Annual Report 2009

One Group · One Identity · One Vision

alBaraka

Al Baraka Banking Group (B.S.C)
P.O Box 1882
Manama,
Kingdom of Bahrain
Tel: +973 17541122
Fax: +973 17536533
C.R.: 48915
www.albaraka.com

Share Registrar:
KPMG Fakhroo
AlHedaya Building (2) - 5th Floor,
Government Avenue, Manama,
Kingdom of Bahrain
Tel: +973 17215080
Fax: +973 17212055
Email: bh-dlsharesusers@kpmg.com.bh

Investors' Relations:
Mr. Ahmed AbdulGhaffar
Vice President - Investors Relations
Al Baraka Banking Group
Kingdom of Bahrain
Tel: +973 17520701 / 17541122
Fax: +973 17910911 / 17531074
Email: aghaffar@albaraka.com

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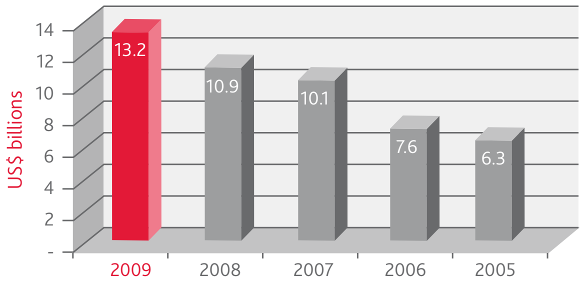
Financial Highlights

	2009	2008	2007	2006	2005
EARNINGS (US$ Millions)					
Total Operating Income	**634**	586	444	340	298
Net Operating Income	**325**	314	215	173	147
Net Income	**167**	201	201*	124	103
Net Income Attributable to Equity Shareholders of the Parent	**92**	114	144*	80	79
*BASIC AND DILUTED EARNINGS PER SHARE - US CENTS***	**12**	15	19*	12	13
FINANCIAL POSITION (US$ Millions)					
Total Assets	**13,166**	10,920	10,104	7,626	6,307
Total Financing and Investments	**9,431**	8,088	7,389	5,466	4,179
Total Customer Deposits	**10,999**	8,872	8,084	6,147	5,330
Total Equity	**1,737**	1,550	1,570	1,211	767
Equity Attributable to Shareholders of the Parent	**1,214**	1,131	1,144	979	566
CAPITAL (US$ Millions)					
Authorised	**1,500**	1,500	1,500	1,500	1,500
Subscribed and Fully Paid-up	**744**	697.5	651	630	388
PROFITABILITY					
Return on Average Equity	**10%**	13%	14%*	13%	15%
Return on Average Shareholders' Equity	**8%**	10%	14%*	10%	16%
Return on Average Assets	**1.4%**	1.9%	2.3%*	1.8%	1.8%
Operating Expenses to Operating Income	**49%**	46%	52%	49%	51%
FINANCIAL POSITION					
Equity to Assets Ratio	**13%**	14%	16%	16%	12%
Total Financing and Investments as a multiple of Equity (times)	**5.4**	5.2	4.7	4.5	5.4
Net Book Value per Share (US$) **	**1.63**	1.52	1.54	1.43	0.96
OTHER INFORMATION					
Total Number of Employees	**7,250**	6,746	6,128	5,435	4,846
Total Number of Branches	**289**	283	243	216	185

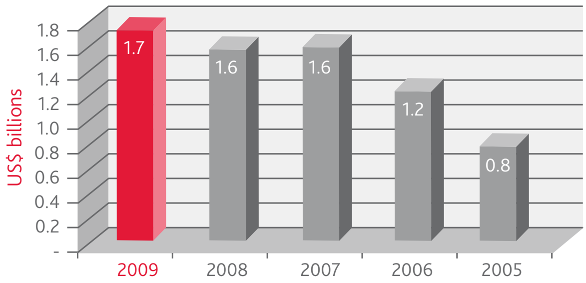
** Net income for 2007 includes exceptional profit from deemed disposal of a subsidiary amounting to US$ 54 million.*
*** Adjusted for bonus shares issued.*

Financial Highlights

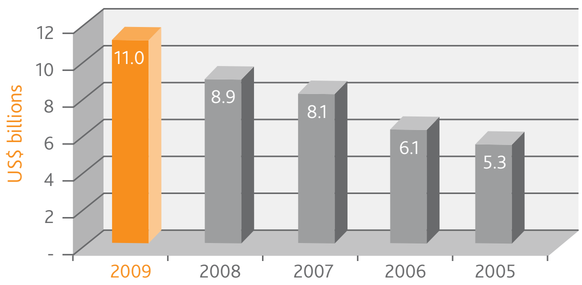
Total Assets



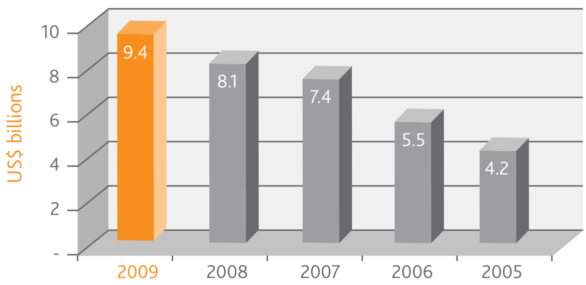
Total Equity



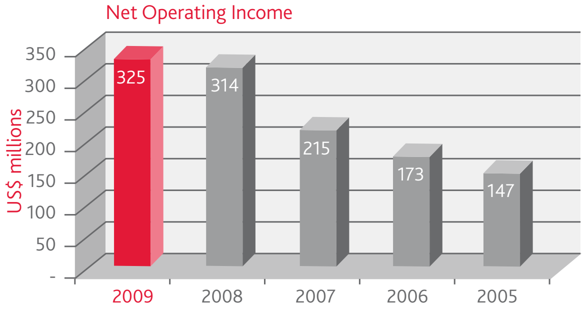
Total Customer Deposits



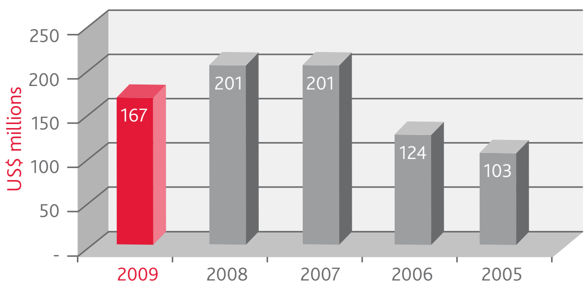
Total Financing & Investments



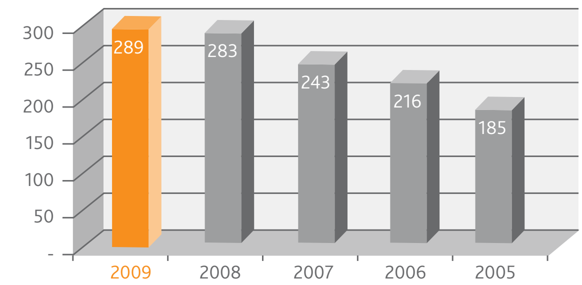
Net Operating Income



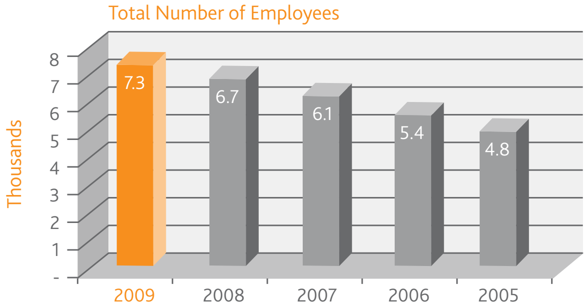
Net Income



Total Number of Branches



Total Number of Employees



Unified Corporate Identity

Your Partner Bank

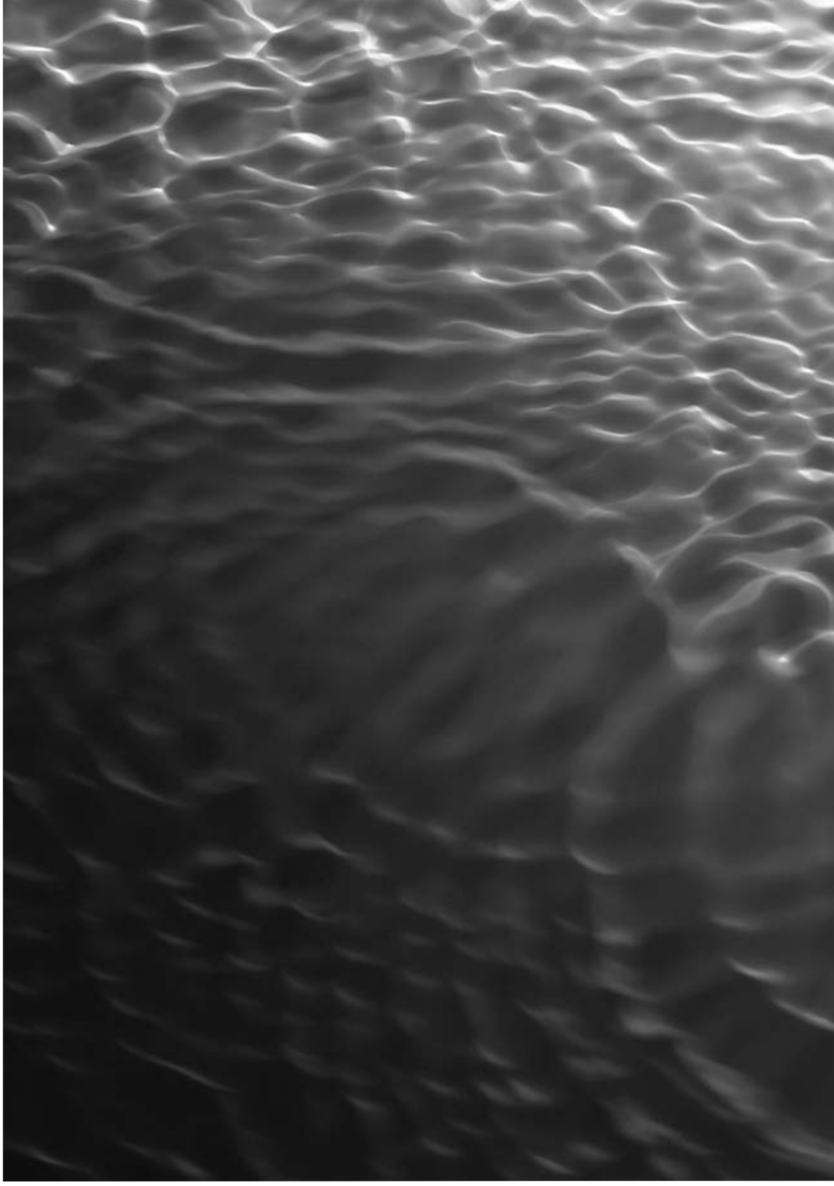
One Vision • One Identity • One Group

Early in 2009, Al Baraka Banking Group commenced the methodical rollout of its new Unified Corporate Identity to all parts of the Group, the launch of which was well received by the markets. While propelling the Al Baraka brand to the forefront of Islamic banking, and emphasizing the Group's commitment to becoming the natural global leader in Islamic banking, the new corporate identity is also a strong symbol of the uniting of all subsidiaries under a single banner. Today the Al Baraka Group stands apart as an institution, with its own unique and unified philosophy, regulations, procedures and corporate culture in place.

The Unified Corporate Identity is not merely a cosmetic change to the logo, its aesthetics or consistency of colour, but goes far beyond that. It is nothing less than an attempt to link the philosophical dimension upon which Islamic banking is based - participation and partnership and the equitable sharing of risk and reward through the projection of a unified and modern identity. We see this re-launch of our brand as the first step on a journey, as we work towards the creation of a unified banking group whose many subsidiaries are focused jointly on a single unifying vision.

The unified identity has helped the Group to prioritise its values and ambitions, raising them above the mere attainment of corporate size or product range and delivery. Instead, we believe that as we build our customer relationships based on the spirit of true partnership, our growth will be both inevitable and natural.

Your Partner Bank



We at Al Baraka believe that banking has, or ought to have, a crucial role to play in society, one in which as bankers we have an incredible responsibility of stewardship for the resources placed in our hands. To meet this responsibility and use these resources wisely, we rely on Shari'a principles to guide us as we participate in our customers' successes, sharing in the social development of families, businesses and society at large. By 'partnership', therefore, we mean that our success and that of each of our customers are as intertwined as our jointly held beliefs. Taking part in the joint effort is therefore our reward.

We view money as a means to capitalise on opportunities and create a better society for all. Money becomes the conduit by which we enter into new opportunities together and take part in common effort for mutual reward; as steward of the resources entrusted to us, our efforts contribute to building the community, both at home and in the wider world. We call this concept: ***"Beyond Banking"***

Our Vision:

'We believe society needs a fair and equitable financial system: one which rewards effort and contributes to the development of the community'

Our Mission:

'To meet the financial needs of communities across the world by conducting business ethically in accordance with our beliefs, practicing the highest professional standards and sharing the mutual benefits with the customers, staff and shareholders who participate in our business success'

Our Values

Partnership

Our shared beliefs create strong bonds that form the basis of long-term relationships with customers and staff.

Driven

We have the energy and perseverance it will take to make an impact in our customers' lives and for the greater good of society.

Neighborly

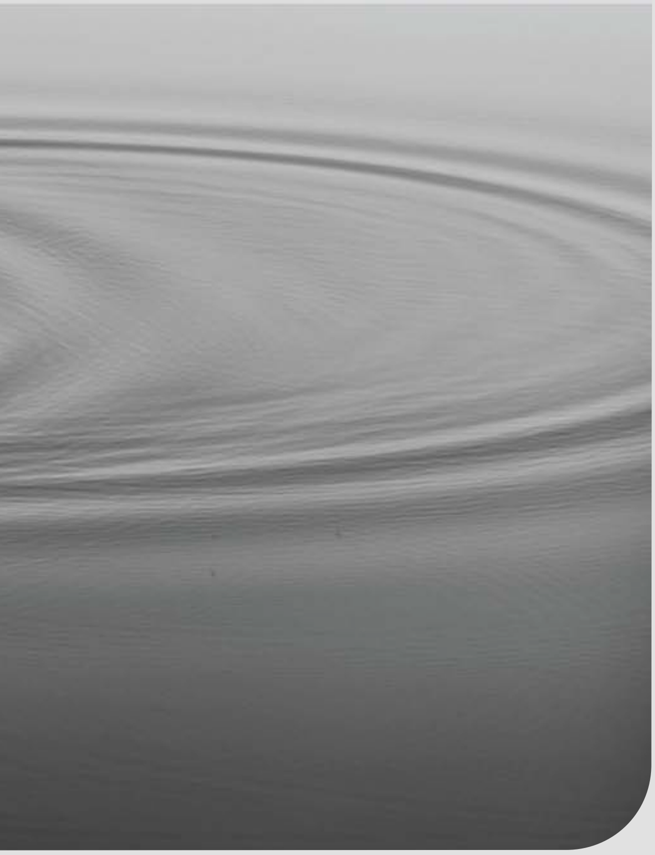
We value and respect the communities we serve. Our doors are always open; our customers always experience a warm-hearted, hospitable welcome and accommodating service.

Peace of mind

Our customers can rest assured that their financial interests are being managed by us to the highest ethical standards.

Social contribution

By banking with us our customers make a positive contribution to a better society; their growth and our growth will benefit the world around us.



Our basic strengths, which go back to the earliest days of our foundation 30 years ago, and on which we have depended for moral sustenance throughout that time, may be summarised as:

- Adherence to Shari'a principles
- Close customer relationships – a partnership of equals
- Financial probity
- A local bank first and foremost - but with international reach

The future of our brand (the Brand Guardians)

As we proceed with the launch of Al Baraka's Unified Corporate Identity in the various markets in which we operate, the concept of Brand Guardianship has been introduced across all Al Baraka units, to ensure the smooth assimilation of the brand in all markets.

In line with international best practice, the Branding Committee has been charged with the responsibility of Brand Guardianship across the Group.

Several initiatives have been commissioned at the Group level through the branding and special projects team and the Brand Guardians, amongst which are:

1. Retail Products Guides and Manuals
2. Standardisation of Al Baraka's retail branch network.
3. Standardisation of the marketing communication – especially in connection with customer touch points through both advertising and on a one - to - one basis.

At the subsidiary level, the Head of each Unit has been appointed Brand Guardian for that unit, assisted by senior executives, to ensure that all activities related to the brand conform to central policies.

As a result of the launch of the Unified Identity we have seen a positive impact, which can be summarised as follows:

- Customer interest levels have heightened, resulting in new customers coming to Al Baraka.
- Staff across the Group are highly motivated and fully engaged with the Group Vision and the integration of the partnership and participation concept.

As a result of this, there is a strong customer oriented approach in all marketing activities, as derived from the strategy outlined in the unified corporate identity. This has now been fully integrated into the policies, procedures and business methodologies at the Group level.

We look forward eagerly to the challenges ahead and to the adoption of our newly articulated Group ethos, one which we believe will truly reflect the essence of our promise: ***'Your Partner Bank'***

Board of Directors & Shari'a Supervisory Board

Board of Directors

- **Shaikh Saleh Abdullah Kamel**
  Chairman
- **Mr. Abdulla A. Saudi**
  Vice Chairman
- **Mr. Abdullah Saleh Kamel**
  Board Member
- **Mr. Saleh Al Yousef**
  Board Member
- **Mr. Adnan Ahmed Yousif**
  Board Member and President & Chief Executive
- **Dr. Anwar Ibrahim**
  Board Member
- **Mr. Abdul Elah Sabbahi**
  Board Member
- **Mr. Ibrahim Fayez Al Shamsi**
  Board Member
- **Mr. Jamal bin Ghalaita**
  Board Member
- **Mr. Yousif Ali Fadil bin Fadil**
  Board Member
- **Mr. Samer Mohammed Farhoud**
  Board Member

- **Mr. Salah Othman Abuzaid**
  Secretary to the Board

Shari'a Supervisory Board

- **Shaikh Dr. Abdul Sattar AbuGuddah**
  Chairman
- **Shaikh Abdulla bin Sulieman Al Mannea**
  Member
- **Shaikh Dr. Abdullatif Al Mahmood**
  Member
- **Shaikh Dr. Abdulaziz bin Fowzan Al Fowzan**
  Member
- **Dr. Ahmed Mohiyeldin Ahmed**
  Member

- **Dr. Eltigani El Tayeb Mohammed**
  Secretary to the Board

Independent Non-Executive Directors

- **Mr. Abdulla A. Saudi**
  Vice Chairman
- **Mr. Saleh Al Yousef**
  Board Member
- **Dr. Anwar Ibrahim**
  Board Member
- **Mr. Jamal bin Ghalaita**
  Board Member
- **Mr. Ibrahim Fayez Al Shamsi**
  Board Member
- **Mr. Samer Mohammed Farhoud**
  Board Member

Board Committees

Board Executive Committee

- **Mr. Abdullah Saleh Kamel**
  Chairman
- **Mr. Abdul Elah Sabbahi**
  Member
- **Mr. Yousif Ali Fadil bin Fadil**
  Member
- **Mr. Adnan Ahmed Yousif**
  Member

Board Affairs and Remuneration Committee

- **Mr. Ibrahim Fayez Al Shamsi**
  Chairman
- **Mr. Jamal bin Ghalaita**
  Member
- **Mr. Yousif Ali Fadil bin Fadil**
  Member

Audit and Governance Committee

- **Mr. Saleh Al Yousef**
  Chairman
- **Dr. Anwar Ibrahim**
  Member
- **Mr. Ibrahim Fayez Al Shamsi**
  Member

Board Risk Committee

- **Mr. Abdul Elah Sabbahi**
  Chairman
- **Mr. Jamal bin Ghalaita**
  Member
- **Mr. Samer Mohammed Farhoud**
  Member

Board of Directors

Shaikh Saleh Abdullah Kamel
Chairman

is a reputed international businessman from Saudi Arabia. He is the founder and the President of Dallah Al Baraka Group and the founder of the Al Baraka Banking Group. He is director of many organizations and associations across the world. Also, currently he is the Chairman of the General Council for Islamic Banks and Financial Institutions, Jeddah Chamber of Commerce & Industry, Council of Saudi Chambers, Federation of GCC Chambers, and the Islamic Chamber of Commerce and Industry. Shaikh Saleh Abdullah Kamel holds a Bachelor of Commerce degree. As one of the pioneers of Islamic banking and in recognition for his achievements and his role in promulgating Islamic Economics principles – derived from the message of his group i.e. "Reconstruction of the Earth", Shaikh Saleh Kamel has been awarded by many countries and organizations the highest of certificates, trophies, and the accolades.

Mr. Abdulla A. Saudi
Vice Chairman

is a reputed Banker and is currently the Executive Chairman of ASA Consultants W.L.L. Bahrain. He was the Founder and President & Chief Executive of Arab Banking Corporation (B.S.C.) Bahrain from 1980 – 1994. He was also the Founder of Arab Financial Services (E.C.) Bahrain in 1982 as well as the Founder and Executive Chairman of Libyan Arab Foreign Bank (during 1972 – 1980), where he also established branches of the Bank worldwide. He worked with the Central Bank of Libya for 14 years and became Manager of the Banking Department and Head of Foreign Investment Department. In 1980, he was voted as one of the "Most Innovative Bankers" by the representatives of Governments and international commercial bankers attending the World Bank and the International Monetary Fund meetings and was presented with an Award at Georgetown University. He also received the award for Best Banker from the Association of Arab American Banks in New York in 1991. In recognition of his role in the development of banking relationships between Arab and European states, he has received several gold medals and awards. Noted amongst these are the awards he received from the King of Spain and the President of Italy in 1977 and the President of Tunis in 1996. He was the first to receive the "Arab Banker of the Year" award in 1993 from the Union of Arab Banks. He holds a Certificate in Management and Accounting.

Mr. Abdullah Saleh Kamel
Board Member & Chairman of the Board Executive Committee

is a reputed Saudi businessman – he was educated in Economics Studies from the University of California, USA. Currently he is the Chief Executive Officer of Dallah Al Baraka Group – a position that he has held since 1999. Mr. Kamel has held several executive positions at Dallah Group such as Dallah Al Baraka Holding Company (KSA) for the period 1995-1999, President's Assistant for Trade Affairs during the period 1989-1995, and during the period 1988-1989 he headed the real estate and property management and central logistics division. Mr. Kamel is also the Chairman of Aseer Company, Amlak Real Estate Development and Finance, Al Tawfeek Financial Group, Al Tawfeek Company for Investment Funds and Vice-Chairman of Bank Al-Jazira in Saudi Arabia and King Abdullah Economic City. He is a Member of the Board of Saudi Research & Marketing Group, Okaz Corporation for Journalism and Publishing. Mr. Kamel is very active in public activities through his membership in many International and local organizations and associations such as Jeddah Chamber of Commerce (Ex – Member), Young Presidents' Organization, Friends of Saudi Arabia, The Centennial Fund, Board of Trustees of Prince of Wales Business Leaders Forum.

Board of Directors

Mr. Saleh Al Yousef
Board Member

is a Kuwaiti businessman with extensive experience in the Banking industry. He served as the Chairman and Managing Director of The Industrial Bank of Kuwait from 1988 to 2005. Prior to that, Mr. Al Yousef held a number of executive positions with Industrial Bank of Kuwait and the Central Bank of Kuwait. He was Chairman of ABC Islamic Bank (E.C.), Bahrain and has also served as a Director of Gulf Invest. He has also served as a member on the Boards of a large number of financial institutions, including Gulf Bank - Kuwait, Arab Banking Corporation (B.S.C.) and Ahli United Bank B.S.C., in Bahrain. Currently, he is the Chairman & Managing Director for Afkar Holding Co., and a Director on the Board of Gulf Investment Corporation. Mr. Al-Yousef holds a Bachelor's Degree in Commerce from Kuwait University.

Mr. Adnan Ahmed Yousif
Board Member and President & Chief Executive

has been a Board Director since inception, and the President and Chief Executive since August 2004. He is the Chairman of Jordan Islamic Bank, Banque Al Baraka D'Algérie, Al Baraka Turk Participation Bank, Al Baraka Bank Ltd., South Africa, Egyptian Saudi Finance Bank, Al Baraka Bank Lebanon and Al Baraka Bank Syria. He also holds directorships in Al Baraka Bank Sudan, Al Baraka Islamic Bank Bahrain and Al Baraka Bank Tunisia. He has more than 33 years' international banking experience and was twice the recipient of the Islamic Banker of the Year Award at the World Islamic Banking Conference, in December 2004 and December 2009. He was appointed Chairman of the Union of Arab Banks in May 2007.

Dr. Anwar Ibrahim
Board Member

is a reputed international figure from Malaysia. Dr. Ibrahim has been an independent non-executive director of Al Baraka Banking Group since March 2006. He has served his country in many ministerial capacities including the Education Minister, Finance Minister and deputy Prime Minister of Malaysia. He is currently a visiting professor at the Centre for Muslim-Christian Understanding at Georgetown University in Washington D.C.

Mr. Abdul Elah Sabbahi
Board Member

has over 25 years' experience in international banking, the last 15 years of which with the Dallah Al Baraka Group in Saudi Arabia. He is currently Vice President, Dallah Al Baraka Group. He also holds positions as Chairman of Al Baraka Bank Tunisia and Arab Leasing International Finance, Saudi Arabia. Mr. Sabbahi is also a Member of the Boards of Dallah Al Baraka Holding Co. E.C., Bahrain; Algerian Saudi Leasing Ltd.; Al Amin Investment Co., Jordan; United Albanian Bank, Albania. Mr. Sabbahi holds a Bachelor of Science degree in Economics & Management from King Abdulaziz University, Saudi Arabia.

Board of Directors *(Continued)*

Mr. Ibrahim Fayez Al Shamsi

Board Member

has been a director of Al Baraka Banking Group since August 2006 and is Chief Executive Officer of Emirates Islamic Bank. He has over 37 years of varied experience in the financial services industry and the government. He has been a Director of Arab Fund for Economic & Social Development, Kuwait since 1983. Mr. Al Shamsi holds a Bachelor Degree in Commerce.

Mr. Jamal bin Ghalaita

Board Member

is a Banker and is currently the Group's Deputy CEO and General Manager – Consumer Banking and Wealth Management at Emirates NBD. His banking career spans 20 years with Emirates Bank, during which he has had a string of specializations in Corporate, Retail, Trade Finance, Human Resources, Private Banking, Asset Management and Consumer Finance. He is also the Chairman of Emirates Money and a director of Emirates Islamic Bank. He holds a Bachelor of Science and Business Administration degree from the University of Arizona.

