviewed their financial statements when needed. In addition, we examined the Group's financial position as of 31 December 2010 and Statement of Income and their notes. We have queried from some of the Technicals on the points that need explanation and statement. We have also reviewed the process of calculating Zakah in accordance with the Sharia Standard number (35) issued by the Accounting and Audit of the Islamic financial Institutions and according to what was approved by the Unified Shari'a Supervisory Board.

The Group and Units' management are responsible for the execution and implementation of the Unified Shari'a Supervisory Board resolutions and to bring to the attention of the Unified Shari'a Supervisory Board any transactions or issues that require Shari'a approval. The Unified Shari'a Supervisory Board is responsible for supervising the implementation of the resolution from a Shari'a point of view and issue opinion based on the Group and Units' Shari'a reports and financial statements.

The Unit's Shari'a Supervisory Boards, 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, 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:

1. The Contracts, transactions and dealings entered into by the Group and its Units during the year ended 31st December 2010 are made in compliance with Shari'a Rules and Principles.

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

3. 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.

4. The attached Zakah calculation was prepared in accordance with the provisions and principles of Islamic Sharia according to the Net Invested Fund Method in accordance to Shari'a Standard number (35) issued by the Accounting and Audit of the Islamic financial Institutions and and according to what was approved by the Unified Shari'a Supervisory Board. Since the Group and the Units are not empowered to pay Zakah, shareholders should pay their share of Zakah. The Zakah per share is 2.18 US cents. In case of unavailability of liquidity, it is allowed to postponed the Zakah and become a debt until the liquidity become available.

Praise be to God

Issued on 14 Rabi'a Al Awal 1432 H, corresponding to 17 February 2011 AD.

Dr. Abdul Sattar Abu Ghudah
President Shari'a Supervisory Board

Sh. Abdulla Al Mannea
Shari'a Supervisory Board's Member

Dr. Abdulaziz Al Fowzan
Shari'a Supervisory Board's Member

Dr. Abdullatif Al Mahmood
shari'a Supervisory Board's Member

Dr. Ahmed Mohiyeldin Ahmed
Shari'a Supervisory Board's Member

Zakah Calculation

For the year ended 31 December 2010

	US Dollars ('000)
Equity Attributable to Shareholders	1,224,665
Less: Investment of the parent on the shareholding of Al Baraka Bank Egypt and Al Baraka Bank Sudan	(138,054)
Net Zakatable Equity Attributable to Shareholders	1,086,611
Less:	
Musharaka underlined by unzakatable assets	(53,813)
Investment in Islamic Sukook underlined by unzakatable assets	(48,888)
Ijarah Muntahia Bittamleek	(49,552)
Long-term investment in real estate	(7,507)
Properties and equipment	(166,523)
Intangible assets	(86,887)
Investment in Associates	(63,454)
Add:	
Shareholders share on Zakatable Assets by Associates	53,324
Sale of long-term investment in real estate during the year	129
Zakatable amount	**663,440**
Zakah Percentage	2.5775%
Total Zakah due	**17,100**
Number of Shares (thousands)	783,972
Zakah per share (US$ cents)	**2.18**

Independent Auditors' Report to the Shareholders of
Al Baraka Banking Group B.S.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Baraka Banking Group B.S.C. ("the Bank") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statements of income, cash flows, changes in equity and restricted investment accounts for the year then ended, notes, comprising a summary of significant accounting policies and other explanatory information.

Board of directors' and management's responsibility for the consolidated financial statements

The Bank's board of directors and management are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and for such internal control as the board of directors and the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In addition, the board of directors and the management are responsible for the Group's undertaking to operate in accordance with Islamic Shari'a rules and principles.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with both the Auditing Standards for Islamic Financial Institutions and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's board of directors and management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

Report on Other Regulatory Requirements

We confirm that, in our opinion, proper accounting records have been kept by the Group 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 2010 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 license and has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group.

Ernst & Young

23 February 2011
Manama, Kingdom of Bahrain

Al Baraka Banking Group B.S.C.

