

Albaraka Banking Group B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2008 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Albaraka Banking Group B.S.C. ('the Bank') and its subsidiaries ('the Group') as at 31 March 2008, comprising of the interim consolidated balance sheet as at 31 March 2008 and the related interim consolidated statements of income, cash flows, changes in equity, changes in restricted investment accounts, sources and uses of charity fund, and sources and uses of good faith qard fund for the three month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the accounting policies in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion


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

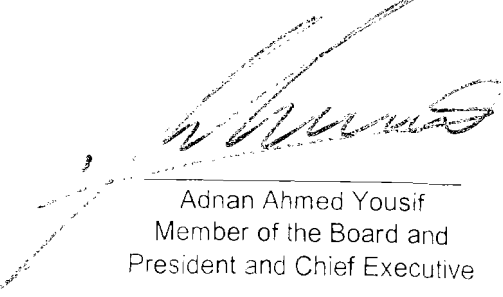


12 May 2008
Manama, Kingdom of Bahrain

Albaraka Banking Group B.S.C.
INTERIM CONSOLIDATED BALANCE SHEET
 At 31 March 2008 (Unaudited)

		<i>Audited</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2008</i>	<i>2007</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS		
Cash and balances with banks	2,205,593	2,281,127
Receivables	3 6,027,509	5,621,480
Mudaraba and Musharaka financing	4 840,955	707,458
Investments	5 805,766	711,049
Ijarah Muntahia Bittamleek	307,192	348,637
Property and equipment	164,980	163,825
Other assets	260,605	270,403
TOTAL ASSETS	10,612,600	10,103,979
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		
LIABILITIES		
Customer current and other accounts	1,903,400	1,792,590
Due to banks	214,120	69,027
Other liabilities	500,989	449,883
Total liabilities	2,618,509	2,311,500
UNRESTRICTED INVESTMENT ACCOUNTS	6,464,512	6,222,821
EQUITY		
Share capital	697,500	651,000
Share premium	192,390	192,390
Reserves	86,973	85,630
Retained earnings	137,395	109,153
Proposed appropriations	-	105,590
Equity attributable to the shareholders of the parent	1,114,258	1,143,763
Minority interest	415,321	425,895
Total equity	1,529,579	1,569,658
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	10,612,600	10,103,979


 Saleh Abdullah Kamel
 Chairman


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

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months ended 31 March 2008 (Unaudited)

	31 March 2008 US\$ '000	31 March 2007 US\$ '000
Income		
Net income from jointly financed contracts and investments	177,430	123,655
Gross return on unrestricted investment accounts	(151,919)	(106,122)
Group's share as a Mudarib	42,035	29,030
Return on unrestricted investment accounts	(109,884)	(77,092)
Group's share of income from joint financing and investment accounts	67,546	46,563
Mudarib share for managing restricted investment accounts	463	420
Net income from self financed contracts and investments	24,907	15,966
Other fees and commission income	36,507	23,470
Other operating income	11,185	6,594
TOTAL OPERATING INCOME	140,608	93,013
Staff expenses	38,809	26,933
Depreciation and amortisation	4,377	4,109
Other operating expenses	20,877	16,396
TOTAL OPERATING EXPENSES	64,063	47,438
NET INCOME FOR THE PERIOD BEFORE PROVISIONS AND TAXATION	76,545	45,575
Provisions	(14,362)	(5,084)
NET INCOME FOR THE PERIOD BEFORE TAXATION	62,183	40,491
Taxation	(12,978)	(9,484)
NET INCOME FOR THE PERIOD	49,205	31,007
Attributable to:		
Equity shareholders of the parent	28,242	20,230
Minority interest	20,963	10,777
	49,205	31,007
Basic and diluted earnings per share - US cents (note 8)	4	3

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2008 (Unaudited)

	31 March 2008 US\$ '000	31 March 2007 US\$ '000
OPERATING ACTIVITIES		
Net income for the period before taxation	62,183	40,491
Adjustments for non-cash items:		
Depreciation and amortisation	4,377	4,109
Depreciation on Ijarah Muntahia Bittamleek	20,853	26,505
Loss on sale of property and equipment	29	-
Provisions	14,362	5,084
Operating profit before changes in operating assets and liabilities	101,804	76,189
Net changes in operating assets and liabilities		
Reserves with central banks	(64,291)	(239,621)
Receivables	(411,992)	(284,593)
Mudaraba and Musharaka financing	(133,442)	(30,996)
Investment properties	(1,553)	905
Ijarah Muntahia Bitamleek	20,592	(22,910)
Other assets	12,464	(40,490)
Customer current and other accounts	110,810	109,706
Due to banks	145,093	163,671
Other liabilities	20,989	43,535
Taxation paid	(34,442)	(8,380)
Net cash used in operating activities	(233,968)	(232,984)
INVESTING ACTIVITIES		
Net (purchase) disposal of investments	(85,971)	167,233
Net purchase of property and equipment	(5,285)	(7,260)
Dividend received from associates	467	-
Purchase of investment in associates	(4,307)	-
Net cash (used in) from investing activities	(95,096)	159,973
FINANCING ACTIVITIES		
Increase in unrestricted investment accounts	258,928	135,905
Net changes in minority interest	(18,744)	(781)
Net cash from financing activities	240,184	135,124
Foreign currency translation adjustments	(50,945)	5,487
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(139,825)	67,600
Cash and cash equivalents at beginning of the period	1,737,048	1,389,144
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,597,223	1,456,744
For the purpose of the interim consolidated cash flow statement, cash and cash equivalents are comprised of the following:		
Balances with central banks	637,560	529,174
Balances with other banks	795,381	768,754
Cash and cash in transit	164,282	158,816
	1,597,223	1,456,744