Mr. Yousif Ali Fadil bin Fadil

Board Member

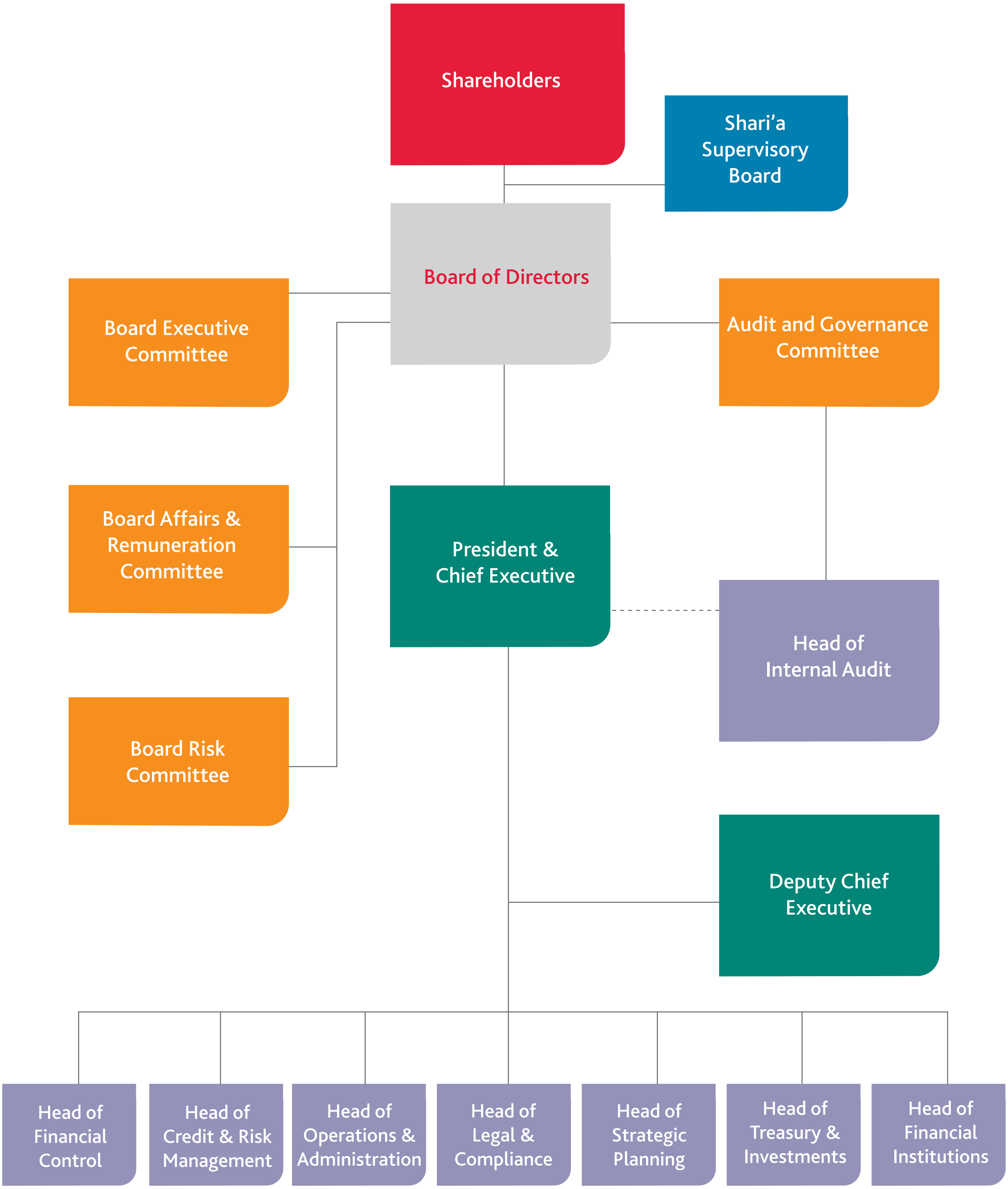
is a Banker with a Bachelor's Degree in Mathematics & Computer Science from Gonzaga University, Spokane - Washington State, USA. During the period 1985 – 1998, Mr. Yousif held leading positions in Umm Al Quwain Bank. He served Dubai Islamic Bank as Executive Manager for investment during the period 2000-2002. In 2003 he became the General Manager for the Emirates Financial Company. During the period 2004-2006 he served Abu Dhabi Islamic Bank as Deputy Chief Executive Officer. Mr. Yousif has also served as a member of the board of directors of several financial institutions including, but not limited to, Union Insurance Company, Bahrain Islamic Bank, Bosnia International Bank. Currently he is the General Manager of Al Sahil Equity Center.

Mr. Samer Mohammed Farhoud

Board Member

has over 21 years of experience in banking. He has held various senior positions in his career and is presently Chief Executive Officer of Fahad Abdulla Al Rajhi Holding Co, Riyadh and Board member of Deutsche Gulf Finance. He held the position of Deputy Treasurer in Al-Rajhi Bank in Riyadh for two years till Dec 2007. Prior to that he held various positions including Head of Treasury Sales and Marketing Unit in Arab National Bank, Riyadh; Manager of Treasury Sales & Services Unit in United Saudi Bank in Riyadh; Senior Relationship Manager in Saudi American Bank, Riyadh; Senior Dealer in Saudi American Bank in Riyadh and Computer Engineer for SAMBA data center in Saudi American Bank. Mr. Farhoud holds a Bachelor of Computer Science and Engineering Degree from the University of Petroleum and Minerals, Dhahran, Saudi Arabia.

ABG Head Office Organization Chart



Executive Management

Mr. Adnan Ahmed Yousif
Board Member and President & Chief Executive
Master in Business Administration,
University of Hull, U.K.

Has been a Board Director since inception, and the President and Chief Executive since August 2004. He is the Chairman of Jordan Islamic Bank, Banque Al Baraka D'Algérie, Al Baraka Turk Participation Bank, Al Baraka Bank Ltd., South Africa, Egyptian Saudi Finance Bank, Al Baraka Bank, Lebanon and Al Baraka Bank Syria. He also holds directorships in Al Baraka Bank Sudan, Al Baraka Islamic Bank, Bahrain and Al Baraka Bank Tunisia. He has more than 33 years' international banking experience and was twice the recipient of the Islamic Banker of the Year Award at the World Islamic Banking Conference in December 2004 and December 2009. He was appointed Chairman of the Union of Arab Banks in May 2007.

Mr. Othman Ahmed Sulieman
Deputy Chief Executive
B.Sc. (Honours) in Economics,
University of Khartoum, Sudan.

Has been in the role since inception with the change in title to Deputy Chief Executive effective January 2007. He is the Chairman of Al Baraka Bank Sudan, member of the boards of Al Wafaa Mauritanian Islamic Bank, Mauritania, Jordan Islamic Bank, Jordan, Al Baraka Bank Limited, South Africa, Egyptian Saudi Finance Bank, Egypt, Al Baraka Turk Participation Bank, Turkey, Al Baraka Bank Lebanon and Al Baraka Islamic Bank, Bahrain. His career with Dallah Al Baraka began in 1988 following more than 24 years in banking in Sudan, that led to his appointment as Chairman of the Board and General Manager of El Nilein Bank. Since 1988 he has served the Dallah Al Baraka Group, based in Jeddah, representing its interests worldwide. In the final 7 years prior to his appointment to ABG in 2002, he was responsible for all the Group's banking interests in Africa, in addition to lending his considerable experience on the boards of Group banks in Asia and Europe and of the parent company. Mr. Sulieman is responsible for Coordination and Planning in ABG, in addition to his overall executive responsibilities.

Mr. Majeed H. Alawi
Senior Vice President - Head of Internal Audit
FCCA – Fellow of the Chartered
Association of Certified Accountants, U.K.

Has over 28 years of international banking experience mostly in audit and as Head of Operations. He began his career at Banque Nationale de Paris in Bahrain in 1981 as Head of Operations, and moved to Arab Banking Corporation (B.S.C.)'s Internal Audit Department in 1988 as an audit team leader, where he carried out audits of the Head Office, its branches and subsidiaries spread over Europe, Americas, Far East and in the Arab World. He joined ABG in 2000, when it was still under formation to establish the internal audit department. He now heads the department which reviews the activities of all the subsidiary banks as well as Al Baraka Banking Group's Head Office in Bahrain, and also covers the review of control of IT, and corporate identity environment, as well as Shari'a aspects. He reports directly to the Audit and Governance Committee of the Board of ABG, and acts as Secretary to it. He also participates in all the meetings of the audit committees of all the subsidiaries of ABG as an observer member.

Mr. K. Krishnamoorthy
Senior Vice President - Head of Strategic Planning
ACA – Associate of the Institute of Chartered Accountants of India; B.Com., Osmania University, India.

Has over 33 years of experience in financial and management reporting, corporate and structured finance, credit, strategic planning, project management, equity research and fund management and administration. He has worked in the Middle East as well as in North America. After spending several years in the accountancy field in India and Bahrain, he joined Arab Banking Corporation (B.S.C.)'s investment banking subsidiary, where he served for 11 years before moving to the parent bank's Treasury Department to manage its mutual fund investment portfolio and the Treasury Mid-Office. After 2 years as a partner in a regional investment bank in the Gulf, and a further period heading the worldwide banking solutions business of a major Canadian IT solutions company in Toronto, in 2004 he took up his position at ABG initially as Head of Financial Control and in mid-2006 as Senior Vice President - Head of Strategic Planning.

Mr. Hamad Abdulla Ali Eqab
Senior Vice President - Head of Financial Control
Certified Public Accountant (CPA)

Has over 16 years' experience in financial control and auditing. Prior to joining ABG in February 2005, he worked at Shamil Bank as Senior Manager, Internal Audit. Prior to this role, he was a member of the Assurance and Business Advisory team at Arthur Andersen. He is currently a Board and Executive Committee member of the International Islamic Rating Agency (IIRA). He is the Deputy Chairman of the Accounting and Auditing Standards Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He is also a Board and Audit Committee member of Al Baraka Turk Participation Bank, Jordan Islamic Bank and Banque Al Baraka D'Algérie.

Mr. Abdulrahman Shehab
Senior Vice President - Head of Operations and Administration
Master in Business Administration, University of Hull, U.K.

Has over 37 years of banking experience gained in senior positions with various international financial institutions, both Islamic and conventional. He commenced his career with Habib Bank Ltd in 1973, later worked with (then) Chase Manhattan Bank, Bahrain, Bank of America, Bahrain, American Express Bank, Bahrain and Bahrain Middle East Bank, Bahrain. After a successful career with Shamil Bank of Bahrain (formerly Faysal Islamic Bank of Bahrain), he was appointed as Assistant Chief Executive Officer – Operations at Bahrain Islamic Bank in 2002, and thereafter joined ABG in May 2006. Mr. Shehab is a Board member of Banque Al Baraka D'Algérie.

Mr. Jozsef Peter Szalay
Senior Vice President - Head of Credit and Risk Management
M.A. (Econ.) University of Budapest;
Banking Certificate –The Institute of Canadian Bankers;
Advanced Management Programme – INSEAD France.

Has over 30 years of international banking experience involving credit, risk management, commercial banking and trade finance. He commenced his banking career with Bank of Montreal, Canada in international banking and was later its Middle East Representative, initially in Beirut, Lebanon and thereafter in London. He joined Gulf International Bank B.S.C. (GIB) in 1979 as Regional Marketing and Credit Officer for Central Europe based in London. He worked in various capacities in GIB within Credit and Business Development. In 2001, he was appointed Chief Credit Officer covering the areas of credit administration, economics, legal and credit review. He was also member of the Group Risk Committee. His most recent position with GIB was as Executive Vice-President, Head of International Banking with the responsibility for commercial banking business outside the GCC and thereafter joined ABG in September 2006.

Executive Management (Continued)

Mr. Adel Abd Allah Al-Balushi
First Vice President – Head of Financial Institutions
Master in Business Administration, University of Hull, U.K.

Has over 28 years of banking experience in Credit and Marketing. He began his banking career in 1981 at Bank of Bahrain and Kuwait (BBK) in the Credit and Marketing Departments and rose to a managerial level. He joined Al Baraka Islamic Bank in 1994 as Department Head in charge of Credit Administration and Analysis. From 2000 to 2007, he was Assistant General Manager of Credit, Marketing and Financial Institutions. During his period with Al Baraka Islamic Bank, he was a member of several committees. In November 2007, he joined Al Baraka Banking Group as First Vice President- Head of Financial Institutions.

Mr. Salah Othman Abuzaid
First Vice President, Head of Legal Affairs & Compliance
LLB, Faculty of Law, University of Khartoum

Has over 27 years of professional experience as a judge, practicing advocate or professional legal consultant serving a wide spectrum of local, regional and international clientele. After 20 years of practice in the various capacities in Sudan, he moved to Sultanate of Oman in 2001 to work for an Omani Law firm associated with an International Law Firm, and was admitted to practice by Omani Advocates Admission Committee before all Omani courts. In 2004, he moved to the Kingdom of Bahrain to join Al Baraka Islamic Bank (AIB) as Manager, Legal Affairs and then in 2007 was appointed First Vice President - Head of Legal Affairs & Compliance of ABG. He also serves as Secretary to the Board of Directors of ABG.

Mr. Khalid Al Qattan
First Vice President – Head of Treasury and Investments
Master in Business Administration, University of Hull, UK

Has over 25 years of banking experience in Treasury and Operations. He commenced his banking career at United Gulf Bank as an Operations Clerk in 1983. In 1988, he joined Shamil Bank (formerly Faysal Islamic Bank of Bahrain) as Operations clerk and was promoted to Manager in charge of the Treasury operations of the bank. He was later Treasury Manager in Eskan Bank from April 2006 to May 2007 where he handled the overall liquidity management of the bank and was involved in several committees. In June 2007 he joined as Vice President and rose to the position of First Vice President - Head of Treasury and Investment in 2008.

Shaikh Saleh Abdullah Kamel
Chairman

Global and Regional Economies

From our vantage point here at the close of 2009, we can view the events of the last two years with a clarity denied to us at a time when the world seemed to have entered systemic shock. We know, without belittling the gravity of the global recession - as it came to be named - that not all economies suffered the same and, indeed, that some proved more resilient than others due to their greater inherent health from the start. Not all economies shared the same weaknesses, and thus not all countries took the same steps to address them, and some have not taken the steps they should have even to this day. We therefore look back on a year which we can only characterise as mixed, in every sense.

As foreseen in last year's Report, some economies – particularly China's and India's with 8.3% and 6.5% GDP growth respectively - managed to maintain momentum, thanks mostly to their strong internal economies and conservative policies. Others – Indonesia, Pakistan, Egypt for example - achieved positive annual growth, even if they began the year in negative territory. As for the major economies, several saw the fruits of their own stimulus efforts at last bear fruit as each began to emerge from recession in the second or third quarter, even though growth was negative over the calendar year: the United States with an impressive +5.7% GDP growth rate for the last quarter and -2.5% for the year as a whole, Japan with a -5.3% fall, Germany -4.9%, France -2.2% (the Euro zone as a whole recording -3.9% negative growth), with the UK not managing to emerge from recession till the fourth quarter and shrinking by -4.7% over the year as a whole. Globally, for the first time since 1945, the global economy shrank, by an estimated -1.0% as the volume of world trade plummeted by 14.4%.

Within our own areas of operations, once again economic performance was essentially mixed. With the exception of Turkey and South Africa – which recorded negative growth of -6.0% and -1.8% respectively - it is interesting to note that all the countries in which the Group has a presence were able to manage positive GDP growth. Lebanon recorded a most impressive estimated 7.0% growth rate while, as mentioned above, Egypt enjoyed 4.7% growth, followed by Sudan with 4.0%, Algeria 3.4%, Tunisia with 3.0%, Jordan 3.0%, Bahrain 3.0% and Pakistan 2.0%. Not all of these are hydrocarbon exporting countries either - a noteworthy observation in its own right.

Our vantage point enables us to scan the immediate future, too, although it remains unclear, even cloudy in places. We can see that with some economies, Britain for example, there remains the danger of slipping back into recession – the feared 'double dip' or 'W-shaped' recession. In Japan, the spectre of deflation has returned to haunt investors and real growth prospects look limited for 2010. Other heavily export-dependent countries, such as Germany, may not find it easy to generate the required momentum on the road to recovery. International oil prices may not decline any further than they have, so depriving the oil consuming countries of the spark to ignite their economies once again.

As always, however, we view the future with optimism, although we are under no illusions that the scale and depth of this global slowdown, and the damage sustained by several major industrial countries around the world, not least in the fiscal and monetary cost of the stimulus they have each had to inject into their economies, will remain with us for many years to come.

Likewise, the international banking industry will have to live with the constraints imposed on it – by regulators and markets alike - as a result of the slowdown in economic activity and in the aftermath of the credit crunch that arose out of the sub-prime crisis and bank failure. In our own region, in the last few months we have experienced the effect that reduced international liquidity combined with over-extension, over-exuberance or over-trading locally can have on some debtors and some financial institutions, whose creditworthiness may once have been regarded as beyond doubt.

As a consequence, we believe, and as mentioned last year, that it is incumbent on all financial institutions in the region to exercise caution, to monitor and conserve their liquidity, and to guard against the possibility of liquidity failure in institutions rebounding on the rest of the sector. It is for this reason that we took appropriate steps in 2009 to grow our financing with caution and in favour of increased liquidity, a policy which we will continue to maintain in 2010. We also took action to contain our operating expenses, among other measures putting our planned branch network expansion on hold for the first half of the year, only returning to organic growth in the second half. Standard & Poor's duly acknowledged this cautious and low risk approach to business by reaffirming our investment grade rating.

2009 Review

The Group's income from jointly financed accounts and investments, together with its share as Mudarib, was $316.7 million. Income from self-financed contracts and investments, plus Mudarib share from managing restricted investment accounts, was $137.8 million. Including other operating income and revenues from banking services, the Group's total operating income was $633.5 million, 8.1% higher than that for 2008 and a new record. After operating expenses of $308.9 million, the net income before provisions and taxation was $324.6 million, 3.5% above that of 2008. Following the allocation of prudential provisions and taxation, the net income of the Group for the year was $167.4 million, compared with $201 million achieved in 2008.

The Group's liquid resources were managed higher in 2009 so that by the end of the year cash and liquid assets totalled $3.5 billion. For this reason, together with the 16.6% expansion of the financing and investment portfolios, particularly in the second half of the year, its total assets rose by 20.6% to $13.2 billion. Customer deposits - including URIA – totalled $11 billion, an increase of 24.0% over 2008.

Following the completion of the necessary formalities we were also pleased to announce the formation of the latest member of the ABG stable, our new banking subsidiary in Syria. In keeping with the ABG philosophy of encouraging local participation in its ventures, this was followed by the launch of a $35 million IPO, open only to Syrian nationals, in respect of 35% of Al Baraka Bank Syria, which we were delighted to see was greeted with great enthusiasm. The resounding success of the IPO, which was over-subscribed by 4.4 times the amount on offer, provided eloquent affirmation of the high degree of respect and confidence enjoyed by the Al Baraka Banking Group, not only in Syria but indeed throughout the region.

In light of the Group's performance in 2009, the Board of Directors has recommended a cash dividend distribution to the shareholders of 6% of the paid up capital, amounting to $44.6 million, and a bonus dividend of 1 share for every 16 shares held. A transfer of $9.2 million will be made to legal reserves, with a balance of $37.94 million being allocated to retained earnings. The Board has also recommended a remuneration distribution of $600 thousand, which will be charged to expenses, once approved by the shareholders at the Annual General Meeting.

Looking Ahead...

ABG has emerged from 2009 stronger than before. Its liquidity is sound and its core business is healthy. Having met its early targets, the Group is now well on track to meet its medium term strategic objectives:

- Planned geographical expansion: Following the successful IPO in 2009, ABG's new Damascus-based subsidiary is expected to begin operations in the first half of 2010 with the opening of its head office building and main branch; this will be followed over the course of the year by two more branches located in major cities. Furthermore, ABG intends to seek out other opportunities for expansion, particularly in those regions recovering from the economic malaise, where advantage may be taken of currently low asset valuations.
- Increased profitability: The groundwork has been laid for sustainable, increasing profitability from all units whilst engaging in cautious organic expansion.
- Product innovation: Shari'a-compliant products are continuously being developed, both in the Head Office and in the subsidiaries themselves; the Group has in place a continuous exchange of ideas which enables and encourages new products to be shared quickly and efficiently around the units.
- Introduction of advanced IT systems and processes: Intended to meet the Group's demands into the next decade and aimed at achieving optimum management efficiency and customer satisfaction, state of the art systems are currently being implemented at the Head Office and many business units.
- Further strengthening of our risk management and corporate governance culture: our risk management processes and corporate governance practices will continue to be upgraded to bring them to the level of best industry practice.
- Unified Corporate Identity: The Group's re-branding exercise initiated in 2008 is now mid-way through its 2-year programme. Subsidiaries have received local regulatory approvals and most have now made the transition, with only three subsidiaries remaining to complete the launch in 2010.

In conclusion, I should like to take this opportunity to extend on behalf of the Board and management our appreciation to our Shari'a Supervisory Board, the Central Bank of Bahrain, the Ministry of Industry and Commerce and all of our subsidiaries' regulatory authorities, for their support and guidance during 2009.

For and on behalf of the Board of Directors

Saleh Abdullah Kamel

Chairman

President & Chief Executive's Report *(All figures in US dollars unless otherwise stated)*

Mr. Adnan Ahmed Yousif
Board Member and
President & Chief Executive

Introduction

In a year beginning with very low expectations for the banking industry, and ending on a note of optimism for the future, Al Baraka Banking Group's cautious and conservative stance proved the wisest choice. The Group's decision to prefer conservation of liquidity and resources over expansion was not, however, entirely at the expense of growth, as its obligations towards its customers and the development of the region remained important factors of its philosophy and ongoing strategy.

In 2009 the Group therefore continued to grow moderately, as its total assets rose by 21% to reach $13.2 billion. The largest increase in absolute terms was once again seen in its murabaha financings, which grew by $850 million, followed closely by cash and balances with Central Banks and other banks, which expanded by $804 million as the Group adopted a conservative stance emphasising liquidity. Non-trading securities also rose during the year, by $285 million. In addition to the murabaha sales receivables, other financings also grew in the main, with the mudaraba and musharaka portfolios respectively standing $102 million and $81 million higher than in 2008, while the Ijarah Muntahia Bittamleek portfolio rose by $31 million. Other assets - investments in property and affiliates, associates and subsidiaries, inventories, Salam and fixed assets - also grew, although trading securities, Istisna'a financings and Ijarah receivables declined somewhat.
In tandem with the growth of the Group's assets, its funding sources expanded, as customer and other accounts grew by 25% to $2.61 billion, while the unrestricted investment accounts also rose, by 22% to $8.24 billion. Off balance sheet, aggregate restricted investment accounts decreased by 11% to $510 million while contingencies and commitments increased by 45% to $3.8 billion.

The 12% increase in the Group's income arising from its jointly financed murabaha business and investments was quite commendable, with the contributions of the subsidiaries in Algeria, Egypt, Jordan and Turkey being particularly noteworthy. However, the aggregate operating income from other sources remained more or less static, as the rise in income from the Group's own investments, the provision of banking services and other operating income was roughly balanced by the fall in income from its own murabaha and its mudarib share from the restricted investment accounts. The total operating income thus increased by 8% to $634 million, a successful outcome given such a difficult operating environment.

Operating expenses increased by 13% to $309 million, leaving the net operating profit 3.5% higher than last year at $325 million. Following higher prudential provisions aggregating $104 million compared with $48 million in 2008, the net income was $167 million.

Given the unfavourable economic conditions prevailing in most areas of the Group's operations in the year under review, we were pleased that the Group's inherent strengths, as well as its decision to emphasise conservative liquidity and financing policies, were duly recognised by the affirmation by Standard & Poor's of ABG's investment grade BBB-/Stable/A-3 credit rating.

As mentioned above, notwithstanding its conservative stance maintained through most of the year, but particularly in the first half, the Group continued to grow its operations. Organic growth was evidenced in the continuing expansion of the branch network - which ended the year with 289 branches compared with 283 at the end of 2008 - and in many subsidiaries new products were introduced for the first time, adding to the range on offer to their customers. We were pleased that this effort was duly recognised within the industry, with ABG being awarded the accolade "Best Islamic Globalisation Effort" in the Islamic Business & Finance Awards for 2009.

During the year ABG made a strategic decision to increase its shareholding in three of its subsidiaries: Jordan, where its holding was lifted to 66.5% from 58.7%, Turkey, where it rose to 56.6% from 55.6%, and South Africa, where its stake was increased to 56.3% from 53.6%. The share capital of the Algerian subsidiary was substantially increased at the end of the year, from $35 million to $139 million, in compliance with the Central Bank of Algeria's directives to all banks.

In line with its strategic rebranding programme the Group unveiled its new unified corporate identity brand in 2009, commencing with the Bahrain subsidiary in June and swiftly followed by the South African and Indonesian units the same month and Al Baraka Lebanon in July. The inauguration of Al Baraka Syria, ABG's new subsidiary, was announced in October simultaneously with its IPO, while November saw the launch of the unified brand in Pakistan and Turkey, followed by Algeria and finally Tunisia in December when the Tunisian subsidiary's name was changed from Bank Et-Tamweel Al-Tunisi Al-Saudi to Al Baraka Bank, Tunisia.

As indicated above, 2009 was the year that ABG Group opened its first new banking subsidiary in Syria since its own foundation when it brought together 10 separate banks. Al Baraka Bank Syria will formally commence operations in 2010, but the enormous success of its IPO - the means by which the public was invited to participate in the future of the Group - in October, was a proud moment for us all. We look forward to Al Baraka Bank Syria playing a worthy part in the Group's success in the years to come.

Review of Units

The following is a brief review of each of our subsidiaries, their activities and performance over the past year. All figures are stated in the US dollar equivalents of the audited local currency-based balance sheets and income statements, prepared in accordance with the Islamic Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (and IFRS where AAOIFI was silent) and without any Group level consolidation adjustments.

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 the Group's overall strategic direction and in full compliance with the regulations of the respective countries' Central Banks.

Al Baraka Türk Participation Bank | Inception Year - 1985 | Turkey

Badly affected by the global downturn, the Turkish economy shrank by an estimated 6.5% over the year, compared with around 0.9% growth in 2008. However, there were signs by the second half of the year that Turkey had turned the corner and that the economy had once again moved into positive territory, some economists even going so far as to forecast 5.0% p.a. growth over the next two years. Aided by tax incentives quickly introduced in early 2009 and progressive interest rate reductions, credit demand expanded in an increasingly optimistic environment. The current account deficit, which had been managed down to -5.6% of GDP in 2008, dropped again in 2009 to only -1.9%. Inflation fell to 5.8% from 10.1% the previous year and is expected to remain in the region of 5.5-6.3% over the next 2 years.

Al Baraka Turkey's assets grew by 37% in US dollar terms, as the slowdown in the economy began showing signs of reversal in the second half of the year. Its total assets thus ended the year at $4.28 billion, of which 78% comprised financings and investments, which totalled $3.35 billion at end-year. The bank's traditional murabaha business did well, with related sales receivables increasing by 29% to reach $3.04 billion, while the Ijarah Muntahia Bittamleek portfolio fell by 45% to $36 million and the recently introduced musharaka product's portfolio surged by 154% to $50 million. Non-trading investments expanded remarkably from $3 million to $221 million, while the bank also increased its liquid resources by 34% to $818 million. On the liabilities side of the balance sheet, both customer current and other accounts and unrestricted investment accounts grew strongly, by 72% and 37% respectively to $656 million and $3.0 billion respectively.

As a consequence of this portfolio growth, Al Baraka Turkey's total income from jointly financed accounts and investments rose by 15% to $335 million. After distribution to the unrestricted investment account holders of their share of the income, amounting to $230 million compared with $218 million in 2008, the bank's share as Mudarib of $105 million was 44% up on the previous year. Including income from its own sales and investments, income from banking services and other operating income, the bank's total operating income was 10% above 2008's at $272 million. After operating expenses, which were 18% higher at $111 million, net operating income was $161 million or 6% above the previous year. However, after accounting for increased provisions and the charge for taxation, the net profit realised was $70 million, 28% below 2008's result.