Consolidated Balance Sheet

31 December 2010

	2010 US$ '000	2009 US$ '000
ASSETS		
Cash and balances with banks	**3,813,903**	3,158,273
Receivables	**8,063,331**	7,027,064
Mudaraba and Musharaka financing	**1,538,632**	981,112
Investments	**1,350,481**	1,088,036
Ijarah Muntahia Bittamleek	**439,801**	335,333
Property and equipment	**298,852**	227,101
Other assets	**374,933**	349,358
TOTAL ASSETS	**15,879,933**	13,166,277
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		
LIABILITIES		
Customer current and other accounts	**2,906,172**	2,607,844
Due to banks	**424,477**	152,662
Other liabilities	**490,988**	430,302
Total liabilities	**3,821,637**	3,190,808
UNRESTRICTED INVESTMENT ACCOUNTS	**10,240,106**	8,238,624
EQUITY		
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS		
Share capital	**790,500**	744,000
Treasury shares	**(6,528)**	-
Share premium	**15,866**	99,390
Reserves	**96,738**	82,293
Cumulative changes in fair values	**(2,876)**	17,301
Foreign currency translations	**(24,360)**	(9,165)
Retained earnings	**236,750**	189,401
Proposed appropriations	**118,575**	91,140
Equity attributable to parent's shareholders	**1,224,665**	1,214,360
Non-controlling interest	**593,525**	522,485
Total equity	**1,818,190**	1,736,845
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	**15,879,933**	13,166,277

Saleh Abdullah Kamal
Chairman

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

Al Baraka Banking Group B.S.C.

Consolidated Statement of Income

For the year ended 31 December 2010

	2010 US$ '000	2009 US$ '000
Income		
Net income from jointly financed contracts and investments	808,707	812,647
Gross return to unrestricted investment accounts	(745,405)	(709,417)
Group's shares as Mudarib	236,627	213,421
Return on unrestricted investment accounts	(508,778)	(495,996)
Group's share of income from jointly financed contracts and investments (as a Mudarib and as fund owner)	299,929	316,651
Mudarib share for managing restricted investment accounts	4,702	6,850
Net income from self financed contracts and investments	147,827	130,905
Other fees and commission income	151,067	123,865
Other operating income	55,049	55,242
TOTAL OPERATING INCOME	658,574	633,513
Staff expenses	196,583	179,619
Depreciation and amortisation	22,798	20,882
Other operating expenses	122,902	108,440
TOTAL OPERATING EXPENSES	342,283	308,941
NET INCOME FOR THE YEAR BEFORE PROVISIONS AND TAXATION	316,291	324,572
Provisions	(59,581)	(104,068)
NET INCOME BEFORE TAXATION	256,710	220,504
Taxation	(63,547)	(53,118)
NET INCOME FOR THE YEAR	193,163	167,386
Attributable to:		
Equity shareholders of the parent	105,607	91,758
Non - controlling interest	87,556	75,628
	193,163	167,386
Basic and diluted earnings per share - US cents	13.46	11.61

Al Baraka Banking Group B.S.C.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 US$ '000	2009 US$ '000
OPERATING ACTIVITIES		
Net income before taxation	256,710	220,504
Adjustments for:		
Depreciation and amortisation	22,798	20,882
Impairment loss	762	353
Depreciation on Ijarah Muntahia Bittamleek	49,676	63,709
Unrealised gain on trading securities	(611)	(52)
Gain on sale of property and equipment	(9,961)	(2,347)
Gain on sale of investment in real estate	(2,729)	-
Gain on sale of available for sale investments	(139)	(273)
Gain on sale of trading securities	(132)	(731)
Provisions	59,581	104,068
Income from associates	(2,629)	(3,376)
Gain on sale of associates	(22)	-
Operating profit before changes in operating assets and liabilities	373,304	402,737
Net changes in operating assets and liabilities:		
Reserves with central banks	(217,180)	10,179
Receivables	(1,101,417)	(942,645)
Mudaraba and Musharaka financing	(563,194)	(182,445)
Ijarah Muntahia Bittamleek	(154,144)	(94,218)
Other assets	(27,022)	(24,488)
Customer current and other accounts	298,328	529,089
Due to banks	271,815	91,802
Other liabilities	21,217	(37,951)
Unrestricted investment accounts	2,020,603	1,512,899
Taxation paid	(32,871)	(87,365)
Net cash from operating activities	889,439	1,177,594
INVESTING ACTIVITIES		
Net purchase of investments	(301,214)	(272,824)
Net purchase of property and equipment	(83,522)	(83,535)
Net sale (purchase) of investment in associate	13,622	(13,072)
Dividend received from associates	244	2,457
Net cash used in investing activities	(370,870)	(366,974)
FINANCING ACTIVITIES		
Dividends paid to equity holders of parent	(44,640)	(27,900)
Movement in treasury shares	(10,700)	-
Net changes in non-controlling interest	2,322	15,080
Net cash used in financing activities	(53,018)	(12,820)
Foreign currency translation adjustments	(27,101)	16,800
INCREASE IN CASH AND CASH EQUIVALENTS	438,450	814,600
Cash and cash equivalents at 1 January	2,550,250	1,735,650
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	2,988,700	2,550,250