Owing to the conservative policies exercised across the Group, the initial part of 2009 was not scheduled for major organic expansion and therefore only one new branch was opened, in the last quarter of 2009, while the ATM network remained unchanged at 104. However, Al Baraka Turkey was successful in boosting both the number of financings and investment accounts and the number of deposit accounts held, and was thus able to count the year an overall success. Once again the number of ATM cards issued expanded dramatically, while the popularity of its Internet and Call Centre services continued to grow. As part of the bank's drive to enhance its technological base and internal processes, new collateral management software was activated towards the end of the year, while new retail finance and cheque handling modules were successfully installed and customer activity tracking and limit authorisation systems put in place.

Al Baraka Turkey was pleased to be given the award 'Best Islamic Bank in Turkey' for 2009 by Global Finance magazine, in suitable recognition of the strides that it had taken in recent years to deliver first class service and products to its rapidly expanding customer base. Another moment of pride came when S&P for the first time assigned BB-/B rating to Al Baraka Turkey, a rating equal to the sovereign rating of Turkey. The initial negative outlook was subsequently upgraded to stable in line with the country rating; in February 2010 the country rating was upgraded to BB with a positive outlook followed immediately by the upgrade of Al Baraka Turkey to BB with a positive outlook.

As part of the Unified Brand programme the bank successfully completed its transition to the Group's new brand image in November 2009 and was able to unveil its new identity as Al Baraka Turkey.

New headquarters design for Al Baraka Turk Participation Bank in Istanbul - Turkey

Jordan Islamic Bank | Inception Year - 1978 | Jordan

In spite of the worldwide slowdown the Jordanian economy managed to grow, albeit weakly, by an estimated 3.1%. Funds flow into Jordan was however less than it had been over the previous two years and, partly as a result of this, stock exchange and real estate market values declined. In addition to its impact on property prices, however, the downturn also affected commodity prices, helping to make imports cheaper and pushing consumer price inflation down to a negative 0.7% from 2008's high of 13.9%. The cheaper imports, particularly oil, also helped the current account deficit to improve somewhat, as it ended the year at an estimated –10.0% of GDP compared with -11.3% in 2008.

In this poorer economic environment there was naturally some reluctance among the Jordanian banks to extend new credit facilities and due to this and a rise in non-performing financing all of them suffered some turnover and profit decline over the year. However, excessive caution was tempered by the sector's traditional strong competitive instincts, so there were still some banks that sought to increase their market share. This was especially true in the Islamic banking market, where the competition between the two existing Islamic banks was intensified by the entry of a major new competitor into the market towards the end of the year.

Despite these influences Al Baraka Jordan managed to increase its assets by some 18% to $3.08 billion, as aggregate financings and investments increased by 13% to $1.77 billion and its liquid assets grew by 24% to $1.39 billion. A 13% rise in murabaha sales receivables to $1.29 billion and a 22% increase in the Ijarah Muntahia Bittamleek portfolio to $190 million were the main features behind the growth of the financings portfolios. Funding this activity were customer current and deposit accounts – which increased by 7% in value as the customer base rose to 839,000 - and unrestricted investment accounts, which grew by 24% to reach a record $1.89 billion.

Nevertheless the bank's total income from jointly financed contracts and investments declined, albeit by only some 2% to $141 million. After accounting for the URIA investors' share, amounting to $72 million – a 14% increase in investors' return – and including its share as Mudarib, the bank's income from this source amounted to $69 million, a somewhat disappointing return set against 2008's $81 million. Including income from its own investments, its Mudarib share from managing restricted investment accounts and revenues from banking services, Al Baraka Jordan's total operating income for the year was $96 million, 19% down on 2008. Although at $43 million operating expenses were also lower than in 2008, the saving here was insufficient to compensate for the drop in earnings and the bank therefore closed the year with net operating income of $52 million compared with $72 million in 2008. Notwithstanding a net recovery of loss provisions as a result of assiduous collection efforts over the year, and a lower taxation charge, the net profit in 2009 was $39 million, 21% below that for 2008.

During 2009 Al Baraka Jordan opened one new cash office, bringing its network up to a total of 65 branches including cash offices, along with its 69 ATMs linked to the Jordan national payment and Visa International networks. It intends to expand its reach over the next 5 years by opening a further 10 branches as well as several more cash offices. It also opened a new IT Centre toward the end of the year, successfully implemented its new Disaster Recovery project and made substantial headway in implementing its new core banking system, which should be in place by the second quarter of 2010.

Al Baraka Jordan's product range includes personal and corporate financing and International trade. The bank applied most of the accepted Islamic financing modes including murabaha, diminishing musharaka, mudaraba, Ijarah Muntahia Bittamleek, instalment sale and Istisna'a contracts. In addition it invests in Islamic sukuks and in property development for on-sale or lease to its customers. Its extensive repertoire and first class service was duly recognised in 2009 by Global Finance magazine's 'Best Islamic Bank in Jordan' award.

For the future, Al Baraka Jordan intends to maintain its rate of growth in all traditional areas, focusing especially on commissions and service fees as it adds more off-balance sheet services to its repertoire, while at the same time expanding its investment and Ijarah Muntahia Bittamleek portfolios. For technical reasons, its transition to the new Group brand will meanwhile be managed on a gradual basis, with phasing in planned over the next few years.

The Egyptian Saudi Finance Bank | *Inception Year - 1980* | *Egypt*

Al Baraka Bank Egypt (w.e.f. April 1, 2010)

The Egyptian economy grew by 4.7% in the fiscal year to June 2009 as compared with 7.2% growth in 2007/08. The current account, which had declined to a small surplus in 2007/08, moved into negative territory - estimated at -2.4% of GDP – and the deficit is anticipated to grow higher during 2009/10. The rate of inflation is estimated to have risen to some 16.2% from 11.7% in 2007/08. Nevertheless, the easing of global recessionary pressures over recent months has led to a gradual improvement in confidence levels which, with the added impetus of the fiscal and monetary measures taken by the Egyptian authorities, presents a moderate outlook for 2010 and a strengthening growth scenario for the medium term.

The Central Bank introduced a number of measures to counter the impact of global recession, among which – supported by its success in gradually reducing the rate of inflation over recent years - was the action taken by the Monetary Policy Committee to reduce overnight deposit and lending rates. The slowdown in the economy, meanwhile, led to a drop in consumption and investment and thus in credit demand, contributing to reduced activity in the banking sector, such that the rate of growth of bank loans over the fiscal year fell from 13.3% as at June 2008 to 7.0% in June 2009. Likewise, the growth rate of bank deposits fell from 14.8% to 8.5%. Loan defaults also rose, although this phenomenon tended to impact more on certain foreign banks relatively new to the market.

Despite the pressures on the economy, Al Baraka Egypt enjoyed a healthy expansion, closing the year with total assets up 10% at $2.13 billion. This growth was reflected in the increase in the bank's financings and investments which grew by an overall 10%, chiefly on account of the 24% growth in the mudaraba portfolio, to $720 million, while murabaha sales receivables rose by a moderate 4% to $818 million. The growth was largely funded by a 15% increase in the unrestricted investment accounts, which totalled $1.7 billion at the end of the year.

The bank's total income from jointly financed contracts and investments increased by 8%. The gross return to unrestricted investment account holders rose by 2% to $99 million, increasing the net payout to $2 million after deducting the bank's share as Mudarib. This revenue, together with that from banking services and other operating income, generated a total operating income of $65 million, a remarkable increase of 47% over the previous year. After deduction of operating expenses of $29 million – 38% higher than the expenses incurred in 2008 on account of infrastructure related expenses and higher staff costs – net operating profit was 56% higher at $36 million. Provisions and taxation charge then contributed to the final result, a net profit of $14 million compared with 2008's net profit of $4 million.

The bank's network grew by one new branch during 2009, increasing the total to 19 branches and cash offices. Its ATM network also grew, to 14 machines in all. It launched a number of new financings and investment products, including consumer financings designed to assist in home furnishing and healthcare, increased the volume of restricted mudaraba transactions concluded with its major bank customers and added to its investments in syndicated transactions in cooperation with other banks. On the liabilities side, it launched two new products: Egyptian Pound 7-year savings certificates and US Dollar 5-year savings certificates, both of which were met with a positive reaction from the public.

Al Baraka Egypt remains on course in its strategic 5-year expansion plan as it works towards steadily increasing its contribution to the Group in terms of income and asset growth. It will increase the number of branches to 35 over the next 5 years, in addition to other delivery outlets such as cash bureaux and ATMs. At the same time it intends to continue to expand its range of retail and business Islamic finance products such as business Ijarah and franchise financing and new savings and investment products. Upgraded telephone and Internet banking facilities will also be launched on the back of the bank's new core banking system, currently in course of deployment.

Progress on the bank's rebranding continued through 2009. The approval of the authorities to the change of name to that of Al Baraka Bank Egypt was recently received and the unveiling of its new identity is expected in April 2010.

Al Baraka Islamic Bank B.S.C. (c) | Inception Year - 1984 | Bahrain

Al Baraka Bahrain was among the pioneers of Islamic banking in Bahrain, where it operates under a retail banking licence, 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. In 2009 Al Baraka Bahrain received the approval of the Central Bank of Pakistan for its Pakistan arm to be licensed as a separate bank under the ABG umbrella. The Group is currently considering its options in this regard in order to determine the best course to take, in line with its overall strategy of consolidating its position in its traditional markets and building on a strong base.

In a difficult year for Gulf states in the wake of the global slowdown and recession in industrialised countries, Bahrain's GDP held up surprisingly well, even managing to grow by some 3.0% compared with 6.1% in 2008. Inflation fell to 3.0% at the end of 2009 from 3.5% the year before. The current account balance remained positive, albeit falling from 10.6% of GDP in 2008 to 3.7% in 2009. The government remains determined to reduce the dependency of the local economy on oil and gas and to reduce unemployment among its youthful population through the promotion of private sector growth by encouraging local and foreign direct investment and improving the local skills base.

Security issues, the energy crisis and the impact of the global economic downturn continued to affect Pakistan's economy throughout 2009 and remain challenges today. The global recession impacted deeply on Pakistan's manufacturing industry - which recorded a zero rate of growth for 2009 - and on its exports, which fell significantly. However, the economy did manage 2.0% GDP growth in 2009, similar to 2008. The current account deficit, which had reached -8.3% of GDP by the close of 2008, improved to $8.5 billion or -5.1% of GDP in 2009 as the value of imports fell in line with lower oil and commodity prices. The inflation rate also improved to 13.1% compared with 21.5% in 2008. The banking industry continued to demonstrate resilience in the face of these challenges, supported by a competent central bank and a prudent regulatory and supervisory regime with strong risk management and governance standards. The State Bank of Pakistan gradually relaxed its minimum capital requirements on banks, at the same time allowing its policy rate – which directly affects the inter-bank rate – to fall back slightly. Nevertheless, as non-performing loans across the sector rose by 31% to reach $4.94 billion by the end of the year, banks faced the daunting task of maintaining stable balance sheets and securing adequate profitability margins, although the huge government borrowing programme did provide a safe and profitable haven, leading to a switch in lending patterns by the banks away from the private sector.

In a challenging year for Al Baraka Bahrain, the bank adopted a cautious stance towards taking on new corporate commitments, focusing on maintaining a healthy liquidity profile. Its total assets declined by 7% to $930 million, chiefly due to an 11% reduction of its financings and investments portfolios to $668 million, as it allowed its investments in government instruments, banks and financial institutions to increase and its financing of the manufacturing, construction and trade segments correspondingly to fall back. The bank's liquid assets fell 8% to $210 million. Customer current and other accounts increased by 7%, although total unrestricted investment accounts declined by 10%. Income from jointly financed contracts and investments fell by 7% to $51 million, of which the bank's share, including its share as Mudarib, was $15 million, 17% below 2008's income from this source. Together with income from its own sales and investments, revenue from banking services and other income, the bank's total operating income was 15% lower at $24 million. Operating expenses rose by 10% to $25 million, leaving a net operating loss of $0.9 million which, after application of higher than usual provisions in a year of increased non-performing financings and investments and despite a recovery of taxation in Pakistan, resulted in a net loss of $26 million.

Al Baraka Bahrain introduced several new Taqseet (instalment) products to the Bahrain retail market, offering its customers assistance in financing the purchase of residential property, automobiles and other goods. Given the economic conditions prevailing in Bahrain in 2009, however, the bank put on hold its ambitions to expand its branch and cash office network there, which remained at 33 (including 29 branches in Pakistan), although it increased its ATM network by 4 units to 11. Meanwhile, it achieved the successful migration of its existing IT systems to the Islamic Equation core banking system across its Bahrain commercial branches, at the same time implementing the financial risk classification and client credit rating modules and establishing weekly stress testing of its liquidity and measurement and review of liquidity risk indicators.

Given the prevailing environment in Pakistan, Al Baraka Bahrain decided to defer its plans for new branch openings there also, leaving the number of branches unchanged at 29. However, in 2010 it fully intends to return to growth, opening 20 branches across the country as part of a rolling 5-year programme which should see the network exceeding 120 branches by 2014. It will also be introducing a number of new products, among them Salam, remunerative current accounts and Musawama. It has already commenced implementation of the first phase of the Islamic Equation system, which should be finalised in early 2010, and is progressing well with improvements to its network infrastructure project aimed at producing greater bandwidth and more reliable connectivity. Implementation of Basel II is expected to be completed shortly.

The market conditions over the last 12 months have been among the most difficult of recent years. However Al Baraka Bahrain is optimistic about future growth opportunities and stands ready to take advantage of its position in the market and its ability to leverage the Al Baraka Group brand. The bank will continue to invest for profitable growth and financial strength, focusing increasingly on retail banking products. It will continue also to focus on building a strong risk management culture and a strong, liquid financial institution. It also plans to enter the real estate financing markets in the GCC and to launch a number of new funds in Bahrain for its investing customers, in addition to a series of liability products.

Al Baraka Bahrain was the first subsidiary to complete the transition to the new unified image in June 2009. This was followed in November by the Pakistan arm of the bank.

For the Algerian economy, the year was marked by low growth across both the hydrocarbon and non-hydrocarbon sectors, due both to the general economic malaise and to OPEC production cuts and gas production bottleneck problems. However it did manage 2.1% growth, albeit that this was lower than the 3.0% growth rate recorded for each of the previous 2 years. The current account surplus, however, slumped to 2.7% of GDP from 23.2% of GDP in 2008. Foreign exchange reserves nevertheless grew slightly and now stand at an estimated $149 billion, over 40 times the foreign debt of a mere $3.4 billion. The rate of inflation rose slightly to 4.6% from 4.5% in 2008 but is expected to fall over the next 5 years, even as growth is expected to resume.

Maintaining the momentum of its economic reform programme, the government brought in a number of measures in advance of its latest $80.7 billion 5-Year Economic Recovery Plan aimed at encouraging inward investment. In the manufacturing sector it has introduced some DZD1.5 billion ($21 million) in incentives to substitute imports with local products and prohibited the importation of used equipment or parts. Subsidies for the agricultural sector will be maintained to encourage it to meet new production targets, particularly in regard to wheat production. A million residential homes are to be built. Steps affecting the banking sector, some of which have already been introduced, include a directive that all Algerian banks must increase their capital to a minimum of DZD10 billion ($139 million), pending which no new banking licences will be issued, the requirement for prior Central Bank approval for the introduction of all new banking products and the banning of all consumer loans other than real estate loans.

Notwithstanding the prevailing economic conditions, for Al Baraka Algeria it was a year of expansion. Its total assets grew by 35% to $1.37 billion, funded primarily by a 56% increase in its customer current and other accounts, which rose to $556 million, and a 19% rise to $505 million in its unrestricted investment accounts. Much of the increase in liabilities was in turn placed in liquid assets, including balances with the Central Bank, which rose by 157% to $469 million. Growth was however also seen in the bank's financings and investment portfolios, in particular its murabaha financings, where sales receivables ended the year 12% up at $615 million, and the Ijarah Muntahia Bittamleek portfolio, which closed 54% higher at $64 million. The increased financings were spread across most industrial sectors. Portfolio expansion in turn led to a 52% increase in joint income from sales receivables and jointly financed contracts and investments, which totalled nearly $64 million. After accounting for the investors' share, the bank's share as Mudarib of nearly $16 million was 12% up on the previous year and its total income from this source was 57% higher at $48 million. Including revenue from banking services and other operating income, its total operating income came to $90 million, 8% higher than in 2008. Operating expenses, however, increased by 25% to $29 million, reflecting higher staff and asset amortisation costs. Net operating profit was therefore $61 million, a little above 2008's $60 million. Taxation charge and slightly higher provisions brought the net profit to $40 million, only slightly above the $39 million recorded in 2008.

Pursuant to the directive of the Central Bank of Algeria, Al Baraka Algeria's issued share capital was increased at the end of the year to DZD10 billion ($139 million), representing a near-fourfold increase in equity.

Al Baraka Algeria deferred temporarily its plans for new branches and a new ATM network during 2009. Among new products introduced were Takaful, Umrah savings and youth savings accounts. On the IT front, it successfully completed the implementation of its new core banking system, whilst finalising the preparations for the issue of credit cards, a new product to be launched in 2010.

Also planned for 2010 is the introduction of real estate savings accounts and, subject to regulatory approval, Umrah financing facilities, in addition to musharaka facilities for the corporate sector. The bank also intends to develop a micro finance programme. It will be opening a further 7 branches under its medium term plan to substantially expand its current 20 branches to a 50-branch network over the next 5 years. Its medium term plan also envisages the provision of e-banking services, for which it will be busy preparing the ground over the next 2-3 years. Its new head office building, construction work on which commenced in 2009, is expected to be completed by 2012.

Al Baraka Algeria was proud to accept the award 'Best Islamic Bank in Algeria' from Global Finance magazine as a fitting recognition of its efforts to date to deliver fast, efficient service and product solutions to its growing customer base. During the year the bank unveiled its new unified identity in December 2009.

Al Baraka Bank Sudan | Inception Year - 1984 | Sudan

Given Sudan's heavy reliance on oil as its chief export and foreign currency earner, 2009 was not a particularly good year for the Sudanese economy. With oil representing 90% of the country's export earnings, the state budget was adversely impacted by the fall in international oil prices, notwithstanding that crude oil production actually rose to 470.1 million barrels from 2008's 461.5 million. Efforts were made to compensate partially for this by revitalising the agricultural sector and encouraging the non-oil sector generally. The original 10% GDP growth target was revised downward to 6%, a little below the estimated 6.8% achieved in 2008, but current estimates point to only 4.0% growth being achieved. Nonetheless, the country's economic progress in recent years remains noteworthy, with GDP per capita reaching $1,388 in 2009 compared with only $776 per capita in 2005. The current account deficit, which had improved in 2008 to around –9.0% of GDP from 2007's -12.5%, worsened in 2009 to an estimated -11.2% of GDP but is forecast to fall to only -9.1% in 2010 and -8.2% by 2011. Inflation, moreover, subsided to 10.0% against 14.9% the year before and should fall further to about 8.0% in 2010 and 6.5% in 2011.

Since the north-south civil war ended in 2005 under a peace agreement sharing the revenues from the southern oilfields of Sudan equally between the two regions, the country has made remarkable progress under competent economic management and a stable government working together with the IMF. The proven oil reserves have risen over the years and now stand at 6.3 billion barrels, while natural gas reserves exceed 85 billion cubic feet. The country also benefits from a growing non-oil sector (apart from its traditional agricultural production), encouraged by a good and widespread education system.

For Al Baraka Sudan, the fall in the value of the Sudanese Pound against the US dollar meant that although it more than met its growth plans in local currency, in US dollar terms its balance sheet growth was much less. Total assets in US dollars therefore grew by only 6% (9% in local currency) to $320 million from $302 million, as aggregate financings and investments increased by 13% (16% in local currency) to $226 million, of which total the greatest portion was in non-trading investments amounting to $123 million, up 27% on the previous year. Notwithstanding this the bank's main source of income, the murabaha sales receivables portfolio, still grew by 4%, no mean achievement in this difficult year. The assets were funded chiefly by customer deposits, which were 4% higher at $185 million, and the unrestricted investment accounts, which enjoyed a 60% increase to $62 million. Although the aggregate joint income from sales receivables and jointly financed contracts and investments was slightly lower than 2008 at $23 million, net of its share as Mudarib, the bank was able to reward its investors with an increased return of $4.4 million, compared with $1.8 million in 2008. Its own share of this income, when added to its revenues from banking services and other income, was 11% lower at $28 million. After operating expenses of $19 million, net operating profit came to $9 million, 34% less than that earned in 2008. A reduced provision and charge for taxation resulted in a net profit of a little over $6.4 million, compared with 2008's net profit of nearly $9 million.

In 2009 Al Baraka Sudan increased the number of ATM machines in its network. Its plan for expansion includes opening 11 new branches over the next 5 years to make a total network of 36 branches and cash offices by 2014. During the year it introduced a new private banking service in certain select branches, while new products introduced included Takaful insurance. Once it has completed the implementation of its new core banking system in 2010, it is planning to launch a number of new products linked to its now more sophisticated systems, starting with telephone and SMS banking.

The bank progressed during the year on the conversion of its brand to be consistent with the Group and remains on track for completing the process in 2010.

In 2009 the rate of economic growth in Tunisia slowed from 4.6% in 2008 to an estimated 3.0% in the wake of recession in the OECD countries, particularly those of the European Union, Tunisia's largest export market. However, the impact was not as bad as it would have been in earlier years on account of the development in non-textile manufacturing and strong growth in the services sector which has helped to compensate for reduced exports. The current account deficit, which had risen to around $1.7 billion or 4.2% of GDP in 2008, fell back to some $1.5 billion or 3.8% of GDP, while inflation was well contained within the area of 3.5%.

The government remains committed to achieving a 6.0% annual growth rate, which appears a feasible target by perhaps 2012. It is therefore continuing its policy of encouraging foreign direct investment and maintaining its programme of modernisation and restructuring across the economy, in particular that of the financial sector.

During the year the government conducted a revision of the 2001 Banking Law, introducing the concept of a Universal Bank. It established Tunisia Holdings, an umbrella public bank, in addition to a financial holding company specialising in SME financing and a new External Bank of Tunisia. The restructuring momentum was maintained as two banks were merged and three others privatised, while the development banks were converted into Universal Banks. The government also assumed direct responsibility for the debts of some public institutions and set about rectifying their financial position, writing off much of their non-recoverable debt. Improved corporate governance rules were imposed. Under the latest 5-Year Plan 2010-14, the government has stated that it intends to legislate for an increase in the minimum capital requirement for all banks to TND100 million ($76 million). It also intends to achieve the reduction of banks' doubtful debts to under 7% of total loans.

Other major changes include the right granted to non-resident banks to conduct business with residents and to offer finance to all sectors except consumer and residential home loans. Non-resident banks may now accept deposits from residents provided that the total of such deposits must not exceed the total financing extended to residents in the form of long term loans and shareholdings in resident companies. Effectively this means that resident deposits must be used for longer term lending and investment in resident companies. Non-resident banks (such as Al Baraka Tunisia) have therefore lost the benefit of being allowed to accept resident deposits up to 1% of all banking sector deposits and utilise these for any purpose of their choice.

Despite strong local competition this was another year of growth for Al Baraka Tunisia. Its total assets grew by 50% to reach $495 million, attributable mostly to the financings and investment portfolios which aggregated $464 million, having expanded by 56%. The murabaha sales receivables grew by 25% to end the year at $323 million. However, the most impressive expansion was seen in the mudaraba financings portfolio, which grew fourfold from $31 million to $134 million. The rise in assets was funded primarily by $401 million of customer deposits and unrestricted investment accounts, which increased over the year by 63%. The increase in murabaha business, however, was not translated into an increase in the joint income from sales receivables and jointly financed contracts and investments which, at $16 million, was unchanged from 2008, as was the net return to the bank from this source at $11 million. Other sources of income contributed $5 million, mostly from its Mudarib share from managing restricted investment accounts and banking services, so that total operating income ended 10% higher than 2008 at $19 million. Operating expenses rose by 4% to $8 million and, with a recovery of past years' provisions, less taxation charge, the net profit contribution of Al Baraka Tunisia was $11 million, down from $12 million in 2008.

The bank completed the rebranding process under the Group's unified branding programme towards the end of the year, announcing the change of identity in December 2009 along with the name change.

For the foreseeable future, Al Baraka Tunisia's strategy will be to focus on increasing fees and commissions from e-banking and other services and increasing deposits, mainly from the offshore and public sectors.

Al Baraka Bank Limited | Inception Year - 1989 | South Africa

Although it was not affected directly by the sub-prime crisis and the credit crunch, South Africa's economy was negatively impacted by the aftershock of the global recession in 2009. South African GDP suffered a severe recessionary decline in the early part of the year, driven by weak international demand for its exports. However, firm action by the South African Reserve Bank to reduce interest rates progressively over the year - by a cumulative 5%, no less - to help stimulate the economy, had a positive effect and by the second half of the year consumer confidence began to return. For this reason the decline was not as serious as it might have been. GDP is currently estimated to have fallen by about 2.2% year-on-year compared with a positive rate of growth of 3.1% in 2008. The current account deficit fell from 7.4% of GDP in 2008 to an estimated -5.0% of GDP in 2009. Helped by the aggressive reduction in interest rates the rate of inflation also subsided, from 11.5% to around 7.2%. The outlook for 2010 is positive, with gold and silver prices set to rise substantially, inflation remaining within the Reserve Bank's target range and the lower interest rates continuing to stimulate the economy. The stock market, which fell precipitously in the early part of 2009 but recovered somewhat towards the end of the year, is expected to reach and even surpass pre-recession levels soon.

Al Baraka South Africa's total assets grew by 61% to $322 million, due mainly to a similar rate of growth in its financings and investment portfolios which reached $279 million. The expansion was funded almost wholly by a 66% increase in the bank's unrestricted investment accounts to $287 million. The increase was not, however, matched by a similar increase in the income from sales receivables and jointly financed contracts and investments, which amounted to just below $26 million compared with a little over $24 million in 2008. After accounting for the investors' share, the bank's income from this source, including its share as Mudarib, remained unchanged at $11 million. Including revenue from banking services and other operating income, its total operating income was virtually unchanged at $12 million. The net operating income was 46% lower at $2 million due to increased operating expenses on account of expense related to infrastructure development and taking on additional staff. After provisions and taxation the net profit came to $2 million, 24% lower than in 2008.

In 2009 Al Baraka South Africa completed the transition to the Group's unified brand. It also relocated to new head office and main branch offices, situated on the outskirts of Durban's Central Business District. A new branch at Gauteng was also opened, bringing the number of corporate branches to 4 and its total network to 10. In the fourth quarter it launched its new debit card product, the first of its new e-banking associated products, with the remainder set to follow the full implementation of its new Islamic Equation core banking system, anticipated in early 2010. Over the next 5 years Al Baraka South Africa will open 5 additional corporate offices, expanding its network to 15.

Al Baraka Bank new headquarters in Durban - South Africa

Al Baraka Bank Lebanon S.A.L. | Inception Year - 1991 | Lebanon

Despite the downturn in the region, and due in part to a record summer for the tourism sector, Lebanon's real GDP growth in 2009 remained at a healthy 7.0%, compared with 8.5% in 2008. Its current account deficit was stable at an estimated -11.3% of GDP, as Lebanon continued to benefit from inward capital transfers arising from expatriate Lebanese remittances and foreign direct investment – the latter emanating mainly out of the Gulf states, directed at the tourism-related real estate sector although these have dropped off with the peaking of the GCC property boom.

Lebanon's public sector debt has continued to grow and now exceeds $48 billion or 160% of GDP, of which its foreign debt constitutes an estimated $36.2 billion or 120% of GDP. The high cost of servicing this huge public sector debt is the main factor behind the large structural fiscal deficit, which in turn restricts the government's room for manoeuvre. A return to economic expansion in the GCC should however benefit Lebanese exports of goods and services and positively impact on its economy over time. On the positive side, one beneficial side effect of lower world commodity prices was that consumer price inflation shrank dramatically in 2009, from 10.8% to an estimated 2.5%, and is not expected to exceed 3.5% in 2010. The Central Bank, meanwhile, continues to maintain its conservative monetary stance, closely monitoring and supervising the Lebanese banking sector.

The year saw a 10% rise in assets at Al Baraka Lebanon to $181 million, as its financings and investment portfolios grew to $67 million and its liquid assets increased by 13% to $82 million. This growth was funded largely by a 15% increase in unrestricted investment accounts and a 6% increase in customer current and deposit accounts. The musharaka financing product introduced in 2008 continued to be popular and the portfolio grew by 63% to nearly $10 million. The newly launched Istisna'a product got off to a good start with $0.4 million already contracted, while the murabaha and property financing portfolios remained stable. Income from murabaha sales receivables and jointly financed contracts and investments rose to nearly $6 million and, after accounting for the unrestricted investment account holders' share, the bank's share including that as Mudarib amounted to almost $2 million compared with a small negative result in 2008. This income, together with income from its own investments and sales and banking services, amounted to around $5 million, unchanged from 2008. Operating expenses rose by 11% to $8 million, resulting in an operating loss of $3.4 million and, after recoveries of prior years' provisions, a net loss of $2.5 million compared with the $3 million net loss incurred in 2008.

During the year the bank completed the process of migration to the Group's unified brand identity in accordance with the Group's rebranding programme, unveiling its new logo in July 2009. Al Baraka Lebanon also continued to broaden its suite of new products, with the launching of its 'Baraka Surf' and 'Baraka Net' e-banking services, together with a new 'Silver' charge card to add to its 'Baraka' credit card stable and a new account aimed at covering its customers' family dental treatment. Al Baraka Lebanon is planning for further branch and ATM network expansion over the medium-term, with 12 branches and 15 ATMs intended by 2014.

Al Baraka Bank Syria | Inception Year - 2009 | Syria

With its declining oil production only offset by the higher crude oil prices of 2008, it is anticipated that Syria's economic growth in 2009 will have followed oil prices down. Growth is therefore estimated to have declined to around 3.0% in 2009 from 5.1% in 2008 with the greatest contributors, the agricultural and hydrocarbon sectors, being responsible for about half of GDP. Nevertheless the current account deficit improved to an estimated -3.2% of GDP from -4.0% in 2008, while the inflation rate also moderated, from 15.2% down to an estimated 7.5%. Economic reforms recently introduced include granting the Central Bank the authority to finance government debt through the issue of Treasury Bills and government bonds, authorising the establishment of private banks, reducing interest rates on lending, consolidating the multiple exchange rates and reducing subsidies on fuel and cement. The Damascus Stock Exchange was established in 2008 and commenced operating in 2009.

Al Baraka Syria was formally incorporated in October 2009, by which time it had acquired premises in Damascus for its headquarters and main branch and recruited the majority of immediate staff. In November it commenced implementation of its Islamic iMal (of Path Solutions) core banking system, which will be completed in stages: the core accounting, Islamic products, SWIFT installation and ATM processing being expected to go live in April 2010, Trade Finance and Islamic Treasury in June and e-banking, payroll, financial reporting and all remaining modules by October. Planning is at in an advanced stage for the opening of branches in Aleppo, Homs and Hama in 2010, which will be followed in 2011 by branches located at Tartous and Latakia and in the industrial area of Adra. Thus Al Baraka Syria will be represented in six out of the 14 governates of Syria by the end of 2011.

Indonesia Representative Office | Inception Year - 2008 | Indonesia

The Indonesian government has over the years taken several regulatory and other steps to encourage the expansion of Islamic finance and banks in the country. The target is to increase Islamic banking assets to 5% of total banking assets over the next few years. Due to the favourable regulatory environment, the growing economy and a largest Muslim population in the world, Indonesia thus offers a very attractive destination for Islamic banks.

ABG's representative office serves as a base for the Group to conduct research on local banks and their potential for acquisition and for assessing the business potential of the country from the Group's perspective. The representative office is also responsible for maintaining contact with regulators and major banking groups in Indonesia and for preserving the image and brand value of the Group. With trade flows between Indonesia and many of the countries where the Group operates growing rapidly, the Indonesia Representative Office identifies business opportunities and generates leads that are directed towards ABG subsidiaries.

Al Baraka Banking Group's new headquarters design in Manama, Kingdom of Bahrain

Corporate Governance

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 business strategy, monitoring its operations and making critical business decisions.

Under ABG's Articles of Association the Board of Directors shall consist 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 with the approval of the Minister of Industry & Commerce of Bahrain.

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.

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 six independent non-executive directors, defined as a person who is not:

- a controller of ABG as defined by the Bahrain Stock Exchange;
- an associate of a Director or a member of Executive Management of ABG;
- a professional advisor to ABG;
- a large depositor with or large borrower from ABG (i.e. one whose deposits or borrowings exceed 10% of ABG's capital base); or
- in a significant contractual or business relationship with ABG which could be seen to interfere materially with their capacity to act in an independent manner.

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.

Among other responsibilities, the Board is required to:

- set corporate goals and objectives, which it reassesses periodically;
- establish policies to further the achievement of corporate goals and objectives;
- monitor management effectiveness including its ability to plan and execute strategies;
- hold Executive Management accountable for results;
- establish and approve policies and procedures designed to ensure ethical behaviour and compliance with laws and regulations, auditing and accounting standards and the Group's own corporate governance policy;
- ensure that ABG and its units' operations are supported by an appropriate control environment i.e. that compliance, risk management and financial control and reporting functions are well resourced and structured;
- recognise and communicate to Executive Management the importance of the internal audit function at ABG and its units and take measures to enhance the function of internal audit and to act in a timely and effective manner on its findings;
- ensure that the Group's operations are supported by a reliable, sufficient and well integrated information system;
- approve the writing off of credit facilities and investments where appropriate, in accordance with the Group's policies and procedures;
- review and approve the Group's periodic financial statements and annual reports;
- approve strategic investments by ABG and/or its units;
- approve all significant changes in the Group's accounting and reporting policies;
- ensure that the Group establishes and maintains an approved employee Code of Conduct and is at all times in full compliance therewith; and
- perform any other functions required of the Board of Directors under applicable laws and regulations.

Corporate Governance *(Continued)*

The Board and its Committees are supplied with full and timely information to enable them to discharge their responsibilities. In this respect, the Board, its Committees and all Directors individually have access to Executive Management, external consultants and advisors and to the Board 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 and for defining and enforcing standards of accountability that enable management to achieve the Group's corporate objectives. 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.

In 2009 the members of the Board of Directors were:

Non-Executive Directors

Shaikh Saleh Abdullah Kamel – Chairman
Mr. Abdullah Saleh Kamel – Chairman of the Executive Committee
Mr. Abdul Elah Sabbahi
Mr. Yousef Ali Fadil bin Fadil

Independent Non-Executive Directors

Mr. Abdulla A. Saudi – Vice Chairman
Mr. Saleh Al Yousef
Dr. Anwar Ibrahim
Mr. Jamal bin Ghalaita
Mr. Ibrahim Fayez Al Shamsi
Mr. Samer Mohammed Farhoud

Executive Directors

Mr. Adnan Ahmed Yousif – President & Chief Executive

Corporate Governance

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 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 Sabbahi and Mr. Yousef Ali Fadil bin Fadil. The Board has delegated to the Executive Committee certain of its day-to-day functions, including certain financial, administrative and credit matters.

Board Audit and Governance Committee

The Audit & Governance Committee is chaired by Mr. Saleh Al Yousef. Other members are Dr. Anwar Ibrahim and Mr. Ibrahim Fayez Al Shamsi. The Audit & Governance 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 & Governance Committee and its Chairman throughout the year.

The Board of Directors has delegated to the Audit & Governance 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 at the Head Office and in Units. The Committee considers all matters relating to financial control and reporting, internal and external audits and their scope and results, risk management and regulatory compliance. 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 & Governance 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 their conclusions and recommendations.

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.

Board Affairs and Remuneration Committee

The Board Affairs and Remuneration Committee is chaired by Mr. Ibrahim Fayez Al Shamsi and its other members are Mr. Jamal bin Ghalaita and Mr. Yousef Ali Fadil bin Fadil. 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, Executive Management Team and other employees and makes recommendations to the Board accordingly. The Committee also performs the role of a Nominations Committee.

Remuneration of the Group's President & Chief Executive, Deputy Chief Executive and the Department Heads at Group Headquarters for 2009 aggregated US$3.5 million.

Board Risk Committee

The Board Risk Committee is chaired by Mr. Abdul Elah Sabbahi, with its other members being Mr. Jamal bin Ghalaita and Mr. Samer Mohammed Farhoud. Membership of the Committee comprises a minimum of 3 Directors. The Board Risk Committee meets formally at least twice a year but will meet more frequently at the request of the Chairman of the Committee. It can call for the attendance of the President & Chief Executive, Head of Credit and Risk Management and other senior executives of the Group at any of its meetings.

The Group's risk appetite is determined by the Board based on the recommendations of the Board Risk Committee. The Board Risk Committee is responsible for setting acceptable levels of risks to which the Group may be exposed, for approving management's strategy for the managing of risk and for ensuring that all necessary steps are taken by management to identify, measure, monitor and control risk. The Committee's objective is to oversee the Group's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements. The Committee reviews issues identified by the Internal Audit and Compliance departments of ABG and/or any of its subsidiaries, such as weaknesses or breakdowns in controls.

Corporate Governance (Continued)

The number of meetings held in 2009 by the Board of Directors and its Committees and those attending were:

Description	Members Names	Number of Meetings Held	Dates of Meetings Held	Meetings Attended By Each Member
Board of Directors	Shaikh Saleh Abdullah Kamel	7		3
	Mr. Abdulla A. Saudi			7
	Mr. Abdullah Saleh Kamel		25/02/2009	5
	Mr. Saleh Al Yousef		28/03/2009	6
	Mr. Adnan Ahmed Yousif		12/05/2009	7
	Dr. Anwar Ibrahim		10/08/2009	3
	Mr. Abdul Elah Sabbahi		27/08/2009	6
	Mr. Ibrahim Fayez Al Shamsi		10/11/2009	7
	Mr. Jamal bin Ghalaita		28/12/2009	3
	Mr. Yousef Ali Fadil bin Fadil			7
	Mr. Samer Mohammed Farhoud			7
Board Executive Committee	Mr. Abdullah Saleh Kamel	2		2
	Mr. Abdul Elah Sabbahi		22/06/2009	2
	Mr. Yousef Ali Fadil bin Fadil		24/11/2009	2
	Mr. Adnan Ahmed Yousif			2
Audit & Governance Committee		6	25/02/2009	
			12/05/2009	
	Mr. Saleh Al Yousef		10/08/2009	6
	Dr. Anwar Ibrahim		26/08/2009	1
	Mr. Ibrahim Fayez Al Shamsi		10/11/2009	6
			28/12/2009	
Board Affairs & Remuneration Committee	Mr. Ibrahim Fayez Al Shamsi	3	20/01/2009	3
	Mr. Jamal bin Ghalaita		13/06/2009	3
	Mr. Yousef Ali Fadil bin Fadil		12/11/2009	3
Board Risk Committee	Mr. Abdul Elah Sabbahi	3	19/01/2009	3
	Mr. Jamal bin Ghalaita		13/06/2009	3
	Mr. Samer Mohammed Farhoud		22/10/2009	1

Executive Management

The Group's Executive Management Team has the prime responsibility for implementing the strategy of the Group, identifying and evaluating significant risks to the business of the Group and for the design and operation of appropriate internal controls. Its other responsibilities include: ensuring that resolutions of the Board of Directors are carried out; ensuring that the Group operates at all times in accordance with the principles of Shari'a and that the decisions and recommendations of the Shari'a Supervisory Board are carried out and providing the Board of Directors with analyses, assessments and recommendations regarding the Group's activities. In effecting full control over the Group, Executive Management 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 2009, the Team consisted of the President & Chief Executive, the Deputy Chief Executive and the Heads of Financial Control, Internal Audit, Strategic Planning, Credit and Risk Management, Treasury and Investment, Operations and Administration, Legal Affairs and Compliance, Development and Research, and Financial Institutions.

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 and Administration, Credit and Risk Management and Treasury and 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 the Group 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 Deputy Chief Executive, the Heads of Treasury and Investment, Credit and Risk Management, Strategic Planning, Financial Control and Operations and Administration, together with a senior member from the Bahrain based subsidiary, Al Baraka Bahrain.

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 Group. It is chaired by the President & Chief Executive with remaining membership comprising the Heads of Credit and Risk Management, Operations and Administration, Financial Control and the Manager of Credit Review and 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 Operations and Administration, Financial Control, Strategic Planning and Credit and Risk Management together with senior support nominees drawn from the Group.

Human Resources & Compensation Committee

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

Head Office Insiders Committee

The Insiders Committee was set up in accordance with the guidelines issued by the CBB and the Bahrain Stock Exchange 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 Insiders Committee is responsible for monitoring and supervising issues relating to insiders in order to regulate their dealings in the Group's securities and to ensure that Group insiders are acquainted with and aware of the legal and administrative requirements regarding their holdings and dealings in the Group's 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 and Compliance, Operations and Administration and Investors' Relations.

Brand Guardians

The Brand Guardians are responsible for the introduction, implementation and management of the new Unified Identity and maintenance of a lasting positive image reflecting the dynamic and international nature of ABG's businesses and activities. The Brand Guardians comprise the Deputy Chief Executive and the Heads of Operations and Administration and Strategic Planning, senior members of ABG Strategic Planning and a senior member of management from Al Baraka Bahrain.

Other committees

The Executive 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

Group Disclosure Policy

The Group communication strategy aims to help achieve the Group's objective of keeping the market informed of material information. The Group's communications with the market ensures compliance with the CBB's directives as detailed in the Public Disclosure Module of its Rulebook, Volume 2, Part A and the CBB Disclosure Standards as specified under the CBB Capital Market Regulations.

Material information is any information, financial or non-financial, relating to the business and affairs of the Group and its units that results in, or would reasonably be expected to result in, a significant change in the market price of the Group's shares or in the decision of a prudent investor to either sell, buy or hold the Group's shares or cause to change a prudent investor's decision to transact or refrain from transacting with the Group or its units. Material information consists of, but is not limited to, both material facts and material changes relating to the business and affairs of the Group and its units.

Examples of information that may constitute material information are given below:

- Changes in share ownership of the Group;
- Changes in corporate structure of the Group, such as reorganisations, mergers, etc.;
- Public or private sale of additional securities (such as Sukuk) or planned acquisition;
- Changes in the Group's dividend policy, or other material modifications to the rights of shareholders;
- Takeover bids;
- Changes in capital structure of the Group;
- Borrowing or lending of a significant amount of funds;
- Changes in rating agency decisions such as downgrades or upgrades;
- Development of new products that might consequently affect the Group's existing products or markets;
- Changes in financial results, including significant increases or decreases in near-term earnings prospects, including all the important financial indicators that affect the Group's earnings, balance sheet, cash flow and liquidity;
- Material changes in accounting policies;
- Significant changes in capital investment plans or the Group's corporate objectives and priorities;
- Significant changes in the Group's capital adequacy;
- Changes in the Group's Board or Directors or members of Executive Management;
- Commencement of, or developments in, material legal proceedings or regulatory matters;
- Major labour disputes;
- Significant changes in the existing business models of the units;
- Material negative changes of subsidiaries' capital adequacy ratios;
- Material positive or negative earnings, or indicators of such earnings, generated by the subsidiaries; and
- Major economic or political events in one or more subsidiaries' countries of operations that the Group reasonably and prudently believes would have a material impact on the financial position of the Group.

The Group is committed to complying with the CBB's rules and regulations with regard to the dissemination of the Group's financial information and statements, on a quarterly, semi-annual and annual basis and as applicable to any ad hoc information requirement of the CBB. As a listed company on the Bahrain Stock Exchange (BSE) and NASDAQ Dubai, ABG is committed to adhering on a timely basis to all periodic information dissemination requirements of the BSE and NASDAQ Dubai, as stipulated in their respective directives and rulebooks in this respect.

Additionally, the Group will publicly disclose and broadly disseminate material information immediately upon becoming aware of circumstances or events that underlie such material information or when a decision to implement a material change is made by the Board of Directors or Executive Management of the Group.

As a listed company, ABG adheres to a strict policy which delegates to certain specific individuals the authority to issue press releases or announce to the public information, financial or non-financial, on the Group. Only the following persons are authorised to make public information via the media:

- Chairman of the Board of Directors
- Vice-Chairman of the Board of Directors
- President & Chief Executive

In the event that any of the above mentioned persons is requested to make statements relating to the financial statements, financial indicators or general financial performance of the Group, the person will consult and/or confirm with the Head of Financial Control with regard to the accuracy, timeliness and reliability of the information prior to making any public announcements.

The Group mails its Financial Statements and Prudential Returns to the CBB, BSE and NASDAQ Dubai on a quarterly and an annual basis, following which the Group makes this information available on its Website.

Press releases are posted on the Group's Website and published in a minimum of one local newspaper either in Arabic or English. Persons authorised by the Group to make public disclosures will not make any announcement on a one-to-one basis before disseminating the information on the Group's Website or in local newspapers.

The Group is committed to adhering to all the requirements outlined in the CBB's Rulebook, Volume 2, Part A, Public Disclosure Requirements section.

In order for the Group to be in full compliance with the CBB disclosure requirements as specified in the above mentioned Rulebook, the Group will disclose all the required information in its published quarterly reviewed financial statements and its annual audited financial statements, which are the responsibility of its Financial Control Department. However, as some of the required information is generated by departments of the Group other than the Financial Control Department, all concerned departments responsible for producing information for the purpose of complying with the CBB's disclosure requirements (for example, the Operations and Administration, Credit and Risk Management, Legal Affairs and Compliance and the Internal Audit Departments) shall provide this information to the Financial Control Department on a timely basis in order for the latter to prepare the Group Financial Statements as stipulated by the CBB.

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 ABG's individual banking subsidiaries are directly regulated by their local banking supervisors, who set and monitor their capital adequacy requirements.

The CBB 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 8% on a single bank basis and 12% on a consolidated basis, 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 now have wider discretion to increase or decrease capital requirements for banks according to their individual circumstances. The new rules 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 to enable it to comply with the requirements of Basel II as stipulated by the CBB. It has adopted the Standardised Approach applicable to Islamic Banks under the CBB's

Rule Book and, following a period of satisfactory parallel reporting to the CBB covering a year from June 2007, the Group has since January 2008 been adhering solely to the requirements of the CBB under Basel II. The CBB further approved the appointment of a Compliance Officer in January 2009. A Group Compliance Policy was approved and adopted by ABG's Board of Directors in November 2009.

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 and Administration, who also oversees the individual MLROs in each of the constituent banks. Groupwide approved policies for KYC/anti-money laundering, complying with CBB regulations, have been sent to units for implementation.

Financial Performance Monitoring

Executive 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, under which all units submit their financial data in a format 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.

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 and 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 responsible for introducing risk measurement software, monitoring the Group's compliance with risk measurement standards and providing Group management with reports on the various risks.

Risk management is an integral part of the Group's decision-making process. The Board of Directors defines and sets the Group's overall levels of risk appetite, risk diversification and asset allocation strategies. The Management Risk Committee and other executive committees guide and assist with overall management of the Group's balance sheet risks. The Group manages exposure by setting limits approved by the Board of Directors. These risks and the processes employed to mitigate them have not significantly altered over the past year.

The Group's risk management has the following objectives:

a. Unified Groupwide risk management to enable the Group to calculate risk adjusted return on capital;
b. Creation of a professional risk management culture throughout the Group with a prudent, disciplined approach to risk taking based on comprehensive Groupwide policies, processes and limits;
c. Professionally qualified staff and ongoing credit training;
d. Investing in technology and systems enabling best practice risk management;
e. Throughout the Group, strict segregation of duties and reporting lines between personnel transacting business and personnel processing that business;
f. Strict compliance with all Shari'a and legal requirements and regulatory directives; and
g. Maintaining clear, well documented policies via a Group Risk Management Manual and Risk Management Manuals in each of the subsidiaries, incorporating the uniform policies and procedures of the Group in addition to the local requirements.

Each of the subsidiaries is managed by its respective Board of Directors. Group subsidiaries follow documented credit policies and procedures which reflect Groupwide policies and thus ensure that sound risk management is in place in all units of the Group.

An extensive review of the Group's risk management framework was carried out in 2008 by an independent risk management expert at the behest of Executive Management and in line with CBB guidelines. The review entailed a close examination of all policies, procedures, systems and organisation structures within the Group. A number of recommendations were made by the expert consultant, which were accepted by ABG and suitable amendments to policies or processes put in place, resulting in confirmation that risk management processes at Group level were in a satisfactory state.

In early 2009 ABG completed the selection process in respect of a consolidating system that accords with Basel II requirements. Following implementation of this system the required data is now automatically retrievable at Head Office.

A standard risk management framework has been established across the Group, which is reflected in operational manuals that closely adhere to Group policy as regards all the major categories of risk faced by the Group in carrying out its business. These major risks are Credit, Liquidity, Market (including Equity, Rate of Return and Foreign Exchange risk), Operational and Shari'a Compliance risks, each of which is discussed below in turn.

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. 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 that the Group will be unable to meet its payment obligations when they fall due under normal and stressed circumstances.

ABG and its subsidiaries each has in place a liquidity management framework, taking into account its liquidity exposures in respect of its current and savings accounts, deposits from banks and other financial institutions and its 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. In addition to its own internal liquidity management policies, each subsidiary is further required to maintain cash deposits with its respective Central Bank equal to a percentage of its deposits directed by that Central Bank – in most cases 20%. ABG additionally holds substantial liquid funds which are earmarked and available for its subsidiaries in the unlikely event that they should require assistance. Liquidity management reporting conforms to all local regulations.

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

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. Further, each subsidiary 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

Profit rate risk or rate of return risk is the risk that the Group will incur a financial loss as a result of a mismatch in the profit rate on the Group's assets and URIA. The Group is not liable to pay any predetermined returns to investment account holders.

Foreign Exchange Risk

Foreign exchange rate risk arises from the movement of the rate of exchange over a period of time, leading to an adverse impact on the Group's earnings or shareholders' equity. 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 as at 31 December 2009 are detailed in Note 25 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 kinds of operational risk are 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.

As mentioned above, 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.

Separate internal control units carry out ongoing monitoring of day-to-day procedures and ensure adherence to key control functions. As the Group is rapidly updating its technology base, replacing its legacy systems with new, modern hardware and systems, it is now frequently possible to integrate the required control functions into the new 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 oversight of their respective Shari'a Supervisory Boards, to ensure compliance with all Shari'a rules and principles.

Capital Management/Capital Adequacy

Capital is managed at ABG with a view to achieving optimum utilisation in the course of carrying out its business, in accordance with its predetermined risk appetite and intended risk profile and with the ultimate aim of maximising shareholders' returns. Capital management includes pro-actively making appropriate and necessary adjustments to reflect changes in the economic environment or in the degree or nature of risk associated with the Group's activities, including adjustment to its dividend policy, issue of Tier 1 or Tier 2 securities by way of public issue or private placement, etc.

Optimum capital management also addresses such crucial issues as:

- ensuring that adequate capital is held at all times to meet unexpected calls occasioned by such events as sudden withdrawals by depositors, earlier than expected drawdown of facilities, or unexpected losses;
- achieving the Group's return on capital objectives;
- meeting capital adequacy ratio targets; and
- maintaining the Group's strong credit rating.

The Group's capital adequacy ratio as at 31 December 2009 was 22.83%, comfortably above the CBB's minimum regulatory requirement of 12%.

Each of ABG's banking subsidiaries is directly regulated by its own home regulator, which stipulates a minimum capital adequacy ratio in respect of that subsidiary. ABG ensures that each subsidiary adheres to these local capital adequacy requirements.

Information Technology

The Head Office IT Steering Committee was set up by Executive Management to support, coordinate and monitor IT strategies and initiatives across all the subsidiaries and ensure that they are in line with the Group's overall strategic aims as well as each subsidiary's own strategies. The Group's short, medium and long term IT strategies are now well established, building on the decision made in 2008 to standardise around a few carefully chosen core banking solutions for Groupwide implementation.

ABG's initial Web-based financial consolidation and reporting application, also used as a corporate performance measurement methodology employing Key Performance

Indicators (KPI) to set performance benchmarks for each subsidiary and to monitor their individual performances on a continuous basis, will gradually be integrated into all the core system applications implemented in various forms throughout the Group.

The monthly, quarterly and annual consolidations are currently performed through Infor's Financial Consolidation module. The module enables the collection, processing, reporting and analysing of data in multiple currencies as well as reporting on the effects of currency fluctuations. ABG's Head of Financial Control can now consolidate data from many business perspectives, for instance at the subsidiary level, by geographical region or Islamic product lines, as well as by multiple structure versions such as year to date, current year's results, previous year's results and so on.

The Strategy Management module was integrated into the Financial Consolidation module to enable retrieval of the required financial data; in this way it has been possible to apply financial performance data in constructing the Group's strategic planning scenarios.

The Risk Management team has been engaged for the past few months in the evaluation of a suitable application that could meet the Group's requirements for risk management from Islamic and regulatory perspectives.

The team has evaluated several applications and found BancWare from SunGard to be the most suitable among the reviewed applications and comes highly recommended by Islamic institutions using it in the Kingdom of Bahrain. It is intended that this system will be implemented during 2010.

ABG aims to be in the top of the list of banks that are leveraging advanced technologies in communications and progressing towards a totally paperless work environment. As part of this ambition, ABG's IT Projects Department has implemented a Share Point based document management system as an initial step in this direction.

Following the careful selection by the IT Steering Committee of an approved list of core banking system solutions available to the subsidiaries, each subsidiary has made its own choice of system to suit its individual requirements. Several subsidiaries have chosen Equation Islamic core banking system from Misys, and other subsidiaries, operating in different markets with different priorities, have adopted iMAL from Path Solutions.

Three subsidiaries whose legacy system was the MIDAS core banking system - Al Baraka Bahrain, Al Baraka South Africa and Al Baraka Lebanon – opted for the Islamic Equation system, later joined by Al Baraka Bahrain's Pakistan arm and Al Baraka Egypt. Al Baraka Bahrain achieved full implementation in the course of 2009, while Al Baraka South Africa expects project completion towards the end of April 2010 and Pakistan in May 2010. Al Baraka Lebanon has 'gone live' with Equation and expects project completion by June, whilst Al Baraka Egypt is anticipating implementation in the third quarter.

Al Baraka Algeria chose iMAL from Path Solutions, and installation in its case is expected to 'go live' in the third quarter and be fully completed later in the year. Implementation of Al Baraka Jordan's choice of NIBRAS Banking System as its core banking system is 97% complete and Phase 1 is expected to be complete by June 2010.