Al Baraka Banking Group B.S.C.

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to equity holders of the parent											
				Reserves								
	Share capital	Treasury shares	Share premium	Statutory reserve	Other reserves	Cumulative changes in fair values	Foreign currency translations	Retained earnings	Proposed appropriations	Total	Non-controlling interest	**Total equity**
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	**US$ '000**
Balance at 1 January 2010	744,000	-	99,390	42,986	39,307	17,301	(9,165)	189,401	91,140	1,214,360	522,485	**1,736,845**
Bonus shares issued	46,500	-	-	-	-	-	-	-	(46,500)	-	-	**-**
Movement in treasury shares	-	(6,528)	(4,474)	-	-	-	-	302	-	(10,700)	-	**(10,700)**
Net movement in cumulative change in fair value	-	-	-	-	-	(20,177)	-	-	-	(20,177)	(6,932)	**(27,109)**
Net movement in other reserves	-	-	-	-	3,884	-	-	(8,474)	-	(4,590)	(3,399)	**(7,989)**
Foreign currency translation	-	-	-	-	-	-	(15,195)	-	-	(15,195)	(11,906)	**(27,101)**
Net income for the year	-	-	-	-	-	-	-	105,607	-	105,607	87,556	**193,163**
Transfer to statutory reserve	-	-	-	10,561	-	-	-	(10,561)	-	-	-	**-**
Dividends paid	-	-	-	-	-	-	-	-	(44,640)	(44,640)	-	**(44,640)**
Proposed dividends	-	-	-	-	-	-	-	(39,525)	39,525	-	-	**-**
Proposed bonus shares	-	-	(79,050)	-	-	-	-	-	79,050	-	-	**-**
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(23,990)	**(23,990)**
Net movement in non- controlling interest	-	-	-	-	-	-	-	-	-	-	29,711	**29,711**
Balance at 31 December 2010	**790,500**	**(6,528)**	**15,866**	**53,547**	**43,191**	**(2,876)**	**(24,360)**	**236,750**	**118,575**	**1,224,665**	**593,525**	**1,818,190**

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to equity holders of the parent										
			Reserves								
	Share capital	Share premium	Statutory reserve	Other reserves	Cumulative changes in fair values	Foreign currency translations	Retained earnings	Proposed appropriations	Total	Non-controlling interest	Total equity
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2009	697,500	145,890	33,810	29,650	9,435	(18,118)	157,615	74,900	1,130,682	419,479	1,550,161
Bonus shares issued	46,500	-	-	-	-	-	-	(46,500)	-	-	-
Directors› remuneration paid	-	-	-	-	-	-	-	(500)	(500)	-	(500)
Net movement in cumulative change in fair value	-	-	-	-	7,866	-	-	-	7,866	2,634	10,500
Net movement in other reserves	-	-	-	9,657	-	-	(6,156)	-	3,501	1,817	5,318
Foreign currency translation	-	-	-	-	-	8,953	-	-	8,953	7,847	16,800
Net income for the year	-	-	-	-	-	-	91,758	-	91,758	75,628	167,386
Transfer to statutory reserve	-	-	9,176	-	-	-	(9,176)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(27,900)	(27,900)	-	(27,900)
Proposed dividends	-	-	-	-	-	-	(44,640)	44,640	-	-	-
Proposed bonus shares	-	(46,500)	-	-	-	-	-	46,500	-	-	-
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(25,621)	(25,621)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	40,701	40,701
Balance at 31 December 2009	744,000	99,390	42,986	39,307	17,301	(9,165)	189,401	91,140	1,214,360	522,485	1,736,845

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