Al Baraka Sudan also selected iMAL as its new core banking system; full implementation is expected to be achieved by the second quarter of 2010. Al Baraka Tunisia has successfully upgraded its existing core banking system (TEMENOS-T24), which now incorporates e-banking services. Al Baraka Turkey has employed an in-house solution, which is working well, but is defining a strategy to move to a new core application in the future. Finally, the newly-established subsidiary, Al Baraka Syria, has selected iMAL and project initiation is under way, with implementation targeted for the second quarter 2010.

IT Projects has launched a new initiative to achieve 'Business Excellence through IT' through partnerships with leading and reputed IT advisory firms. IT Projects has also focused on establishing a standardised global Disaster Recovery Plan (DRP) throughout the Group. Once the new core applications for all ABG subsidiaries have been fully implemented in 2010 and 2011 and both a global DR Centre and individual local DR centres are established, each unit in the Group will be fully protected against sudden, unexpected service loss. Six subsidiaries are expected to have their DR centres up and running in the course of 2010, with the remaining 5 following swiftly after.

Corporate Social Responsibility

The success of the contemporary Islamic banking and finance movement owes much to the contribution and patronage of Sheikh Saleh Kamel, the founder of Al Baraka Banking Group. Although the Group is young as a single legal entity, its antecedents go back to the late 1960s, when Sheikh Kamel directed the devising of Islamic contracts for use in his business operations when dealing with conventional banks (there being no Islamic banks in existence at that time), which was his preferred route for doing business with them. This early insistence on strict adherence to fundamental Islamic principles was then quickly overtaken by the next stage of development when, in the early 1970s, Sheikh Kamel oversaw the establishment across the Arab world of a series of Islamic financial institutions bearing the Al Baraka name. Today, Al Baraka Banking Group brings together under one unified grouping the accumulated experience of 11 banks delivering Islamic products and services over three decades. We at ABG are proud to look back on this heritage, whilst at the same time we keenly look forward to the next stage in our development, as we gradually expand into new regions and new markets and build a wider customer base. As members of a banking group founded on Islamic principles and values, we at ABG believe that we have a particular obligation to society, through patronage and sponsorship of educational and social projects, to enhance the living conditions and quality of life of needful individuals in the local communities of which we are 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, which enables us to offer practical alternatives to those financial intermediaries that provide no benefit to society at large. We 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 their 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 therefore forbid investment in such activities as, for example, 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, or any 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 in turn mainly on the basis of instalment sale, leasing or equity participation. In this way, 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 - who share profit with their 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 the 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 the Shari'a.

Unified Shari'a Supervisory Board Report, Independent Auditors' Report and Consolidated Financial Statements

31 December 2009

Unified Shari'a Supervisory Board Report

For the year ended 31 December 2009

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

Praise be to Allah and peace be upon our Prophet Mohamed, His Apostles and Companions

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 2009 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 2009 and 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 Zakah in accordance with the Sharia Standard number (35) and Accounting Standard number (9) issued by the Accounting and Audit of the Islamic financial Institutions.

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 31 December 2009 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) and Accounting Standard number (9) issued by the Accounting and Audit of the Islamic financial Institutions and on the basis set out in the resolution of the International Islamic Fiqh Academy that if a company calculate Zakah, the shareholders is committed to pay his Zakah according to that calculation, whatever his intention was. Since the Group and the Units are not empowered to pay Zakah, shareholders should pay their share of Zakah. The Zakah per share is 2.50 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 30 Safar 1431 H, corresponding to 14 February 2010 AD.

Executive Committee of the Unified Shari'a Supervisory Board

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
President Shari'a Supervisory Board

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

Statement of Calculating Zakah for the year ended 31 December 2009

	US Dollars ('000)
Equity Attributable to Shareholders	1,214,360
Less: Investment of the parent on the shareholding of Egyptian Saudi Finance Bank and Al Baraka Bank Sudan	(133,522)
Net Zakatable Equity Attributable to Shareholders	1,080,838
Less:	
Musharaka underlined by unzakatable assets	(38,341)
Investment in Islamic Sukook underlined by unzakatable assets	(40,581)
Ijarah Muntahia Bittamleek	(59,046)
Long-term investment in properties	(17,688)
Properties and equipment	(131,045)
Intangible assets	(67,900)
Investment in Associates	(74,142)
Add:	
Shareholders share on Zakatable Assets by Associates	49,138
Murabaha deferred profits	21,419
Sale of long-term investment in properties during the year	397
Zakatable amount	**723,049**
Zakah Percentage	2.5775%
Total Zakah due	**18,637**
Number of Shares (thousands)	744,000
Zakah per share (US$ cents)	**2.50**

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

We have audited the accompanying consolidated balance sheet of Al Baraka Banking Group B.S.C. ("the Bank") and its subsidiaries ("the Group") as of 31 December 2009, and the related consolidated statements of income, cash flows, changes in equity and restricted investment accounts for the year then ended. These consolidated financial statements and the Group undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Group Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Board of Director's responsibility for the consolidated financial statements

The Board of Directors is 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 to operate in accordance with Islamic Shari'a. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, the results of its operations, its cash flows, changes in equity and changes in restricted investment accounts 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 Group.

Other regulatory matters

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 2009 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.

Ernst & Young

24 February 2010
Manama, Kingdom of Bahrain

Consolidated Balance Sheet

31 December 2009

	Notes	2009 US$'000	2008 US$'000
ASSETS			
Cash and balances with banks	3	3,158,273	2,353,852
Receivables	4	7,027,064	6,188,219
Mudaraba and Musharaka financing	5	981,112	797,958
Investments	6	1,088,036	797,366
Ijarah Muntahia Bittamleek	7	335,333	304,824
Property and equipment	8	227,101	160,350
Other assets	9	349,358	317,719
TOTAL ASSETS		13,166,277	10,920,288
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Customer current and other accounts		2,607,844	2, 078,755
Due to banks		152,662	60,860
Other liabilities	10	430,302	497,771
Total liabilities		3,190,808	2,637,386
UNRESTRICTED INVESTMENT ACCOUNTS	11	8,238,624	6,732,741
EQUITY	12		
EQUITY ATTRIBUTABLE TO PARENT'S SHAREHOLDERS			
Share capital		744,000	697,500
Share premium		99,390	145,890
Reserves		82,293	63,460
Cumulative changes in fair values		17,301	9,435
Foreign currency translations		(9,165)	(18,118)
Retained earnings		189,401	157,615
Proposed appropriations		91,140	74,900
Equity attributable to parent's shareholders		1,214,360	1,130,682
Non-controlling interest		522,485	419,479
Total equity		1,736,845	1,550,161
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		13,166,277	10,920,288

Saleh Abdullah Kamel
Chairman

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

The attached notes 1 to 29 form part of these consolidated financial statements.

Consolidated Statement of Income

Year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Income			
Net income from jointly financed contracts and investments	13	**812,647**	726,240
Gross return to unrestricted investment accounts	14	**(709,417)**	(652,499)
Group's share as a Mudarib	14	**213,421**	190,580
Return on unrestricted investment accounts		**(495,996)**	(461,919)
Group's share of income from joint financing and investment accounts		**316,651**	264,321
Mudarib share for managing restricted investment accounts		**6,850**	13,449
Net income from self financed contracts and investments	13	**130,905**	137,016
Other fees and commission income	15	**123,865**	115,933
Other operating income	16	**55,242**	55,152
TOTAL OPERATING INCOME		**633,513**	585,871
Staff expenses		**179,619**	155,196
Depreciation and amortisation	17	**20,882**	17,618
Other operating expenses	18	**108,440**	99,526
TOTAL OPERATING EXPENSES		**308,941**	272,340
NET INCOME FOR THE YEAR BEFORE PROVISIONS AND TAXATION		**324,572**	313,531
Provisions	19	**(104,068)**	(48,443)
NET INCOME BEFORE TAXATION		**220,504**	265,088
Taxation		**(53,118)**	(64,075)
NET INCOME FOR THE YEAR		**167,386**	201,013
Attributable to:			
Equity shareholders of the parent		**91,758**	113,698
Non-controlling interest		**75,628**	87,315
		167,386	201,013
Basic and diluted earnings per share - US cents	20	**12**	15

The attached notes 1 to 29 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
OPERATING ACTIVITIES			
Net income before taxation		220,504	265,088
Adjustments for:			
Depreciation and amortisation	17	20,882	17,618
Impairment loss	9(a)	353	2,891
Depreciation on Ijarah Muntahia Bittamleek	13.4	63,709	97,939
Unrealised (gain) loss on trading securities	13.3	(52)	17,700
Gain on sale of property and equipment	16	(2,347)	(1,243)
Gain on sale of available for sale investments	13.3	(273)	(374)
Gain on sale of trading securities	13.3	(731)	(986)
Provisions	19	104,068	48,443
Income from associates	13.3	(3,376)	(7,598)
Operating profit before changes in operating assets and liabilities		402,737	439,478
Net changes in operating assets and liabilities:			
Reserves with central banks		10,179	(74,123)
Receivables		(942,645)	(606,342)
Mudaraba and Musharaka financing		(182,445)	(91,374)
Ijarah Muntahia Bittamleek		(94,218)	(54,126)
Other assets		(24,488)	(52,503)
Customer current and other accounts		529,089	286,168
Due to banks		91,802	(8,167)
Other liabilities		(37,451)	18,011
Taxation paid		(87,365)	(36,222)
Directors' remuneration paid		(500)	(500)
Net cash used in operating activities		(335,305)	(179,700)
INVESTING ACTIVITIES			
Net purchase of investments		(272,824)	(100,904)
Net purchase of property and equipment		(83,535)	(11,449)
Net purchase of investment in associate		(13,072)	-
Dividend received from associates		2,457	501
Net cash used in from investing activities		(366,974)	(111,852)
FINANCING ACTIVITIES			
Dividends paid to equity holders of parent		(27,900)	(58,590)
Increase in unrestricted investment accounts		1,512,899	523,642
Net changes in non-controlling interest		15,080	(37,247)
Net cash from financing activities		1,500,079	427,805
Foreign currency translation adjustments		16,800	(137,651)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		814,600	(1,398)
Cash and cash equivalents at 1 January		1,735,650	1,737,048
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21	2,550,250	1,735,650

The attached notes 1 to 29 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

			Attributable to equity	
			Reserves	
	Share capital	***Share premium***	***Statutory reserve***	***Other reserves***
	US$ '000	***US$ '000***	***US$ '000***	***US$ '000***
Balance at 1 January 2009	697,500	145,890	33,810	29,650
Bonus shares issued (note 12)	46,500	-	-	-
Directors' remuneration paid	-	-	-	-
Net movement in cumulative change in fair value	-	-	-	-
Net movement in other reserves	-	-	-	9,657
Foreign currency translation	-	-	-	-
Total income and expense for the year recognised directly in equity	-	-	-	9,657
Net income for the year	-	-	-	-
Total income and expense for the year	**-**	**-**	**-**	**9,657**
Transfer to statutory reserve	-	-	9,176	-
Dividends paid	-	-	-	-
Proposed dividends	-	-	-	-
Proposed bonus shares	-	(46,500)	-	-
Dividends of subsidiaries	-	-	-	-
Net movement in non-controlling interest	-	-	-	-
Balance at 31 December 2009	**744,000**	**99,390**	**42,986**	**39,307**

The attached notes 1 to 29 form part of these consolidated financial statements.

holders of the parent

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*
9,435	(18,118)	157,615	74,900	1,130,682	419,479	**1,550,161**
-	-	-	(46,500)	-	-	**-**
-	-	-	(500)	(500)	-	**(500)**
7,866	-	-	-	7,866	2,634	**10,500**
-	-	(6,156)	-	3,501	1,817	**5,318**
-	8,953	-	-	8,953	7,847	**16,800**
7,866	8,953	(6,156)	-	20,320	12,298	**32,618**
-	-	91,758	-	91,758	75,628	**167,386**
7,866	**8,953**	**85,602**	**-**	**112,078**	**87,926**	**200,004**
-	-	(9,176)	-	-	-	**-**
-	-	-	(27,900)	(27,900)	-	**(27,900)**
-	-	(44,640)	44,640	-	-	**-**
-	-	-	46,500	-	-	**-**
-	-	-	-	-	(25,621)	**(25,621)**
-	-	-	-	-	40,701	**40,701**
17,301	**(9,165)**	**189,401**	**91,140**	**1,214,360**	**522,485**	**1,736,845**

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

			Attributable to equity	
			Reserves	
	Share capital	*Share premium*	*Statutory reserve*	*Other reserves*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
Balance at 1 January 2008	651,000	192,390	22,440	1,520
Bonus shares issued (note 12)	46,500	-	-	-
Directors' remuneration paid	-	-	-	-
Net movement in cumulative change in fair value	-	-	-	-
Net movement in other reserves	-	-	-	28,130
Foreign currency translation	-	-	-	-
Total income and expense for the year recognised directly in equity	-	-	-	28,130
Net income for the year	-	-	-	-
Total income and expense for the year	**-**	-	-	**28,130**
Transfer to statutory reserve	-	-	11,370	-
Dividends paid	-	-	-	-
Proposed dividends	-	-	-	-
Proposed bonus shares	-	(46,500)	-	-
Directors' remuneration	-	-	-	-
Dividends of subsidiaries	-	-	-	-
Net movement in non-controlling interest	-	-	-	-
Balance at 31 December 2008	**697,500**	**145,890**	**33,810**	**29,650**

The attached notes 1 to 29 form part of these consolidated financial statements.

holders of the parent

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*
5,883	55,787	109,153	105,590	1,143,763	425,895	1,569,658
-	-	-	(46,500)	-	-	-
-	-	-	(500)	(500)	-	(500)
3,552	-	-	-	3,552	5,311	8,863
-	-	(25,466)	-	2,664	1,950	4,614
-	(73,905)	-	-	(73,905)	(63,745)	(137,650)
3,552	(73,905)	(25,466)	-	(67,689)	(56,484)	(124,173)
-	-	113,698	-	113,698	87,315	201,013
3,552	**(73,905)**	**88,232**	-	**46,009**	**30,831**	**76,840**
-	-	(11,370)	-	-	-	-
-	-	-	(58,590)	(58,590)	-	(58,590)
-	-	(27,900)	27,900	-	-	-
-	-	-	46,500	-	-	-
-	-	(500)	500	-	-	-
-	-	-	-	-	(21,947)	(21,947)
-	-	-	-	-	(15,300)	(15,300)
9,435	**(18,118)**	**157,615**	**74,900**	**1,130,682**	**419,479**	**1,550,161**

Consolidated Statement of Changes in Restricted Investment Accounts

Year ended 31 December 2009

	Cash US$ '000	Sales receivables US$ '000	Mudaraba financing US$ '000
Balance at 1 January 2009	**52,815**	**325,534**	**33,509**
Deposits	**56,887**	**105,240**	**2,988**
Withdrawals	**(61,220)**	**(166,405)**	**(19,012)**
Income net of expenses	**-**	**17,007**	**339**
Mudarib's share	**-**	**(5,099)**	**(38)**
Foreign exchange translations	**-**	**-**	**-**
Balance at 31 December 2009	**48,482**	**276,277**	**17,786**
Balance at 1 January 2008	65,217	373,273	71,846
Deposits	43,535	140,066	-
Withdrawals	(55,937)	(154,850)	(24,545)
Income net of expenses	-	19,598	2,922
Mudarib's share	-	(2,126)	(221)
Transferred to URIA	-	(50,427)	(16,493)
Foreign exchange translations	-	-	-
Balance at 31 December 2008	52,815	325,534	33,509

The attached notes 1 to 29 form part of these consolidated financial statements.

Investment properties US$ '000	*Investments US$ '000*	*Others US$ '000*	*Total US$ '000*
19,314	**112,073**	**27,269**	**570,514**
12,192	**57,887**	**4,551**	**239,745**
(4,653)	**(62,376)**	**(2,845)**	**(316,511)**
400	**4,630**	**1,017**	**23,393**
(97)	**(1,350)**	**(266)**	**(6,850)**
-	**(240)**	**-**	**(240)**
27,156	**110,624**	**29,726**	**510,051**
15,186	77,953	25,642	629,117
5,963	254,884	13,335	457,783
(10,698)	(291,942)	(12,472)	(550,444)
9,326	82,714	848	115,408
(463)	(10,555)	(84)	(13,449)
-	-	-	(66,920)
-	(981)	-	(981)
19,314	112,073	27,269	570,514

1 ACTIVITIES

Al Baraka 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 an Islamic 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.

The consolidted financial statements were approved by the Board of Diectors on 24 February 2010

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 in real estate, trading and available for sale investments that have been measured at fair value. The consolidated financial statements are presented in United States Dollars. All values are rounded to the nearest US Dollar thousands unless otherwise indicated.

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 ('AAOIFI'), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standard exists, the Group uses the relevant 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 intragroup 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.

Non-controlling interest in a subsidiary's net assets is reported as a separate item in the Group's equity. In the consolidated statement of income, non-controlling interest is included in net profit, and shown separately from that of the shareholders.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c.Basis of consolidation (continued)

Transactions with non-controlling interests are handled in the same way as transactions with external parties. Sale of participations to non-controlling interests result in a gain or loss that is recognised in the consolidated statement of income. Acquisition of non-controlling interest may result in goodwill if the consideration exceeds the fair value of the acquired net assets. Acquisitions/disposals of non-controlling interests are accounted for using the parent entity extension method.

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

Bank Held directly by the Bank	Ownership for 2009	Ownership for 2008	Year of incorporation	Country of incorporation	No. of branches/ offices at 31 December 2009
Banque Al Baraka D'Algerie (BAA)	55.90%	55.90%	1991	Algeria	20
Al Baraka Islamic Bank - Bahrain (AIB)	91.12%	91.12%	1984	Bahrain	33
Al Baraka Bank Tunis [formerly Bank Et-Tamweel Al-Tunisi Al-Saudi] (ABT)	78.40%	78.40%	1983	Tunisia	8
Egyptian Saudi Finance Bank (ESFB)	73.68%	73.68%	1980	Egypt	19
Al Baraka Bank Lebanon (ABBL)	99.98%	98.03%	1991	Lebanon	6
Jordan Islamic Bank (JIB)	66.50%	58.72%	1978	Jordan	65
Al Baraka Turk Participation Bank (ATPB)	56.64%	55.59%	1985	Turkey	101
Al Baraka Bank Limited (ABL)	56.29%	53.59%	1989	South Africa	10
Al Baraka Bank Sudan (ABS)	82.08%	82.30%	1984	Sudan	25
Al Baraka Bank Syria (*)	23.00%	N/A	2009	Syria	1

* Through a resolution passed in an Incorporation Meeting held in Syria on 16 December 2009, Al Baraka Bank Syria was incorporated. The Group has control over Al Baraka Bank Syria through the power to govern the financial and operating policies.

Company Held indirectly by the Bank	Subsidiary held through	Effective Ownership for 2009	Effective Ownership for 2008	Year of incorporation	Country Of incorporation
Al- Rizq Trading Company	JIB	59.40%	52.83%	1994	Jordan
Al-Omariya School Company	JIB	62.60%	55.41%	1987	Jordan
Al-Samaha Real Estate Company	JIB	66.00%	55.77%	1998	Jordan
Future Applied Computer Technology Company	JIB	66.00%	58.70%	1998	Jordan
Sanable Alkhair for Financial Investment	JIB	66.00%	58.70%	2006	Jordan
Dar Al Baraka	BAA	55.90%	55.90%	2003	Algeria
Al Baraka Properties (Pty) Ltd.	ABL	53.60%	53.50%	1991	South Africa

d. Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash and cash in transit, balances with central banks excluding mandotary reserves and balances with other banks with an original maturity of three months or less.

e. Receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Receivables (continued)

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

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 in real estate, investment in associates, trading securities, available for sale investments and held to maturity investments

Investment in real estate
Real estate held for rental or for capital appreciation purposes, or both, are classified as investment in real estate. These are initially recognised at cost including transaction cost and subsequently re-measured at fair value with the resulting unrealised gains/losses being recognised in the consolidated statement of changes in equity under cumulative changes in fair values to the extent of the portion of the fair value relating to equity and under unrestricted investment accounts in the consolidated balance sheet to the extent of the portion of the fair value relating to unrestricted investment accounts until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity or in unrestricted investment account is recognised in the consolidated statement of income.

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 consolidated 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 consolidated statement of changes in equity. 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, being the fair value of the consideration given excluding acqusition costs. These are subsequently re-measured at fair value. All related realised and unrealised gains or losses are included in the consolidated statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Investments (continued)

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

Available for sale investments

Subsequent to acquisition, available for sale investments are re-measured at fair value with unrealised gains or losses recognised proportionately in owners' equity and unrestricted investment accounts until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity or unrestricted investments accounts is recognised in 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 statement of income, 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 useful life of the asset or the period of the lease, whichever is lower.

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. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

k. 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.

l. 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.

m. 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.

n. 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.

o. 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.

p. Dividends
Dividends to shareholders are recognised as liabilities in the year in which they are declared.

q. 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.

r. 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.

s. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

t. 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.

u. 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 consolidated statement of income

Salam and Istisna'a financing

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

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 consolidated statement of income.

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

Fee income

Fee and commission income is recognised when earned.

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 accounts

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

v. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

w. 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".

x. 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.

y. 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.

z. Zakah
The responsibility of payment of zakah 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 zakah is on the individual subsidiary as a single entity. The calculation of Zakah per share is presented as an attachemnt to the Shari'a Supervisory Board Report.

aa. 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.

bb. 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 statement of income. 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.

cc. 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)

dd. Foreign currencies

Foreign currency transactions at the subsidiary 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 entit level.

Foreign currency translations
As at the reporting date, the assets and liabilities in 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 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.

ee. 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.

ff. 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.

gg. 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.

3 CASH AND BALANCES WITH BANKS

	2009 US$ '000	2008 US$ '000
Balances with central banks*	2,157,750	1,386,843
Balances with other banks	775,562	756,295
Cash and cash in transit	224,961	210,714
	3,158,273	2,353,852

*Balances with the central banks include mandatory reserve amounting to US$608,023 thousand (2008:US$ 618,202 thousand). These amounts are not available for use in the Group's day-to-day operations.

4 RECEIVABLES

	2009 US$ '000	2008 US$ '000
Sales (Murabaha) receivables (4.1)	6,882,870	6,033,232
Ijarah receivables (4.2)	10,964	23,456
Salam receivables (4.3)	115,954	112,576
Istisna'a receivables (4.4)	17,276	18,955
	7,027,064	6,188,219

4.1 Sales (Murabaha) receivables

	2009			2008		
	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	97,941	410,755	508,696	199,194	434,881	634,075
Other murabaha	486,229	7,039,904	7,526,133	423,698	5,880,398	6,304,096
Gross Sales (Murabaha) receivables	584,170	7,450,659	8,034,829	622,892	6,315,279	6,938,171
Provisions (note 19)	(30,838)	(246,169)	(277,007)	(10,044)	(186,499)	(196,543)
	553,332	7,204,490	7,757,822	612,848	6,128,780	6,741,628
Deferred profits	(65,277)	(809,675)	(874,952)	(60,582)	(647,814)	(708,396)
Net Sales (Murabaha) receivables	488,055	6,394,815	6,882,870	552,266	5,480,966	6,033,232

	2009 US$ '000	2008 US$ '000
Non-performing	431,276	389,968

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

4 RECEIVABLES (continued)

4.2 Ijarah receivables

	2009			2008		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Gross amount	**1,598**	**12,353**	**13,951**	4,085	22,573	26,658
Provisions (note 19)	**(887)**	**(2,100)**	**(2,987)**	(1,892)	(1,310)	(3,202)
	711	**10,253**	**10,964**	2,193	21,263	23,456

	2009	2008
	US$'000	US$'000
Non-performing	**3,738**	9,376

4.3 Salam receivables

	2009			2008		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Gross amount	**-**	**119,478**	**119,478**	-	117,042	117,042
Provisions (note 19)	**-**	**(3,524)**	**(3,524)**	-	(4,466)	(4,466)
	-	**115,954**	**115,954**	-	112,576	112,576

	2009	2008
	US$'000	US$'000
Non-performing	**4,110**	5,669

4.4 Istisna'a receivables

	2009			2008		
	Self financed	Jointly financed	Total	Self financed	Jointly financed	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Gross amount	-	**17,427**	17,427	-	**19,191**	19,191
Provisions (note 19)	-	**(151)**	(151)	-	**(236)**	(236)
	-	**17,276**	17,276	-	**18,955**	18,955

	2009	2008
	US$ '000	US$ '000
Non-performing	**386**	98

5 MUDARABA AND MUSHARAKA FINANCING

	2009	2008
	US$ '000	US$ '000
Mudaraba financing (5.1)	**740,798**	638,858
Musharaka financing (5.2)	**240,314**	159,100
	981,112	797,958

5 MUDARABA AND MUSHARAKA FINANCING (continued)

5.1 Mudaraba financing

	2009			2008		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross amount	70,612	670,804	741,416	60,025	579,394	639,419
Provisions (note 19)	-	(618)	(618)	-	(561)	(561)
	70,612	670,186	740,798	60,025	578,833	638,858

	2009 US$ '000	2008 US$'000
Non-performing	561	561

5.2 Musharaka financing

	2009			2008		
	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000	Self financed US$ '000	Jointly financed US$ '000	Total US$ '000
Gross amount	54,839	187,333	242,172	24,784	136,712	161,496
Provisions (note 19)	-	(1,858)	(1,858)	-	(2,396)	(2,396)
	54,839	185,475	240,314	24,784	134,316	159,100

	2009 US$ '000	2008 US$ '000
Non-performing	6,449	3,403

6 INVESTMENTS

	2009 US$ '000	2008 US$ '000
Investment in real estate (6.1)	101,324	92,618
Investment in associates (6.2)	38,091	24,100
Trading securities (6.3)	8,192	25,200
Available for sale investments (6.4)	354,297	294,403
Held to maturity investments (6.5)	586,132	361,045
	1,088,036	797,366

6 INVESTMENTS (continued)

6.1 Investment in real estate

	2009			2008		
	Self financed US$ '000	*Jointly financed US$ '000*	*Total US$ '000*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Cost	5,982	106,379	112,361	6,610	54,751	61,361
Accumulated fair value adjustments	-	(11,037)	(11,037)	-	31,257	31,257
	5,982	95,342	101,324	6,610	86,008	92,618

Investment in real estate at fair value at 31 December consist of the following:

	2009			2008		
	Self financed US$ '000	*Jointly financed US$ '000*	*Total US$ '000*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Land	4,614	28,198	32,812	4,577	27,847	32,424
Buildings	1,368	67,144	68,512	2,033	58,161	60,194
	5,982	95,342	101,324	6,610	86,008	92,618

6 INVESTMENTS (continued)

6.2 Investment in associates

Investments in associates comprise the following:

	Ownership % 2009	Country of incorporation	2009 Self financed US$ '000	2009 Jointly financed US$ '000	2009 Total US$ '000	2009 Market value US$ '000
Quoted						
Investment Banking						
Al Amin for Investment	29.7	Jordan	-	10,138	10,138	6,957
Sanabel for Financial Investment Company	20.0	Jordan	591	-	591	591
Insurance						
The Islamic Insurance Company	33.2	Jordan	-	12,378	12,378	10,963
Others						
Jordan International Trading Centre	28.4	Jordan	-	1,569	1,569	1,713
Arabian Steel Pipes Manufacturing Company Limited	26.0	Jordan	-	7,232	7,232	7,756
			591	31,317	31,908	27,980
Unquoted						
Real Estate						
Baraka Development Immobile	20.0	Algeria	421	-	421	
Egyptian Saudi Finance Real Estate	40.0	Egypt	-	1,245	1,245	
Insurance						
Aman Takaful Insurance	38.7	Lebanon	1,138	-	1,138	
Others						
BEST Lease	28.0	Tunisia	3,379	-	3,379	
			4,938	1,245	6,183	
			5,529	32,562	38,091	

6 INVESTMENTS (continued)

6.2 Investment in associates (continued)

	Ownership % 2008	Country of incorporation	2008 Self financed US$ '000	2008 Jointly financed US$ '000	2008 Total US$ '000	2008 Market value US$ '000
Quoted						
Investment Banking						
Al Amin for Investment	32.2	Jordan	-	8,931	8,931	9,451
Insurance						
The Islamic Insurance Company	35.3	Jordan	-	7,793	7,793	11,451
Others						
Jordan International Trading Centre	28.4	Jordan	-	1,678	1,678	4,446
			-	18,402	18,402	25,348
Unquoted						
Real Estate						
Baraka Development Immobile	20.0	Algeria	428	-	428	
Egyptian Saudi Finance Real Estate	40.0	Egypt	-	1,239	1,239	
Insurance						
Aman Takaful Insurance	38.7	Lebanon	758	-	758	
Others						
BEST Lease	28.0	Tunisia	3,273	-	3,273	
			4,459	1,239	5,698	
			4,459	19,641	24,100	

6 INVESTMENTS (continued)

6.3 Trading securities

	2009			2008		
	Self financed US$ '000	*Jointly financed US$ '000*	*Total US$ '000*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Quoted equities	2,955	5,237	8,192	7,975	17,225	25,200

6.4 Available for sale investments

	2009			2008		
	Self financed US$ '000	*Jointly financed US$ '000*	*Total US$ '000*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Quoted investments						
Equities and sukook	10,249	82,595	92,844	1,775	80,234	82,009
Managed funds	9,948	39,318	49,266	5,860	23,611	29,471
	20,197	121,913	142,110	7,635	103,845	111,480
Unquoted investments at cost						
Equities and sukook	122,052	66,615	188,667	99,862	64,112	163,974
Managed funds	919	28,915	29,834	401	23,574	23,975
	122,971	95,530	218,501	100,263	87,686	187,949
Provisions (note 19)	(5,028)	(1,286)	(6,314)	(4,532)	(494)	(5,026)
	138,140	216,157	354,297	103,366	191,037	294,403

6.5 Held to maturity investments

	2009			2008		
	Self financed US$ '000	*Jointly financed US$ '000*	*Total US$ '000*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Unquoted investments						
Sukook and similar items	230,621	355,511	586,132	26,640	334,405	361,045

7 IJARAH MUNTAHIA BITTAMLEEK

	2009			2008		
	Self financed US$ '000	*Jointly financed US$ '000*	*Total US$ '000*	*Self financed US$ '000*	*Jointly financed US$ '000*	*Total US$ '000*
Land and Building						
Cost	23,455	298,133	321,588	22,679	202,354	225,033
Accumulated depreciation	(13,313)	(72,410)	(85,723)	(9,901)	(23,114)	(33,015)
Net book value	10,142	225,723	235,865	12,778	179,240	192,018
Equipment						
Cost	17,123	297,030	314,153	18,565	277,010	295,575
Accumulated depreciation	(16,141)	(211,174)	(227,315)	(14,944)	(186,066)	(201,010)
Net book value	982	85,856	86,838	3,621	90,944	94,565
Others						
Cost	2,714	17,251	19,965	2,714	21,969	24,683
Accumulated depreciation	(2,288)	(5,047)	(7,335)	(2,016)	(4,426)	(6,442)
Net book value	426	12,204	12,630	698	17,543	18,241
TOTAL						
Cost	43,292	612,414	655,706	43,958	501,333	545,291
Accumulated depreciation	(31,742)	(288,631)	(320,373)	(26,861)	(213,606)	(240,467)
Net book value	11,550	323,783	335,333	17,097	287,727	304,824

8 PROPERTY AND EQUIPMENT

	Land and building US$ '000	Office furniture and equipment US$ '000	Vehicles US$ '000	Others US$ '000	Total US$ '000
Cost:					
At 1 January 2009	141,510	102,011	9,245	19,606	272,372
Additions	59,616	17,290	991	7,485	85,382
Disposals	(708)	(2,143)	(461)	(2,789)	(6,101)
Foreign exchange translations	2,452	951	63	462	3,928
At 31 December 2009	202,870	118,109	9,838	24,764	355,581
Depreciation:					
At 1 January 2009	30,994	67,500	4,614	8,914	112,022
Provided during the year (note 17)	5,826	9,286	1,425	2,594	19,131
Relating to disposals	(47)	(1,758)	(353)	(1,742)	(3,900)
Foreign exchange translations	310	636	24	257	1,227
At 31 December 2009	37,083	75,664	5,710	10,023	128,480
Net book values:					
At 31 December 2009	165,787	42,445	4,128	14,741	227,101
At 31 December 2008	110,516	34,511	4,631	10,692	160,350

9 OTHER ASSETS

	2009 US$ '000	2008 US$ '000
Bills receivables	153,403	143,415
Goodwill and intangible assets 9(a)	69,911	52,676
Collateral pending sale	49,625	34,960
Good Faith Qard	18,120	23,903
Deferred taxation	26,998	18,800
Prepayments	17,948	9,792
Others	29,683	50,422
	365,688	333,968
Provisions (note 19)	(16,330)	(16,249)
	349,358	317,719

9 OTHER ASSETS (Continued)

9 (a) Goodwill and intangible assets

	Goodwill 2009 US$ '000	Intangible assets 2009 US$ '000	Total 2009 US$ '000	Goodwill 2008 US$ '000	Intangible assets 2008 US$ '000	Total 2008 US$ '000
At 1 January	**46,906**	**5,770**	**52,676**	44,344	4,038	48,382
Additions	**15,517**	**3,304**	**18,821**	5,193	3,959	9,152
Foreign exchange translations	-	-	-	-	-	-
Amortisation charge for the year	-	**(1,751)**	**(1,751)**	-	(1,450)	(1,450)
Impairment loss for the year	-	**(353)**	**(353)**	(2,631)	(260)	(2,891)
Foreign exchange translations	-	**518**	**518**	-	(517)	(517)
At 31 December	**62,423**	**7,488**	**69,911**	46,906	5,770	52,676

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:

	2009 US$ '000	2008 US$ '000
Al Baraka Turk Participation Bank	**33,380**	32,578
Egyptian Saudi Finance Bank	**2,532**	2,522
Jordan Islamic Bank	**26,511**	11,806
	62,423	46,906

10 OTHER LIABILITIES

	2009 US$ '000	2008 US$ '000
Payables	**169,855**	183,046
Cash margins	**90,245**	84,266
Other provisions (note 19) *	**6,180**	7,151
Current taxation **	**32,279**	56,298
Deferred taxation **	**18,298**	20,328
Accrued expenses	**28,729**	35,024
Charity fund	**10,486**	10,961
Others	**74,230**	100,697
	430,302	497,771

* Other provisions mainly comprise of general provisions and specific provisions on commitment and contingent items.

** 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 (URIA)

	2009 US$ '000	2008 US$ '000
Unrestricted investment accounts	**8,168,668**	6,662,657
Profit equalisation reserve (note 11.1)	**2,304**	2,271
Investment risk reserve (note 11.2)	**65,226**	58,371
Cumulative changes in fair value attributable to unrestricted investment accounts (11.3)	**2,426**	9,442
	8,238,624	6,732,741

11 UNRESTRICTED INVESTMENT ACCOUNTS (continued)

11.1 Movement in profit equalisation reserve

	2009 US$ '000	2008 US$ '000
Balance at 1 January	**2,271**	2,236
Amount apportioned from income allocable to unrestricted investment account holders	**62**	279
Amount used during the period	**-**	(130)
Foreign exchange translations	**(29)**	(114)
Balance at 31 December	**2,304**	2,271

11.2 Movement in investment risk reserve

	2009 US$ '000	2008 US$ '000
Balance at 1 January	**58,371**	53,190
Amount appropriated to provision (note 19)	**(6,736)**	(12,721)
Amount apportioned from income allocable to unrestricted investment account holders	**12,717**	23,915
Foreign exchange translations	**874**	(6,013)
Balance at 31 December	**65,226**	58,371

11.3 Movement in accumulated changes in fair value attributable to URIA

	2009 US$ '000	2008 US$ '000
Balance at 1 January	**9,442**	23,164
Change in fair values attributable to unrestricted investment accounts	**373**	15,126
Disposals - net	**(7,389)**	(28,848)
	2,426	9,442
Attributable to investment in real estate	**4,925**	15,359
Attributable to available for sale	**(2,499)**	(5,917)
	2,426	9,442

12 EQUITY

The Bank issued bonus shares at one bonus share for each 15 (2008: 14) shares held following shareholders' approval and the Board of Directors' resolution in its meeting on 25 February 2009 (2008: 26 February 2008). This was also approved by the Ministry of Industry and Commerce and the CBB.

	2009 US$ '000	2008 US$ '000
Share capital		
Authorised 1,500,000,000 shares of US$ 1 each	**1,500,000**	1,500,000

	2009 US$ '000	2008 US$ '000
Issued and fully paid up		
At beginning of the year		
697,500,000 (2008: 651,000,000) shares of US$1 each	**697,500**	651,000
Issued during the year		
46,500,000 Bonus shares (2008: 46,500,000) of US$1 each	**46,500**	46,500
At end of the year		
744,000,000 (2008: 697,500,000) shares of US$1 each	**744,000**	697,500

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 December 2009

Names	*Nationality*	*No. of Shares*	*Holding %*
Saleh Abdulla Kamel	Saudi	**224,021,921**	**30.11%**
Dallah Al Baraka Holding Company E.C.	Bahraini	**183,291,145**	**24.64%**
Altawfeek Company For Investment Funds	Cayman Island	**153,661,796**	**20.65%**
Abdulla AbdulAziz AlRajihi	Saudi	**50,656,238**	**6.81%**

At 31 December 2008

Names	*Nationality*	*No. of Shares*	*Holding %*
Saleh Abdulla Kamel	Saudi	210,020,551	30.11%
Dallah Al Baraka Holding Company E.C.	Bahraini	171,835,448	24.64%
Altawfeek Company For Investment Funds	Cayman Island	144,057,934	20.65%
Abdulla AbdulAziz AlRajihi	Saudi	47,490,223	6.81%

ii) The Bank has only one class of shares and the holders of these shares have equal voting rights.

12 EQUITY (continued)

Additional information on shareholding pattern (continued)

iii) Distribution schedule of shares, setting out the number and percentage of holders in the following categories:

At 31 December 2009 Categories:	*No. of Shares*	*No. of Shares Holders*	*% of total outstanding Shares*
Less than 1%	**40,171,130**	**1,139**	**5.40%**
1% up to less than 5%	**92,197,770**	**8**	**12.39%**
5% up to less than 10%	**50,656,238**	**1**	**6.81%**
20% up to less than 50%	**560,974,862**	**3**	**75.40%**
	744,000,000	**1,151**	**100.00%**

At 31 December 2008 *Categories*	*No. of Shares*	*No. of Shares Holders*	*% of total outstanding Shares*
Less than 1%	37,688,446	1,141	5.40%
1% up to less than 5%	86,407,398	8	12.39%
5% up to less than 10%	47,490,223	1	6.81%
20% up to less than 50%	525,913,933	3	75.40%
	697,500,000	1,153	100.00%

a. 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 16 shares held. This will be submitted for formal approval at the Annual General Meeting subject to regulatory approval.

b. 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.

c. 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.

12 EQUITY (continued)

Additional information on shareholding pattern (continued)

d. Foreign currency translations
The foreign currency translations are used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

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

f. Proposed Appropriations

	2009 US$ '000	2008 US$ '000
Cash dividend 6% (2008: 4%)	**44,640**	27,900
Bonus shares	**46,500**	46,500
	91,140	74,400

The above proposed appropriations exclude appropriations to the statutory reserve as mentioned above and will be submitted for formal approval at the Annual General Meeting subject to regulatory approval.

The proposed appropriations for the year 2008 was approved at the Annual General Meeting on 28 March 2009 and was effected in 2009 following that approval.

g. Net movement in non-controlling interest
This mainly includes the effect of changes in capital of subsidiaries, buying (selling) by the non-controling interest from (to) the Bank.

13 NET INCOME FROM JOINTLY AND SELF FINANCED CONTRACTS AND INVESTMENTS

	2009 US$ '000	2008 US$ '000
Receivables (note 13.1)	**782,717**	718,624
Mudaraba and Musharaka financing (note 13.2)	**34,089**	38,282
Investments (note 13.3)	**88,531**	72,363
Ijarah Muntahia Bittamleek (note 13.4)	**27,649**	24,758
Others	**10,566**	9,229
	943,552	863,256
Net income from jointly financed contracts and investments	**812,647**	726,240
Net income from self financed contracts and investments	**130,905**	137,016
	943,552	863,256

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

13.1 Receivables

	2009 US$ '000	2008 US$ '000
Sales (Murabaha) receivables	771,867	709,519
Salam receivables	9,495	7,811
Istisna'a receivables	1,355	1,294
	782,717	718,624

13.2 Mudaraba and Musharaka financing

	2009 US$ '000	2008 US$ '000
Mudaraba financing	11,306	13,899
Musharaka financing	22,783	24,383
	34,089	38,282

13.3 Investments

	2009 US$ '000	2008 US$ '000
Available for sale investments	29,083	44,540
Held to maturity investments	52,226	33,060
Unrealised gain (loss) on trading securities	52	(17,700)
Gain on sale of available for sale investments	273	374
Gain on sale of trading securities	731	986
Rental income and sale of investment in real estate	2,790	3,505
Investment in associates	3,376	7,598
	88,531	72,363

13.4 Ijarah Muntahia Bittamleek

	2009 US$ '000	2008 US$ '000
Income from Ijarah Muntahia Bittamleek	91,358	122,697
Depreciation on Ijarah Muntahia Bittamleek	(63,709)	(97,939)
	27,649	24,758

14 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.

15 OTHER FEES AND COMMISSION INCOME

	2009 US$ '000	2008 US$ '000
Fees and commissions	**61,848**	63,553
Letters of credit	**28,166**	24,818
Guarantees	**32,357**	23,372
Acceptances	**1,494**	4,190
	123,865	115,933

16 OTHER OPERATING INCOME

	2009 US$ '000	2008 US$ '000
Foreign exchange gain	**34,923**	34,454
Gain on sale of property and equipment	**2,347**	1,243
Others	**17,972**	19,455
	55,242	55,152

17 DEPRECIATION AND AMORTISATION

	2009 US$ '000	2008 US$ '000
Property and equipment (note 8)	**19,131**	16,168
Amortisation of intangible assets	**1,751**	1,450
	20,882	17,618

18 OTHER OPERATING EXPENSES

	2009 US$ '000	2008 US$ '000
General and administration	**64,988**	68,690
Business	**22,046**	11,056
Premises	**21,406**	19,780
	108,440	99,526

19 PROVISIONS

2009	*Sales (Murabaha) receivables US$ '000 (note 4.1)*	*Ijarah receivables US$ '000 (note 4.2)*	*Salam receivables US$ '000 (note 4.3)*
Provisions at 1 January	196,543	3,202	4,466
Charged during the year	131,592	1,796	748
Written back during the year	(28,329)	(355)	(1,622)
	103,263	1,441	(874)
	299,806	4,643	3,592
Written off during the year	(30,710)	(1,633)	(2)
Amount appropriated from investment risk reserve (note 11.2)	6,183	(4)	-
Foreign exchange translations/Others	1,728	(19)	(66)
Provisions at 31 December	277,007	2,987	3,524

2008			
Provisions at 1 January	171,842	3,482	7,600
Charged during the year	61,510	1,227	1,282
Written back during the year	(20,363)	(72)	(4,045)
	41,147	1,155	(2,763)
	212,989	4,637	4,837
Written off during the year	(11,149)	(1,397)	-
Amount appropriated from investment risk reserve (note 11.2)	6,134	-	-
Foreign exchange translations/Others	(11,431)	(38)	(371)
Provisions at 31 December	196,543	3,202	4,466

Istisna's receivables US$ '000 (note 4.4)	*Mudaraba financing US$ '000 (note 5.1)*	*Musharaka financing US$ '000 (note 5.2)*	*Investments US$ '000 (note 6.4)*	*Other assets US$ '000 (note 9)*	*Other liabilities US$ '000 (note 10)*	*Total US$ '000*
236	**561**	**2,396**	**5,026**	**16,249**	**7,151**	**235,830**
4	**17**	**-**	**812**	**4,566**	**1,582**	**141,117**
(34)	**(38)**	**(688)**	**(125)**	**(5,623)**	**(235)**	**(37,049)**
(30)	**(21)**	**(688)**	**687**	**(1,057)**	**1,347**	**104,068**
206	**540**	**1,708**	**5,713**	**15,192**	**8,498**	**339,898**
(50)	**-**	**(62)**	**-**	**-**	**(2,345)**	**(34,802)**
-	**78**	**12**	**471**	**(4)**	**-**	**6,736**
(5)	**-**	**200**	**130**	**1,142**	**27**	**3,137**
151	**618**	**1,858**	**6,314**	**16,330**	**6,180**	**314,969**

186	561	2,082	5,134	9,783	10,448	211,118
111	-	994	1,486	6,936	3,137	76,683
(48)	-	(122)	(116)	(3,176)	(298)	(28,240)
63	-	872	1,370	3,760	2,839	48,443
249	561	2,954	6,504	13,543	13,287	259,561
-	-	(183)	(1,272)	(3,336)	(6,152)	(23,489)
-	-	(45)	-	6,632	-	12,721
(13)	-	(330)	(206)	(590)	16	(12,963)
236	561	2,396	5,026	16,249	7,151	235,830

19 PROVISIONS (continued)

These provisions relate to the following geographical areas:

2009	*Sales (Murabaha) receivables US$ '000*	*Ijarah receivables US$ '000*	*Salam receivables US$ '000*
Middle East	127,884	1,477	-
North Africa	30,401	1,327	3,505
Europe	100,802	-	-
Others	17,920	183	19
Total	277,007	2,987	3,524

2008	*Sales (Murabaha) receivables US$ '000*	*Ijarah receivables US$ '000*	*Salam receivables US$ '000*
Middle East	114,101	2,046	-
North Africa	31,003	1,156	4,443
Europe	42,477	-	-
Others	8,962	-	23
Total	196,543	3,202	4,466

The fair value of collateral that the Group holds relating to non performing facilities at 31 December 2009 amounts to US$ 347.2 million (31 December 2008: US$ 272.5 million). The collateral consists of cash, securities and properties.

Istisna's receivables US$ '000	Mudaraba financing US$ '000	Musharaka financing US$ '000	Investments US$ '000	Other assets US$ '000	Other liabilities US$ '000	Total US$ '000
-	**-**	**263**	**2,588**	**5,079**	**5,894**	**143,185**
2	**618**	**-**	**2,509**	**4,298**	**267**	**42,927**
-	**-**	**-**	**710**	**696**	**19**	**102,227**
149	**-**	**1,595**	**507**	**6,257**	**-**	**26,630**
151	**618**	**1,858**	**6,314**	**16,330**	**6,180**	**314,969**

Istisna's receivables US$ '000	Mudaraba financing US$ '000	Musharaka financing US$ '000	Investments US$ '000	Other assets US$ '000	Other liabilities US$ '000	Total US$ '000
-	-	879	1,732	8,162	6,965	133,885
33	561	-	2,686	4,324	186	44,392
-	-	-	608	344	-	43,429
203	-	1,517	-	3,419	-	14,124
236	561	2,396	5,026	16,249	7,151	235,830

20 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:

	2009	2008
Net income attributable to the equity shareholders of the parent for the year - US$ '000	**91,758**	113,698
Weighted average number of shares a outstanding during the year (in thousands)	**744,000**	744,000
Earnings per share - US cents	**12**	15

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

21 CASH AND CASH EQUIVALENTS

	2009 US$ '000	2008 US$ '000
Balances with central banks excluding mandatory reserve	**1,549,727**	768,641
Balances with other banks	**775,562**	756,295
Cash and cash in transit	**224,961**	210,714
	2,550,250	1,735,650

22 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or signifcantly 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:

	2009 US$ '000	2008 US$ '000
Net income from jointly financed contracts and investments	**3,532**	4,618
Net income from self financed financing and investments	**2,024**	1,137
Return on unrestricted investment accounts	**99**	210
Other fees and commission income	**107**	-
Other operating income	**-**	157

22 RELATED PARTY TRANSACTIONS (continued)

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

	2009 US$ '000	2008 US$ '000
Assets:		
Cash and balances with banks	**255**	1,612
Receivables	**26,816**	34,608
Mudaraba and Musharaka financing	**32,822**	9,724
Investments	**89,323**	85,668
Ijarah Muntahia Bittamleek	**174**	262
Other assets	**1,324**	9,020
Liabilities:		
Customer current and other accounts	**12,617**	1,992
Other Liabilities	**2,382**	1,825
Unrestricted investment accounts	**7,056**	4,673
Restricted investment accounts	**8,130**	14,226

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:

	2009		2008	
Categories:	*Number of shares*	*Number of directors*	*Number of shares*	*Number of directors*
Less than 1%	**338,136**	**3**	317,002	3
20% up to less than 50%	**224,021,921**	**1**	210,020,551	1
	224,360,057	**4**	210,337,553	4

23 COMMITMENTS AND CONTINGENCIES

	2009 US$ '000	2008 US$ '000
Letters of credit	**945,241**	511,961
Guarantees	**2,486,035**	1,898,406
Acceptances	**49,251**	43,910
Undrawn Commitments - maturing in less than one year	**296,392**	132,988
Others	**48,674**	59,331
	3,825,593	2,646,596

24 SEGMENTAL ANALYSIS

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 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:

	2009			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	**6,051,048**	**1,219,473**	**4,030,776**	5,855,240	1,326,330	3,652,678
North Africa	**1,855,912**	**780,986**	**770,778**	1,424,057	570,233	655,249
Europe	**4,273,508**	**769,257**	**3,026,560**	3,134,536	521,917	2,205,894
Others	**985,809**	**421,092**	**410,510**	506,455	218,906	218,920
	13,166,277	**3,190,808**	**8,238,624**	10,920,288	2,637,386	6,732,741

24 SEGMENTAL ANALYSIS (Continued)

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

	2009			2008		
	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
Segment						
Middle East	189,402	68,776	14,752	207,996	91,230	43,162
North Africa	108,599	69,384	56,754	100,471	65,455	53,232
Europe	283,120	172,045	88,946	237,787	143,479	97,407
Others	52,392	14,367	6,934	39,617	13,367	7,212
	633,513	324,572	167,386	585,871	313,531	201,013

25 RISK MANAGEMENT

Risk management is an integral part of the Group's decision-making process. The management risk 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. These risks and the processes to mitigate these risks have not significantly altered from the previous year.

The most important types of risk are liquidity risk, credit risk, market risk and other operational risk. Market risk includes currency risk, equity price risk and profit rate risk.

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. Each of the Group's subsidiaries has a documented and implemented domestic and foreign currency liquidity policies and procedures appropriate to the nature and complexity of its business. The policy addresses the subsidiaries' goal of protecting financial strength even for stressful events.

The table next page 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.

25 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The consolidated maturity profile at 31 December 2009 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*
ASSETS				
Cash and balances with banks	2,541,026	9,224	-	-
Receivables	986,377	868,964	1,021,340	1,100,921
Musharaka and Mudaraba financing	465,189	99,214	21,324	28,089
Investments	436,495	43,726	183,981	92,306
Ijarah Muntahia Bittamleek	6,870	6,126	10,658	24,955
Property and equipment	-	-	-	1,397
Other assets	72,785	8,637	9,242	6,540
Total assets	4,508,742	1,035,891	1,246,545	1,254,208
LIABILITIES				
Customer current and other accounts	1,939,953	136,141	110,520	84,898
Due to banks	90,128	7,966	-	-
Other liabilities	136,942	24,821	25,492	69,192
Total Liabilities	2,167,023	168,928	136,012	154,090
Unrestricted investment accounts	2,929,437	1,229,794	684,537	835,642
Total liabilities and unrestricted investment accounts	5,096,460	1,398,722	820,549	989,732
Net liquidity gap	(587,718)	(362,831)	425,996	264,476
Cumulative net liquidity gap	(587,718)	(950,549)	(524,553)	(260,077)
Restricted Investment Accounts	81,651	28,756	28,272	147,808

	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	Undated US$ '000	Total US$ '000
	-	-	-	-	608,023	3,158,273
	1,748,716	1,179,995	113,120	7,631	-	7,027,064
	129,060	174,267	48,955	15,014	-	981,112
	134,244	81,641	2,556	14,811	98,276	1,088,036
	45,493	37,070	55,793	148,368	-	335,333
	10,805	1,963	17,722	8,157	187,057	227,101
	67,354	36,156	21,398	58,520	68,726	349,358
	2,135,672	1,511,092	259,544	252,501	962,082	13,166,277
	268,372	36,310	31,650	-	-	2,607,844
	6,752	43,763	4,053	-	-	152,662
	23,000	140,102	10,753		-	430,302
	298,124	220,175	46,456	-	-	3,190,808
	2,174,099	345,373	39,742	-	-	8,238,624
	2,472,223	565,548	86,198	-	-	11,429,432
	(336,551)	945,544	173,346	252,501	962,082	1,736,845
	(596,628)	348,916	522,262	774,763	1,736,845	
	91,381	132,183	-	-	-	510,051

25 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

The consolidated maturity profile at 31 December 2008 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*
ASSETS				
Cash and balances with banks	1,486,481	249,169	-	-
Receivables	1,077,760	841,476	654,684	733,030
Musharaka and Mudaraba financing	152,710	187,926	96,454	50,911
Investments	348,970	34,955	113,655	84,219
Ijarah Muntahia Bittamleek	9,929	7,934	11,552	21,222
Property and equipment	-	-	-	537
Other assets	116,023	6,825	5,433	1,383
Total assets	3,191,873	1,328,285	881,778	891,302
LIABILITIES				
Customer current and other accounts	1,003,862	140,332	95,587	72,588
Due to banks	40,852	5,006	15,002	-
Other liabilities	224,271	41,531	1,901	52,386
Total Liabilities	1,268,985	186,869	112,490	124,974
Unrestricted investment accounts	2,080,678	1,167,308	836,467	1,361,141
Total liabilities and unrestricted investment accounts	3,349,663	1,354,177	948,957	1,486,115
Net liquidity gap	(157,790)	(25,892)	(67,179)	(594,813)
Cumulative net liquidity gap	(157,790)	(183,682)	(250,861)	(845,674)
Restricted Investment Accounts	16,511	93,697	4,189	60,770

1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	Undated US$ '000	Total US$ '000
-	-	-	-	618,202	2,353,852
1,615,332	1,215,360	40,260	10,317	-	6,188,219
44,772	218,969	7,289	38,927	-	797,958
29,862	64,459	4,098	100,065	17,083	797,366
72,969	25,615	44,862	110,741	-	304,824
567	14,848	21,635	4,596	118,167	160,350
20,118	149,401	18,517	19	-	317,719
1,783,620	1,688,652	136,661	264,665	753,452	10,920,288
291,583	62,507	412,296	-	-	2,078,755
-	-	-	-	-	60,860
15,415	22,501	139,766	-	-	497,771
306,998	85,008	552,062	-	-	2,637,386
780,587	497,947	8,613	-	-	6,732,741
1,087,585	582,955	560,675	-	-	9,370,127
696,035	1,105,697	(424,014)	264,665	753,452	1,550,161
(149,639)	956,058	532,044	796,709	1,550,161	
257,515	137,832	-	-	-	570,514

25 RISK MANAGEMENT (continued)

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 individuals who own the counterparty, by collateral in form of mortgage of the objects financed or other types of tangible security.

Type of credit risk

Financing contracts mainly comprise Sales (Murabaha) receivables, Salam receivables, Istisna'a receivables, Mudaraba financing, Musharaka financing and Ijarah Muntahia Bittamleek.

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 instalments 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.

Salam receivables

Salam is a contract whereby the Group makes an immediate payment to a seller for the future delivery of a commodity. To protect itself from risk associated with the commodity the Group 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 Group as the seller and the customer as the ultimate purchaser whereby the Group undertakes to have manufactured or acquire a goods and sell it to the customer for an agreed upon price on completion at future date.

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.

Maximum exposure to credit risk before collateral held or other credit enhancements	**Maximum exposure**	
	2009 US$ '000	***2008 US$ '000***
Receivables	**7,027,064**	6,188,219
Mudaraba and Musharaka financing	**981,112**	797,958
Investments	**1,079,844**	772,166
Ijarah Muntahia Bittamleek	**335,333**	304,824
Other assets	**252,449**	246,243
Total	**9,675,802**	8,309,410
Commitments and contingencies	**3,825,593**	2,646,596
	13,501,395	10,956,006

25 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Aging of past due assets

The following table summarises the aging of past due islamic financing contracts as of 31 December 2009:

Type of Islamic Financing Contracts	Past due financing contracts US$'000	Aging of Non performing facilities				
		Less than 90 Days US$'000	90 days to 1 year US$'000	1 year to 3 years US$'000	Over 3 years US$'000	Total US$'000
Receivables	412,104	53,086	134,613	133,007	118,804	439,510
Mudaraba and Musharaka financing	6,546	169	3,190	2,969	682	7,010
Others	9,357	2,764	2,557	5,563	8,899	19,783
	428,007	56,019	140,360	141,539	128,385	466,303

Renegotiated Islamic financing contracts

	2009 US$'000	2008 US$'000
	90,680	484,570

Credit Risk Mitigation

All the Group's subsidiaries, with exposures secured by real estate or other collateral carry out regular and periodic collateral verification and evaluation. This collateral verification and valuation is conducted by an independent qualified assessor or Collateral Analyst at the subsidiary. The frequency of such collateral verification is determined as a part of the credit or investment policy and approval process. The Group's subsidiaries allow cars, ships, aircraft, satellites, railcars, and fleets as collateral for a credit and investment product but do not accept perishable assets or any other assets with depreciable life of less than five years. Subsidiaries do not accept any assets as collateral if the assets are susceptible for obsolescence in case they are moved (e.g. furniture). Subsidiaries also ensure that these assets are insured in order to be accepted as collateral.

Third party cheques are accepted as collateral by the Group's subsidiaries. However, they are not eligible collateral for capital adequacy calculation. The Group's subsidiaries accept commercial papers as qualifying collateral if they are issued by banks or corporations of good credit standing. Since the maturity tenor of the commercial papers are generally short in nature (maximum of 270 days), they are not accepted as collateral for long–term facilities (i.e. the financing tenor should not exceed the commercial papers maturity tenor). The subsidiaries do not accept vehicle or equipments, if new, as qualifying collateral for more than 80% of its market value. No vehicles or equipments, if used, are accepted as qualifying collateral for more than 50% of its insured value.

25 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Collaterals listed hereunder may attract capital relief from capital adequacy requirements as per the Central Bank of Bahrain's stipulations:

1) Hamish Jiddiyyah (HJ) (Good faith deposit): Subsidiaries take this type of collateral in the transactions for which non-binding promises to perform is given by the customer. If a customer does not honour his promise to perform, the subsidiary has recourse to the deposit.
2) Third party guarantee: The subsidiary should have recourse to the guarantor in case of customer's default. In order to qualify as eligible collateral, the guarantee should be unconditional and irrevocable. The guarantor must be solvent and, if applicable of investment grade rating.
3) Urbon: This is the amount that should be taken from a purchaser or lessee when a contract is established and it is the first line of defence for the subsidiary if the purchaser or lessee breaches the contract.
4) Underlying assets of the lease contract: The underlying asset must be of monetary value and the subsidiary must have legal access to it, own it and sell it to cover the open exposure with the customers in question. The assets have also to be free of any of any kind of encumbrance.

   Any excess amount resulting from the closure of the pledge by the subsidiary should be returned to the customer (pledgor). The subsidiary should conduct at least annual evaluation of the pledged assets and keep adequate documentation of this evaluation.
5) Cash deposit free from any legal encumbrance with the subsidiary either in the form of restricted or unrestricted investment accounts.
6) Rated and unrated senior sukook issued by first class financial institutions or by GCC sovereigns.

Credit Quality

Credit Risk Management at the Group will be based upon the creation and maintenance of a Credit Rating System (CRS) for the non-retail business i.e. obligors or counterparties with more than US$663,130 in total credit facilities. All the Group's units are to incorporate into their respective credit policies the CRS as the framework for credit management taking into consideration the methodology requirements of their local central banks,in this respect. The methodology for obligor (issuer) rating will reflect the specifics of the Group's main business and the geographical diversity of its operations. Ratings of countries, governments and financial institutions are carried out in centralised fashion at the Bank in Bahrain whereas rating of corporates is done at the subsidiaries level, unless the exposure to the corporate involves cross-border risk, in which case, that rating will also be at the Bank as part of the credit limit approval.

The CRS at the Bank has also been designed to be comparable to the rating system of major international rating agencies (Moody's, Standard & Poor's, Fitch) in respect of their foreign currency rating of countries, governments and financial institutions.

Accordingly, countries, governments and financial Institutions will be rated on the basis of their unsecured medium term foreign currency obligations. This means that for governments and financial institutions the cross-border risk will also be part of the rating and the country's rating will be, in most cases, the ceiling on the financial institution's rating. Corporates will be rated on their senior unsecured medium term local currency obligations, unless the credit granted is across border or in foreign currency. In the latter case, the obligor's country's rating will be the ceiling on corporates' rating. Where all credit to a government is in local currency, the rating for that government is the best i.e. 1 on the rating scale, however, if the exposure to the government includes foreign currency, the rating for that government will be the same as the country's rating. A rating is a forward looking indication of creditworthiness. It is based on an evaluation of past performance, present conditions and outlook for the future.

The basic approach of the major credit rating agencies to rating is the same as what the Group credit policies require i.e. a comprehensive fundamental analysis of all relevant quantitative and non quantitative factors aimed at identifying actual and potential vulnerability. Credit rating will be applied to countries and single obligors. Single obligors, in turn are categorised as financial institutions, corporates, governments and retail. CRS therefore rates obligors (issuers) and not facilities. The obligor rating of countries and single obligors will identify the relative probability of default but will not take into account the impact of collateral security and other mitigants in the event of default. Facility ratings by contrast, combine both the probability of default and loss severity in case of defaults. However, initially the Group wide policy will be to set up obligor ratings only (which does not prevent individual subsidiaries internally to also rate facilities if they so wish).

25 RISK MANAGEMENT (continued)

c) Concentration risk

Concentrations arise when a number of counterparties 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 industry or geographical location.

In order to avoid excessive concentrations of risk, the Group policies and procedures include specific guidelines to focus on country and counter party limits and maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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

	2009			2008		
	Assets US$ '000	Liabilities US$ '000	URIA US$ '000	Assets US$ '000	Liabilities US$ '000	URIA US$ '000
Manufacturing	**1,526,887**	**27,165**	**113,741**	1,458,752	19,891	72,857
Mining and quarrying	**116,970**	**1**	**70**	229,034	6	4,636
Agriculture	**81,518**	**348**	**1,447**	89,266	289	732
Construction and real estate	**1,658,632**	**8,012**	**7,659**	1,142,891	13,562	6,832
Financial	**2,362,513**	**190,342**	**911,642**	1,897,430	194,164	459,450
Trade	**890,982**	**35,790**	**1,862,741**	837,056	66,296	275,956
Personal and Consumer finance	**1,474,447**	**1,627,077**	**3,652,896**	1,389,090	1,231,460	4,007,072
Government	**2,912,215**	**18,465**	**70,675**	2,100,436	44,118	174,638
Other Services	**2,142,113**	**1,283,608**	**1,617,753**	1,776,333	1,067,600	1,730,568
	13,166,277	**3,190,808**	**8,238,624**	10,920,288	2,637,386	6,732,741

d) Market risk

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

Profit rate risk

Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and URIA. The profit distribution to URIA is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

However, the profit sharing agreements will result in displaced commercial risk when the Group's results do not allow the Group to distribute profits inline with the market rates.

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.

The Group has total equity portfolio of US$ 362,489 thousand (2008: US$ 319,603 thousand) comprising of available for sale investments amounting to US$ 354,297 thousand (2008: US$ 294,403 thousand) and trading securities amounting to US$ 8,192 thousand (2008: US$ 25,200 thousand). Variation of 10% increase or decrease in the portfolio value will not have a significant impact on the Group's net income or equity.

25 RISK MANAGEMENT (continued)

d) Market risk (continued)

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.

Following is the Group's exposure to different currencies in equivalent US dollars:

	2009		
	Operational equivalent Long (short) US$ '000	*Strategic equivalent Long (short) US$ '000*	*Total equivalent Long (short) US$ '000*
Currency			
Turkish Lira	**11,394**	**270,586**	**281,980**
Jordanian Dinar	**87,217**	**190,245**	**277,462**
Egyptian Pound	**(28,163)**	**92,955**	**64,792**
Sudanese Pound	**(850)**	**40,573**	**39,723**
Algerian Dinar	**(85)**	**119,480**	**119,395**
Lebanese Pound	**(16,347)**	**14,642**	**(1,705)**
Saudi Riyal	**5,952**	**-**	**5,952**
Pound Sterling	**(2,799)**	**-**	**(2,799)**
Tunisia Dinar	**(242)**	**-**	**(242)**
Euro	**(2,555)**	**-**	**(2,555)**
South African Rand	**-**	**17,350**	**17,350**
Pakistani Rupees	**(21,195)**	**35,159**	**13,964**
Others	**26,278**	**-**	**26,278**

	2008		
	Operational equivalent Long (short) US$ '000	*Strategic equivalent Long (short) US$ '000*	*Total equivalent Long (short) US$ '000*
Currency			
Turkish Lira	(73,512)	226,099	152,587
Jordanian Dinar	59,520	150,321	209,841
Egyptian Pound	(23,606)	82,638	59,032
Sudanese Pound	(192)	37,020	36,828
Algerian Dinar	(200)	64,057	63,857
Lebanese Pound	5,459	13,391	18,850
Saudi Riyal	8,349	-	8,349
Pound Sterling	(1,583)	-	(1,583)
Tunisia Dinar	6,815	-	6,815
Euro	211	-	211
South African Rand	-	12,437	12,437
Pakistani Rupees	9,907	31,318	41,225
Others	3,421	-	3,421

The strategic currency risk represents the amount of equity of the subsidiaries.

25 RISK MANAGEMENT (continued)

d) Market risk (continued)

Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

In order to measure its exposures to currency risk, the Group stress tests its exposures following the standard shocks adopted by Derivatives Policy Group in this respect which calculates the effect on assets and income of the Group as a result of appreciation and depreciation in foreign currencies in relation to the reporting currency of the Group. This is done using various percentages based upon the judgement of the management of the Group.

Following is the sensitivity analysis that calculates the effect of a reasonable possible movement of the currency exchange rate against the US$ with all other variables held constant on the consolidated statement of income and the consolidated statement of equity. The impact of a similar increase in exchange rates will be approximately opposite to the impact disclosed below.

At 31 December 2009

Currency	Particular	*Exposures in US$'000*	*Variance %*	*Change in net income and equity US$'000*
Algerian Dinar	Net Income	**46,365**	-5%	**(2,208)**
	Total Equity	**94,263**	-5%	**(10,178)**
Egyptian Pound	Net Income	**13,486**	-5%	**(642)**
	Total Equity	**33,204**	-5%	**(6,008)**
Turkish Lira	Net Income	**88,946**	-15%	**(11,602)**
	Total Equity	**207,105**	-15%	**(62,308)**
Sudanese Pound	Net Income	**7,039**	-5%	**(335)**
	Total Equity	**8,860**	-5%	**(2,354)**
South African Rand	Net Income	**2,263**	-15%	**(295)**
	Total Equity	**13,473**	-15%	**(4,020)**

At 31 December 2008

Currency	*Particular*	*Exposures in US$ '000*	*Variance %*	*Change in net income and equity US$'000*
Algerian Dinar	Net Income	41,320	-5%	(2,025)
	Total Equity	50,535	-5%	(10,417)
Egyptian Pound	Net Income	3,875	-5%	(184)
	Total Equity	29,518	-5%	(10,196)
Turkish Lira	Net Income	97,407	-15%	(5,232)
	Total Equity	180,627	-15%	(36,975)
Sudanese Pound	Net Income	4,595	-5%	(226)
	Total Equity	7,990	-5%	(4,092)
South African Rand	Net Income	2,617	-15%	(143)
	Total Equity	10,771	-15%	(2,110)

25 RISK MANAGEMENT (continued)

e) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational Risk Management Framework

The Group guidelines have the following sections:
(1) Operational Risk Appetite
(2) Operational Risk Management – Structure and Rules,
(3) Risk and Control Assessment
(4) Internal Audit
(5) Operational Risk and Basel II and
(6) Operational Risk Capital Requirement.

The Group's Operational Risk Appetite is defined as the level of risk which the Group chooses to accept in its identified risk categories. Operational risk appetite is expressed in terms of both impact (direct loss) and the probability of occurrence.

The Operational Risk framework will be subject to periodic Internal Audit.

The Group categorizes operational risk loss events into the following categories:

Infrastructure Risks
Availability of information technology is of paramount importance to the Group's infrastructure. The operations of the Group and the subsidiaries might be disrupted and severe operational risks could occur and an extreme possibility is the threat of a subsidiary's existence.

In order to hedge the subsidiaries from the infrastructure risk as outlined above, every subsidiary must take all the necessary measures indicated in the Business Continuity Plan and/or Disaster Recovery Plan (BCP and DRP) to cater for these risks.

Information Technology Risks
The main risks that the Group is exposed to in this context is from inadequate software and hardware quality, unauthorized access by third parties or employees, etc.

Staff risk
The main risks that arises from staff risks are risks due to larceny, fraud, corruption, crime, etc. In order to prevent these risks from occurring, the Group has established Group Human Resources Policies and Code of Conduct which entails constructive ways in dealing with mistakes and frauds. The Group has also established approval control steps in business processes as well as creating separate internal control processes. Further, the Group has established measures of organizational structure in terms of segregation of duties as well as diverse training measures to reduce human errors and frauds, etc.

Business risk
This risk may take on the following forms:

1) Processes without clear definitions, for example, when insufficient time was spent on documenting or updating the already documented processes.
2) Outdated process descriptions in cases where "reality" already strongly differs from the guidelines laid down in the past.
3) The extreme case of a completely missing documentation to hedge the risk, the Group adopts sound documentation policies of business processes as it is a basic requirement for a well functioning process organization. The process description are up to date and clear; furthermore. it is made accessible to the employees in as simple way as possible.

f) Corporate governance

Board of Directors

The Board of Directors is responsible for approving the Group's overall business strategy, monitoring its operations and taking critical business decisions. In line with international leading practices, 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 CBB.

25 RISK MANAGEMENT (continued)

f) Corporate governance (Continued)

Board of Directors (Continued)

The Bank 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 and Commerce.

There are currently eleven Directors on the Board, who have varied backgrounds and experience and who individually and collectively exercise independent and objective judgment. Other than the President and Chief Executive, all Directors are non-executive. The posts of Chairman and President and 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.

26 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$ 218.5 million (2008: US$ 187.9 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.

27 EARNINGS PROHIITED BY SHARI'A

Earnings realised during the year from transactions that were not permitted by Shari'a amounted to US$ 9 million (2008: US$ 14 million). This amount has been taken to charity.

28 SOCIAL RESPONSIBILITY

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

29 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 consolidated income or consolidated equity.

Additional Public Disclosures

31 December 2009

(Unaudited)

This section contains additional disclosures as required under the guidelines of the annual public disclosures required by Islamic banks. The period covered is from 1 January 2009 to 31 December 2009.

1 CAPITAL STRUCTURE AND CAPITAL ADEQUACY

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group 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 Group 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 year.

The Group's capital structure is primarily made of its paid-up capital, including the share premium and reserves, and the unrestricted investment account. From regulation's perspective, the significant amount of the Group's capital are in Tier I as defined by the CBB, i.e., most of the consolidated capital are of permanent nature.

To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the standardised approach for its Credit Risk, Basic Indicator Approach for its Operational Risk and Standardised Measurement Approach for its Market Risk. To calculate its capital adequacy, the Group follows the accepted approaches approved by the CBB Rulebook. The Group consolidates all subsidiaries for Capital Adequacy Ratio (CAR) calculation. The Group strives to sustain reasonably higher capital cushion that strikes the balance between its business conduct and the regulatory requirements stipulated in the CBB capital adequacy requirements as a minimum accepted level of capital adequacy.

Capital Structure

The following table summarizes the eligible capital as of 31 December 2009 after deductions for calculation.

	Tier 1 US$ '000	*Tier 2 US$ '000*
Tier 1 Capital Components		
Issued and fully paid up ordinary shares	**744,000**	
Disclosed reserves		
Legal / statutory reserves	**42,986**	
Share premium	**99,390**	
Others	**121,282**	
Retained profit brought forward	**189,401**	
Unrealized gains arising from fair valuing equities (45% only)	**4,542**	
Non-controlling interest in consolidated subsidiaries	**522,485**	
Less:		
Goodwill	**62,423**	
Unrealized gross losses arising from fair valuing equity securities	**114**	
Tier 1 Capital before PCD deductions	**1,661,549**	

1 CAPITAL STRUCTURE AND CAPITAL ADEQUACY (Continued)

Capital Structure (continued)

	Tier 1 US$ '000	*Tier 2 US$ '000*
Asset revaluation reserve - Property, plant, and equipment (45% only)		3,294
Profit equalization reserve		2,304
Investment risk reserve		65,226
Tier 2 Capital before PCD deductions		70,824
Total Available Capital		1,732,373
Deduction		
Investment in insurance entity greater than or equal to 20%	(6,758)	(6,758)
Net Available Capital	1,654,791	64,066
TOTAL ELIGIBLE CAPITAL		1,718,857

The following table summarises the capital requirements as of 31 December 2009 for credit risk, market risk and operational risk:

	Risk weighted assets US$ '000	*Minimum capital requirements US$ '000*
Credit Risk	5,627,059	675,247
Market Risk	862,594	103,511
Operational Risk	1,039,899	124,788
Total	7,529,552	903,546

The following table summarises the capital requirements as of 31 December 2009 by type of Islamic financing contracts:

	Risk weighted assets US$ '000	*Minimum capital requirements US$ '000*
Receivables	3,119,370	374,324
Mudaraba and Musharaka financing	526,576	63,189
Ijarah Muntahia Bittamleek	54,280	6,514
Total	3,700,226	444,027

1 CAPITAL STRUCTURE AND CAPITAL ADEQUACY (Continued)

CAR

The following are CAR as of 31 December 2009 for total capital and Tier 1 capital:

Capital Adequacy Ratio	
Total capital ratio	**22.83%**
Tier 1 capital ratio	**21.98%**

The Group's Subsidiaries CAR

The following CAR as of 31 December 2009 were prepared based on CBB requirements, which may differ form the local requirements of the countries in which the subsidiaries operate:

	Tier 1 capital ratio	*Total capital ratio*
Head Office	**74%**	**74%**
Banque Al Baraka D'Algerie	**32%**	**33%**
Al Baraka Islamic Bank - Bahrain	**22%**	**22%**
Al Baraka Bank Tunis	**20%**	**20%**
Egyptian Saudi Finance Bank	**20%**	**20%**
Al Baraka Bank Lebanon	**33%**	**33%**
Jordan Islamic Bank	**21%**	**22%**
Al Baraka Turk Participation Bank	**22%**	**22%**
Al Baraka Bank Limited	**26%**	**26%**
Al Baraka Bank Sudan	**15%**	**19%**
Al Baraka Bank Syria	**243%**	**243%**

Legal Restrictions on capital and income mobility

There are no major restrictions in distributing profits by the subsidiaries to the Bank. Such distribution should go through the legal and regulatory channels applicable in each jurisdiction. Mobilisation of capital, reserves and equivalent funds out of the subsidiaries to the parent is subject to the local rules and regulations. The parent is not subject to any restriction to support its subsidiary in the form of deposits or capital. However, as a procedure, a prior written approval has to be obtained from the CBB for increasing investments in subsidiaries.

2 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 consolidated balance sheet risks. The Group manages exposures by setting limits approved by the Board of Directors. These risks and processes to mitigate these risks have not significantly altered from the previous year. The Group's risk management strategies have been effectively implemented and the objectives outlined at the beginning of year 2009 across subsidiaries were successfully achieved. The Group is striving to bolster and instil the best practices of risk management in subsidiaries' risk management functions for the next reporting period by ensuring prudent implementation of risk management policies which entails risk identification, limit controls, monitoring and reporting.

2 RISK MANAGEMENT (Continued)

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. Each of the Group's subsidiaries has a documented and implemented domestic and foreign currency liquidity policies and procedures appropriate to the nature and complexity of its business. The policy addresses the subsidiaries' goal of protecting financial strength even for stressful events. The liquidity management policy at a minimum includes the following:

a. Provide clear guidance on the composition and role of the asset/liability committee or such other committee or department responsible for managing liquidity.

b. Establish approval processes to ensure adherence to liquidity risk management processes.

c. Require periodic calculations to determine the extent to which the subsidiary is funding long-term assets with short-term liabilities.

d. Establish liquidity ratio benchmarks, e.g. parameters for the funding of long-term assets with short-term liabilities to guide liquidity management and the method for computing liquidity indicators.

e. Establish limits on the degree of concentrations that are deemed acceptable. This should:

   i) Ensure diversification of funding by origin and term structure by, for example, guarding against concentration by individuals or groups of depositors, types of deposit instruments, market sources of deposit, geographical sources, term to maturity, and deposit currencies. Where concentrations occur, the Group's subsidiaries manage their assets and liquidity profile to mitigate the risk; and

   ii) Set procedures for the orderly restoration of the liquidity position in the event of loss of funding where such concentrations are unavoidable. In addition, the Group's subsidiaries conduct an impact analysis on its dependency on any such concentrations.

f. Provide for periodic review of the deposit structure. The review should include the volume and trend of various types of deposits offered, maturity distributions of time deposits, profit rate paid on each type of deposit, prevailing market profit rate, limits on large time deposits, public funds, and non-resident deposits.

g. Provide for the review of alternate funding sources including stand-by facilities and lines of credit.

h. Establish a framework for the composition of assets.

i. Assess the acceptable mismatch in combination with currency commitments. The Group's subsidiaries undertake separate analysis of their strategy for each currency individually. They set and regularly review limits on the size of cash flow mismatches over particular time horizons for foreign currencies in aggregate, and for each significant currency.

The following table summarises liquidity ratios as of 31 December 2009:

Short term assets to short term liabilities	**97%**
Liquid assets to total assets	**27%**

2 RISK MANAGEMENT (Continued)

b) Credit risk

General credit policies and guiding principles

The following principles summarise the Group's financing and investing policies and form the framework of all financing decisions:

1) Financing will be extended when the Group can confidently expect that it will be repaid by the customer as agreed. This necessitates a thorough knowledge of the customer and clear understanding of the risks underlying the credit requests.

2) Financing should be extended where there are at least two clear sources of repayments.

3) It is generally preferred that the repayments are from cash generated by the customers' productive and ongoing income or activities.

4) Amounts, profits/other charges and terms under the prevailing market conditions for any proposed financing are to be consistent with the perceived quality of the risk being undertaken.

5) Financing should generally be extended where the Group's seniority as creditors is pari passu or better than any other financing.

6) Financing should be structured appropriately considering the purpose of the credit and the source of repayment.

7) Financing needs to be assessed on a stand alone basis as well as on portfolio basis to assess its impact on the total financing portfolio.

8) Compliance with all applicable local statutory and regulatory directives guidelines should be ensured in all cases.

9) Propriety and ethical standards should be taken into account in all financing decisions.

Gross credit exposures

The Group's assets are funded by unrestricted investment accounts as well as the Group's own capital and current accounts. The percentage of funding varies for each of the Group's subsidiary based on market conditions and applicable rules and regulations. The following table summarises the amount of gross funded and unfunded credit exposure as of 31 December 2009 and average gross funded and unfunded exposures for the year ended 31 December 2009:

Funded Exposure	*Total gross credit exposure US$'000*	**Average gross credit risk exposure over the period US$'000*
Receivables	**7,027,064**	**6,595,026**
Mudaraba and Musharaka financing	**981,112**	**831,147**
Investments	**1,079,844**	**983,475**
Ijarah Muntahia Bittamleek	**335,333**	**320,824**
Other assets	**252,449**	**252,904**
Unfunded Exposure		
Commitments and contingencies	**3,825,593**	**3,146,925**
Total	**13,501,395**	**12,130,301**

*Average Balances are computed based on quarter-end balances

2 RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Geographic distribution of the gross funded exposures

The following table summarises the geographic distribution of exposure as of 31 December 2009, broken down into significant areas by major types of credit exposure:

	Receivables US$ '000	*Mudaraba and Musharaka financing US$ '000*
Middle East	2,551,030	642,567
North Africa	1,061,881	133,966
Europe	3,041,611	49,614
Others	372,542	154,965
Total	**7,027,064**	**981,112**

Exposures by counterparty type

The following table summarises the distribution of funded exposure by counterparty type, broken down by major types of credit exposures as of 31 December 2009:

	Funded Exposures		
	Receivables US$ '000	*Mudaraba and Musharaka financing US$ '000*	*Investments US$ '000*
Claims on soveriegns	70,124	-	-
Claims on multi-lateral development banks	24,320	-	-
Claims on investment firms	251,809	16,274	-
Claims on banks	504,005	-	1,000
Claims on corporates	3,894,013	16,442	2,322
Claims on retails	1,960,698	-	-
Past dues receivables	312,088	1,634	-
Equity investment	-	677,217	309,966
Sukook	-	-	586,132
Investment in Funds	-	-	79,100
Specialized Lending	-	266,189	-
Other assets	10,007	3,356	101,324
Total	**7,027,064**	**981,112**	**1,079,844**

The Group is working in a highly regulated environment which monitors high risk credit exposures on a regular basis.

Investments US$ '000	Ijarah Muntahia Bittamleek US$ '000	Other Assets US$ '000	Total US$ '000
700,470	219,369	148,100	4,261,536
8,907	63,850	57,732	1,326,336
220,580	35,689	21,648	3,369,142
149,887	16,425	24,969	718,788
1,079,844	**335,333**	**252,449**	**9,675,802**

		Unfunded Exposures	
Ijarah Muntahia Bittamleek US$ '000	Other Assets US$ '000	Commitments and contingencies US$ '000	Total US$ '000
-	-	16,867	86,991
-	-	-	24,320
20,078	-	-	288,161
1,324	-	127,051	633,380
53,347	-	3,488,698	7,454,822
254,191	-	178,966	2,393,855
1,865	-	74	315,661
-	-	-	987,183
-	-	-	586,132
-	-	-	79,100
-	-	-	266,189
4,528	252,449	13,937	385,601
335,333	**252,449**	**3,825,593**	**13,501,395**

2 RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Large Credit Exposures

The Group follows the CBB's guidelines with respect to the definition and measurement of large exposures at the consolidated level as stipulated in the CBB Rulebook for Islamic Banks.

There are no large exposures to individual counterparties where the exposure is in excess of the 15% individual obligor limit.

Non-performing Credit Facilities and provisions

The Group defines non-performing facilities as the facilities that are overdue for a period of 90 or more days. These exposures are placed on a non-accrual status with income being recognised to the extent that it is actually received. It is the Group's policy that when an exposure is overdue for a period of 90 or more days, the whole financing facility extended is considered as past due, not only overdue instalments/payments.

The following table summarises the total non performing facilities disclosed by counterparty type as of 31 December 2009:

	Past due financing contracts	*Aging of Non performing facilities*				
		Less than 90 Days	*90 days to 1 year*	*1 year to 3 years*	*Over 3 years*	*Total*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Sovereign	2,734	-	-	-	-	**-**
Bank	584	-	-	-	775	**775**
Investment Firms	-	92	26	2,616	561	**3,295**
Corporates	319,483	25,188	98,328	66,937	116,143	**306,596**
Retail	105,206	30,739	42,006	71,986	10,906	**155,637**
Total	**428,007**	**56,019**	**140,360**	**141,539**	**128,385**	**466,303**

The following table summarises the total provisions disclosed by counterparty type as of 31 December 2009:

	Specific provisions					
	Opening Balance	*Charges during the year*	*Write-Back during the year*	*Write-offs during the year*	*Foreign exchange translations/ others*	** Balance at the end of the year*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Bank	2,508	388	(254)	-	462	**3,104**
Investment Firms	-	2,836	-	-	(22)	**2,814**
Corporates	144,743	130,634	(23,321)	(25,721)	3,180	**229,515**
Retail	81,428	5,677	(13,239)	-	(510)	**73,356**
	228,679	**139,535**	**(36,814)**	**(25,721)**	**3,110**	**308,789**

* The bank also holds general provision of US $ 6,180 thousand.

2 RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

Non-performing Credit Facilities and provisions by geographic areas

The following table summarises the total non performing facilities and provisions disclosed by geographical area as of 31 December 2009:

	Past due Islamic financing contracts US$'000	*Specific provision US$'000*	**General provision US$'000*
Middle East	214,040	137,291	5,894
North Africa	76,602	42,660	267
Europe	99,684	102,208	19
Others	37,681	26,630	-
Total	**428,007**	**308,789**	**6,180**

* General provision represents collective impairment provision against exposures which, although not specifically identified, have a greater risk of default.

	US$'000
Renegotiated Islamic financing contracts	**90,680**

There is no significant impact of the renegotiated Islamic financing contracts on the provisions as well as present and future earnings. In addition, the magnitude of the restructuring activities is immaterial.

Others

The Group has no significant obligations with respect to recourse transaction.

The Group has not imposed any material penalties on customers for defaults.

The Group does not make use of eligible collaterals and guarantees in its credit risk analysis.

2 RISK MANAGEMENT (Continued)

c) Market risk

Market risk includes profit rate risk, displaced commercial risk, equity price risk and foreign exchange rate risk. 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.

Market risk capital requirements

The following table summarises the capital requirement for each category of market risk as of 31 December 2009:

	Equity position risk US$ '000	*Foreign exchange risk US$ '000*
Risk weighted exposure (RWE)	**149**	**68,859**
Capital requirements (12%)	**18**	**8,263**
Maximum value of RWE	**314**	**68,859**
Minimum value of RWE	**149**	**44,662**

Profit rate risk
Profit rate risk is the risk that the Group will incur a financial loss as a result of mismatch in the profit rate on the Group's assets and URIA. The profit distribution to URIA is based on profit sharing agreements. Therefore, the Group is not subject to any significant profit rate risk.

Displaced Commercial Risk
The Group is exposed to displaced commercial risk in the event of having unrestricted investment accounts (URIA) profit rates that are lower than market rates. The Group has mitigated this risk through the setting up of reserves that will be used in case of a drop in URIA profit rates. The policies and procedures for displaced commercial risk are formulated and implemented at the individual subsidiary level.

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 Group's investment portfolio.

The accounting policies are disclosed in the consolidated financial statements. Available for sale investments and investments in real estate are kept for capital gain purposes.

If financial instruments qualify to be included in the trading book, these must not exceed 25% of the total subsidiary's assets portfolio. For equity securities, the subsidiaries are required to observe the sectoral concentration limits outlined by the Group and/or their local requirement in this respect. Since trading securities in the trading book would be under marked-to market requirement, the Risk Manager at the subsidiary level should immediately bring to the Credit and Risk Management at the Group as well as the subsidiary's asset/liability committee any volatility of position's value that is 15% or higher than the subsidiary's eligible capital to decide upon the appropriate course of action.

2 RISK MANAGEMENT (Continued)

c) Market risk (Continued)

Equity Position Risk in Banking Book

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 31 December 2009:

	Total gross exposure US$ '000	*Average gross exposure over the period US$ '000*	*Publicly held US$ '000*	*Privately held US$ '000*	*Capital requirement US$'000*
Sukook	668,973	628,654	33,734	635,240	64,390
Equity Investment	238,166	207,835	98,282	139,884	35,308
Funds	78,645	60,205	49,266	29,379	18,928
Total	**985,784**	**896,694**	**181,282**	**804,503**	**118,626**

Equity gains or losses in Banking Book

The following table summarises the cumulative realised and unrealised gains or losses during the year ended 31 December 2009:

	US$'000
Cumulative realised gains arising from sales or liquidations in the reporting period	**1,004**
Total unrealized gains recognised in the balance sheet but not through profit or loss	**9,979**
Unrealised gross losses included in Tier One Capital	**114**
Unrealised gains included in Tier One Capital (45% only)	**4,542**

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.

d) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

2 RISK MANAGEMENT (Continued)

d) Operational Risk (Continued)

Operational risk exposure

The following table summarises the amount of exposure as of 31 December 2009 subject to basic indicator approach of operational risk and related capital requirements:

	Gross income		
	2009	*2008*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
Total Gross Income	633,513	585,871	444,454

	2009
Indicators of operational risk	*US$ '000*
Average Gross income	554,613
Multiplier	12.5
	6,932,658
Eligible Portion for the purpose of the calculation	15%
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE	1,039,899

The Group has no material legal contingencies including pending legal action.

Operational Risk Management Framework

The Group guidelines have the following sections: (1) Operational Risk Appetite, (2) Operational Risk Management – Structure and Rules (3) Risk and Control Assessment (4) Internal Audit (5) Operational Risk and Basel II (6) Operational Risk Capital Requirement.

The Group's Operational Risk Appetite is defined as the level of risk which the Group chooses to accept in its identified risk categories. Operational risk appetite is expressed in terms of both impact (direct loss) and the probability of occurrence.

The Group's policy also lays out the Operational Risk Management structure and the roles of all staff associated with operational risk. The major functional roles are defined for:

– Risk Management Committee
– Head of Credit and Risk Management
– Head of Operational, Liquidity and Market Risk
– Various departments

The Risk Control Self Assessment exercise is viewed as an important part of the Group's Operational Risk Framework. It is proposed to be conducted every year by the Risk Management Department in coordination with the Internal Audit Department. In addition, the assessment shall also be based on the severity of the residual risks identified through Internal Audit reviews.

The Key processes identified in a Risk Control Self Assessment are:

– Risk and Control Identification Process
– Measurement of Operational Risk Exposures
– Identifying Unacceptable Risk Exposures
– Risk Action Plans.

The Operational Risk framework will be subject to periodic Internal Audit.

3 CORPORATE GOVERNANCE

Remuneration

The Group incentivise its Board members, executives and senior management and its Shari'a Board members in accordance to the remuneration policies and procedures approved by the Board. This policy links the incentives to the performance appraisal. The Group's corporate governance policy details the performance appraisal for the Board members.

As of 31 December 2009 Executive management owned 50,219 shares of the Bank.

Complaints

The Group has adopted a special media approach to ensure that all the Group's stakeholders are well channelled through to the management. The contracted special media watch detect any news or complaints related to the Group and bring them to the attention of the Group's top management.

4 UNRESTRICTED INVESTMENT ACCOUNT DISCLOSURES

The Group is exposed to some of the price risk on assets funded by unrestricted investment account (URIA). The CBB requires the Group to maintain capital to cover the price risk arising from 30% of assets funded by URIA on a pro-rata basis. URIA funds are invested and managed in accordance with Shari'a requirements.

Unrestricted Investment Account

The following table summarises the breakdown of URIA as of 31 December 2009:

	US$'000
URIA - Banks	683,285
URIA - Non-banks	7,485,383
Profit equalisation reserve (PER)	2,304
Investment risk reserve (IRR)	65,226
Cumulative changes in fair value attributable to URIA	2,426
Total	**8,238,624**

The appropriation percentage of URIA into profit equalisation reserve and investment risk reserve varies between each of the Group's subsidiary based on market conditions and applicable rules and regulations.

Unrestricted Investment Account by Islamic Financing product type

The following table summarises the percentage of URIA financing for each type of Shari'a-compliant contract to total URIA financing as of 31 December 2009:

	%
Receivables	86
Mudaraba and Musharaka financing	10
Ijarah Muntahia Bittamleek	4

4 UNRESTRICTED INVESTMENT ACCOUNT DISCLOSURES (Continued)

Unrestricted Investment Account by Counterparty Type

The following table summarises the percentage of financing for each category of counterparty to total financing as of 31 December 2009:

	%
Bank	**5**
Investment Firms	**2**
Corporates	**64**
Retail	**29**

Unrestricted Investment Account Share of Profit

The Group's share of profit as a Mudarib for managing unrestricted investment accounts and the URIAs' share of income is based on the terms and conditions of the related Mudarib agreements. These Mudarib agreements are done at the individual subsidiary level. The rates and return are highly variable based on each of the subsidiaries' local environment as well as local rules and regulations. Detailed disclosures on URIA returns are analysed at the local level.

Unrestricted Investment Account by type of Assets

The following table summarises the types of assets in which the funds are invested, the actual allocation among various types of assets and the changes in the asset allocation in the last six months of the year ended 31 December 2009:

	Opening Actual Allocation US$'000	*Movement US$'000*	*Closing Actual allocation US$ '000*
Cash and balances with banks	1,488,246	352,534	1,840,780
Receivables	4,658,859	484,442	5,143,301
Mudaraba and Musharaka financing	431,447	173,112	604,559
Investments	349,975	90,219	440,194
Ijarah Muntahia Bittamleek	204,957	4,368	209,325
Other assets	229,172	(228,708)	464
Total	**7,362,656**	**875,968**	**8,238,624**

4 UNRESTRICTED INVESTMENT ACCOUNT DISCLOSURES (Continued)

The following table summarises the treatment of assets financed by URIA in the calculation of RWA for capital adequacy purposes as of 31 December 2009:

Type of Claims	RWA US$'000	RWA for Capital adequacy purposes US$'000	Capital Charges US$'000
Claims on Sovereign	108,533	32,560	3,907
Claims on MDBs	8,197	2,459	295
Claims on Banks	82,675	24,803	2,976
Claims on Corporates	3,469,680	1,040,904	124,908
Claims on Investment Firms	72,241	21,672	2,601
Regulatory Retail Portfolio	803,497	241,049	28,926
Mortgage	234,461	70,338	8,441
Past due facilities	206,677	62,003	7,440
Investment in securities	497,699	149,310	17,917
Holding of Real Estates	29,589	8,877	1,065
Other Assets	769,994	230,998	27,720
Total	**6,283,243**	**1,884,973**	**226,196**

5 RESTRICTED INVESTMENT ACCOUNT DISCLOSURES

Restricted investment account (RIA) funds are invested and managed in accordance with Shari'a requirements.

The Group as fund manager will manage and administer the investment account in a proper, diligent and efficient manner in accordance with applicable laws and local regulations.

The Group has appropriate procedures and controls in place commensurate to the size of its portfolio which includes:

(a) Organizing its internal affairs in a responsible manner, ensuring it has appropriate internal controls and risk management systems and procedures and controls designed to mitigate and manage such risks;

(b) Observing high standards of integrity and fair dealing in managing the scheme to the best interest of its investors; and

(c) Ensuring that the Group has the requisite level of knowledge and experience for the tasks that is undertaken and is competent for the work undertaken.

5 RESTRICTED INVESTMENT ACCOUNT DISCLOSURES (Continued)

Restricted Investment Account by Islamic Financing product type

The following table summarises the percentage of RIA financing for each type of Shari'a-compliant contract to total RIA financing as of 31 December 2009:

	%
Receivables	94
Mudaraba and Musharaka financing	6

Restricted Investment Account by Counterparty Type

The following table summarises the percentage of financing for each category of counterparty to total financing as of 31 December 2009:

	%
Bank	19
Corporates	29
Retail	52

Restricted Investment Account Share of Profit

The Group's share of profit as a Mudarib for managing unrestricted investment accounts and the RIAs' share of income is based on the terms and conditions of the related mudarib agreements. These mudarib agreements are done at the individual subsidiary level. The rates and return are highly variable based on each of the subsidiaries' local environment as well as local rules and regulations. Detailed disclosures on RIA returns are analysed at the local level.

السيد / اشرف الغمراوى
عضو مجلس الإدارة
و الرئيس التنفيذى

Mr. Ashraf Al Ghamrawi
Board Member
& Chief Executive Officer

بنك البركة مصر

إعتبارا من ٢٠١٠/٤/١

تأسس بنك التمويل المصرى السعودى عام ١٩٨٠ ، وتتمثل انشطة البنك الرئيسية فى تقديم كافة الاعمال المصرفية والاعمال التجارية والمالية والاستثمارية وفقاً لأحكام الشريعة الاسلامية السمحاء وذلك من خلال عدد ٢٤ فرع والمركز الرئيسى .

٦٠ شارع محي الدين أبو العز
ص.ب. ٤٥٥ الدقي،
القاهرة، مصر.
هاتف: +٢٠٢٣ ٧٤٨ ١٢٢٢
فاكس: +٢٠٢٣ ٧٦١ ١٤٣٦/٧

www.esf-bank.com

Al Baraka Bank Egypt

w.e.f. April 1, 2010

Egyptian Saudi Finance Bank was Incorporated in 1980, its main activities represented in presenting all Banking , commercial, Financial and investement servies in accordance with Islamic shari'a principles through 24 branch and the main head office .

60, Mohie Elddin Abu Elezz Street
P.O. Box 455 Dokki,
Cairo, Egypt
Tel: +2023 748 1222
Fax: +2023 761 1436/7
www.esf-bank.com

السيد / معتصم محمصاني
عضو مجلس الإدارة والمدير العام

Mr. Mutasim Mahmassani
Board Member & General Manager

بنك البركة لبنان

تأسس بنك البركة لبنان في ١٩٩٢وزاول أنشطته بموجب الترخيص المصرفي التجاري، لغاية العام ٢٠٠٤ حين صدور قانون المصارف الإسلامية وحصول البنك على ترخيص مصرف إسلامي وتتمثل أنشطة البنك الرئيسية في تقديم الخدمات المصرفية للأفراد والخدمات المصرفية التجارية طبقاً لأصول الشريعة الإسلامية.
يقوم البنك بتشغيل ٧ فروع.

شارع رشيد كرامي،
سنتر فردان ٢٠٠٠،
بيروت – لبنان.
هاتف: + ٩٦١١ ٨٠٨٠٠٨
فاكس: + ٩٦١١ ٨٠٦٤٩٩

www.al-baraka.com

Al Baraka Bank Lebanon

Al Baraka Bank Lebanon was established in 1992 and operated under a commercial banking license until 2004 when an Islamic Banking Law was instituted and the Bank obtained an Islamic Bank license. Its activities comprise retail and commercial banking in accordance with Islamic Shari'a Principles. The Bank operates 7 branches.

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

السيد / مأمون دركزللي
المدير العام

Mr. Mamoun Darkazally
General Manager

بنك البركة سورية

تم تأسيس بنك البركة سوريا في شهر ديسمبر ٢٠٠٩

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

www.albarakasyria.com

Al Baraka Bank Syria

Al Baraka Bank Syria was formally incorporated in December 2009.

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
www.albarakasyria.com

السيد / عبدالله خيري حامد
المدير العام

Mr. Abdullah Khairy Hamid
General Manager

بنك البركة السوداني

تأسس بنك البركة السوداني عام ١٩٨٤ وتتمثل انشطة البنك الرئيسية في تقديم الخدمات المصرفية للأفراد والشركات والخدمات المصرفية التجاريةً والاستثمارية. يقوم البنك بتشغيل٢٥ فرعاً.

برج البركة ص.ب. ٣٥٨٣
الخرطوم، السودان
هاتف: +٢٤٩١٨٣ ٧٨٠ ٦٨٨
فاكس: +٢٤٩١٨٣ ٧٨٨ ٥٨٥

www.albaraka.com.sd

Al Baraka Bank Sudan

Al Baraka Bank Sudan was established in 1984 and its activities comprise retail, corporate, commercial and investment banking. The bank operates 25 branches.

Al Baraka Tower, P.O. Box 3583
Khartoum, Sudan
Tel: +249183 780 688
Fax: +249183 788 585

www.albaraka.com.sd

السيد / شبير شوهان
عضو مجلس الإدارة والرئيس التنفيذي

Mr. Shabir Chochan
Board Member
& Chief Executive Officer

بنك البركة

تأسس بنك البركة المحدود في يونيو عام ١٩٨٩ ويزاول أنشطة تقديم الخدمات المصرفية التجارية الإسلامية. يقوم البنك بتشغيل ٤ مكاتب إدارية و ٨ فروع للتجزئة.

مكتب كينغزميد،
شارع ستولوارت سايملن (ستانجر)
ديربان ٤٠٠١، جنوب أفريقيا
هاتف: +٢٧٣١ ٣٦٤ ٩٠٠٠
فاكس: +٢٧٣١ ٣٦٤ ٩٠٠١

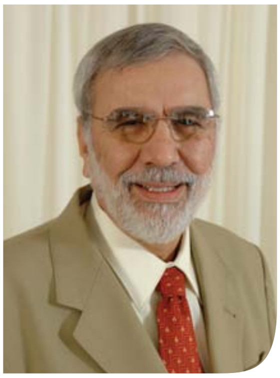
www.albaraka.co.za

Al Baraka Bank Ltd

Al Baraka Bank was established in 1989 and operates as a commercial Islamic bank. The bank has 4 corporate offices and 6 retail branches.

Kingsmead Office Park,
Stalwart Simelane (Stanger) Street
Durban 4001, South Africa
Tel: +2731 364 9000
Fax: +2731 364 9001

www.albaraka.co.za



السيد / محمد الصديق حفيظ
عضو مجلس الإدارة والمدير العام

Mr. Mohammed Seddik Hafid
Board Member & 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 ٢٠ فرعاً.

حي بوتلجة هويدف، طريق الجنوب
بن عكنون،الجزائر العاصمة،
الجزائر
هاتف: +٢١٣٢١٩١٦ ٤٥٠ الى ٥٦
فاكس: +٢١٣٢١ ٩١٢ ٧٦٣
+٢١٣٢١ ٩١٦ ٤٥٨/٥٧

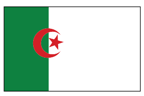
www.albaraka-bank.com

Banque Al Baraka D'Algerie

Banque Al Baraka D'Algerie was incorporated in May 1991 as an Islamic Bank and operates under a commercial banking license issued by the Bank of Algeria. The main activities of the bank are retail and commercial banking. The Bank operates 20 branches.

Hai Bouteldja Houidef, Villa No.1
Rocade Sud, Ben Aknoun, Algiers,
Algeria
Tel: +21321916 450 to 56
Fax: +21321 916 458/57 / +21321 91 27 63

www.albaraka-bank.com



Al Baraka Global Network

شبكة البركة العالمية

السيد العروسي بيوض
نائب الرئيس و المدير العام

Mr. Laroussi Bayoudh
Vice Chairman & General Manager

بنك البركة لتونس

تأسس بنك التمويل التونسي السعودي في عام ١٩٨٣ ويزاول البنك كل من أنشطة الأوفشور وأنشطة الخدمات المصرفية للأفراد. يقوم البنك بتشغيل ٨ فروع.

٨٨ شارع هادي شاكر ١٠٠٢
تونس.
هاتف: ٧٩٠٠٠٠ ٢١٦٧١ +
فاكس: ٧٨٠٢٣٥ ٢١٦٧١ +

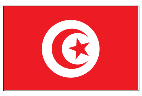
www.albarakabank.com.tn

Al Baraka Bank Tunisia

Al Baraka Bank Tunisia was established in 1983. The bank has both offshore and local retail activities. The bank operates 8 branches.

88, Avenue Hedi Chaker 1002
Tunis, Tunisia
Tel: +21671 790000
Fax: +21671 780235

www.albarakabank.com.tn



السيد / فخرالدين ياسين
عضو مجلس الادارة والمدير العام

Mr. Fahreddin Yahsi
Board Member & General Manager

بنك البركة التركي للمشاركات

أنهى بيت البركة التركي للمشاركات تأسيسه عام ١٩٨٤، وبدأ العمل عام ١٩٨٥. ويمتلك البنك شبكة مكونة من ١٠١ فرعاً في كل أنحاء تركيا ، حيث يتواجد ٤١ فرعاً في اسطنبول و ٥٩ فرعاً في المناطق الصناعية والتجارية الرئيسية حتى نهاية ٢٠٠٩.

بويوكدرو كود ٧٨
ميسيديكوي ٣٤٣٩٤
أسطنبول - تركيا
هاتف: ٠٠ ٩٩ ٢٧٤ ٢١٢ ٩٠+
فاكس: ٧٠ ٤٤ ٢٧٢ ٢١٢ ٩٠+

www.albarakaturk.com.tr

Al Baraka Turk Participation Bank

Al Baraka Türk Participation Bank completed its establishment in 1984 and started operations in early 1985. Al Baraka Türk currently renders its services through its 101 branches throughout Turkey, 41 of which are in Istanbul and 59 in the leading industrial and commercial cities as the end of 2009.

Buyukdere Cad No.78
34394 Mecidiyekoy, Istanbul, Turkey
Tel: +90 212 274 99 00
Fax: +90 212 272 44 70

www.albarakaturk.com.tr

السيد / محمد عيسى المطاوعة
الرئيس التنفيذي وعضو مجلس الإدارة

Mr. Mohammed Al Mutaweh
Chief executive Officer &
Board Member

بنك البركة الإسلامي

تأسس بنك البركة الإسلامي في البحرين في فبراير ١٩٨٤ ، ويزاول أنشطته كمصرف إسلامي للتجزئة ولديه ايضا ترخيص للعمل المصرفي الاسلامي الاستثماري . وقد حصل البنك على الترخيص المصرفي التجاري في باكستان في عام ١٩٩١ ويقوم البنك بإدارة ٣٤ فرعاً في البحرين وباكستان.

برج البركة، ص.ب. ١٨٨٢،
المنامة،
مملكة البحرين
هاتف: ٥٣٥٣٠٠ ١٧ ٩٧٣+
فاكس: ٥٣٣٩٩٣ ١٧ ٩٧٣+

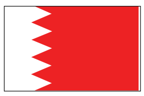
www.barakaonline.com

Al Baraka Islamic Bank

Al Baraka Islamic Bank was incorporated in Bahrain in February 1984 and operates as a Retail and Investment Islamic bank. It obtained a commercial banking license in Pakistan in 1991.The bank operates 34 branches in Bahrain and Pakistan.

Al Baraka Tower, P.O. Box 1882
Manama,
Kingdom of Bahrain
Tel: +97317 535 300
Fax: +97317 533 993

www.barakaonline.com



السيد/ شفقات أحمد
المدير العام الإقليمي

Mr. Shafqaat Ahmed
Country Head

بنك البركة الاسلامي - باكستان

بنك البركة الإسلامي - باكستان هو البنك الرائد في الخدمات المصرفية الإسلامية في باكستان ويعمل فيها كفرع لبنك البركة الإسلامي البحرين منذ عام ١٩٩١، وينتشر بنك البركة الإسلامي – باكستان في ١٦ مدينة رئيسية متمثلا في ٢٩ فرعا.

٩٥- ب، هالي رود، جالبرغ II
ص.ب. ١٦٨٦
لاهور- باكستان
هاتف: ٧٤٢ ٧٤٢ ١١١ ٤٢ ٩٢+
فاكس: ٣٥٧٥٦٨٧٦ ٤٢ ٩٢+

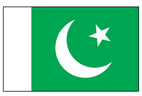
www.albaraka.com.pk

Al Baraka Islamic Bank, Pakistan

Al Baraka Islamic Bank, Pakistan is the pioneer of Islamic banking in the country and has been operating as branches of AIB-Bahrain since 1991. Al Baraka Islamic Bank has presence in 16 main cities with 29 branches all over the country.

95-B, Hali Road, Gulberg-II,
P.O. Box 1686,
Lahore 54000, Pakistan
Tel: +92 42 111 742 742
Fax: +92 42 35756876

www.albaraka.com.pk



السيد / موسى مختار
رئيس المكتب التمثيلي

Mr. Moes Mokhtar
Chief Representative

مكتب تمثيلي للمجموعة

مبنى رافيندو ، الطابق العاشر
شارع كيبون سيري ، رقم ٧٥ ،
جاكرتا، بوسات . ١٠٣٤٠
أندونيسيا
هاتف: ١٣٤٥ ٣١٦ ٢١ ٦٢+
فاكس: ١٠٧٤ ٣١٦ ٢١ ٦٢+

www.albaraka.com

ABG Representative Office

Ravindo Building, 10th Floor,
Jalan Kebon Sirih No. 75,
Jakarta, Pusat 10340,
Indonesia
Tel: +62 21 316 1345
Fax: +62 21 316 1074

www.albaraka.com

السيد / موسى شحادة
نائب رئيس مجلس الإدارة
والرئيس التنفيذي

Mr. Musa Shihadeh
Vice Chairman & Chief Executive Officer

البنك الإسلامي الأردني

البنك الاسلامي الأردني أول بنك اسلامي في الأردن تأسس عام ١٩٧٨م لممارسة الأعمال التمويلية والمصرفية والاستثمارية وفقاً لأحكام الشريعة الإسلامية الغراء، ويقدم البنك خدماته المصرفية والاستثمارية والتمويلية من خلال فروعة البالغة (٥٨ فرعاً و ١٣ مكتب) والمنتشرة في جميع أنحاء المملكة, إضافة إلى مكتب البوندد .

ص.ب. ٩٢٦٢٢٥،
عمان، الأردن
هاتف : ٣٧٧ ٥٦٧٧ ٩٦٢٦+
فاكس: ٦٣٢٦ ٥٦٦ ٩٦٢٦+

www.jordanislamicbank.com

Jordan Islamic Bank

Jordan Islamic bank was the first Islamic bank in Jordan that was established in 1978 to carry out all kinds of financing, banking and investment activities in compliance with the provisions of the glorious Islamic Shari'a. The bank offers its banking, investment and financing services through its branches that are distributed in the kingdom and whose numbers reach (58 branches and 13 cash offices) in addition to a bonded office.

P.O Box 926225,
Amman, Jordan
Tele: + 9626 567 7377
Fax: + 9626 566 6326

www.jordanislamicbank.com