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2008 (Unaudited)

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

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2008 (Unaudited)

	<i>Attributable to equity shareholders of the parent</i>										
	<i>Reserves</i>										<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Cumulative changes in fair values reserve</i>	<i>Foreign currency reserve</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Proposed appropriations</i>	<i>Total</i>	<i>Minority interest</i>	
<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
At 1 January 2007	630,000	238,890	8,025	5,851	18,943	786	42,672	33,430	978,597	232,527	1,211,124
Dividends declared	-	-	-	-	-	-	-	(12,000)	(12,000)	-	(12,000)
Bonus shares issued	21,000	-	-	-	-	-	-	(21,000)	-	-	-
Directors' remuneration paid	-	-	-	-	-	-	-	(430)	(430)	-	(430)
Net movement in cumulative change in fair value	-	-	-	(398)	-	-	-	-	(398)	(365)	(763)
Net movement in other reserves	-	-	-	-	-	365	-	-	365	295	660
Foreign currency translation	-	-	-	-	4,016	-	-	-	4,016	1,471	5,487
Total income and expense for the period recognised directly in equity	-	-	-	(398)	4,016	365	-	-	3,983	1,401	5,384
Net income for the period	-	-	-	-	-	-	20,230	-	20,230	10,777	31,007
Total income and expense for the period	-	-	-	(398)	4,016	365	20,230	-	24,213	12,178	36,391
Net movement in minority interest	-	-	-	-	-	-	-	-	-	(781)	(781)
At 31 March 2007	651,000	238,890	8,025	5,453	22,959	1,151	62,902	-	990,380	243,924	1,234,304

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the three months ended 31 March 2008 (Unaudited)

	<i>Cash</i> <i>US\$ '000</i>	<i>Sales</i> <i>receivables</i> <i>US\$ '000</i>	<i>Mudaraba</i> <i>financing</i> <i>US\$ '000</i>	<i>Musharaka</i> <i>financing</i> <i>US\$ '000</i>	<i>Investment</i> <i>properties</i> <i>US\$ '000</i>	<i>Investments</i> <i>US\$ '000</i>	<i>Others</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
At 1 January 2008	65,217	373,273	71,892	-	15,186	77,953	25,642	629,163
Deposits	36,929	57,213	-	-	76	50,697	5,374	150,289
Withdrawals	(41,385)	(44,297)	(52,853)	-	(52)	(28,818)	(3,668)	(171,073)
Income, net of expenses	-	2,563	-	-	-	225	20	2,808
Mudarib's share	-	(411)	-	-	-	(37)	(15)	(463)
Foreign exchange translation	-	-	-	-	-	67	-	67
At 31 March 2008	60,761	388,341	19,039	-	15,210	100,087	27,353	610,791
	<i>Cash</i> <i>US\$ '000</i>	<i>Sales</i> <i>receivables</i> <i>US\$ '000</i>	<i>Mudaraba</i> <i>financing</i> <i>US\$ '000</i>	<i>Musharaka</i> <i>financing</i> <i>US\$ '000</i>	<i>Investment</i> <i>properties</i> <i>US\$ '000</i>	<i>Investments</i> <i>US\$ '000</i>	<i>Others</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
At 1 January 2007	26,386	337,251	83,637	1,140	14,378	48,066	26,876	537,734
Deposits	63,765	92,269	-	-	-	13,926	4,278	174,238
Withdrawals	(11,948)	(41,757)	(37,802)	(401)	-	(14,287)	(4,524)	(110,719)
Income, net of expenses	-	3,200	29	4	-	222	43	3,498
Mudarib's share	-	(363)	(14)	(4)	-	(21)	(18)	(420)
Foreign exchange translation	-	-	-	-	-	120	-	120
At 31 March 2007	78,203	390,600	45,850	739	14,378	48,026	26,655	604,451

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES OF
CHARITY FUND

For the three months ended 31 March 2008 (Unaudited)

	31 March 2008 US\$ '000	31 March 2007 US\$ '000
Sources of charity fund:		
Contribution by the Group	60	-
Interest income on mandatory reserve	3,305	2,656
Other non-Islamic income	195	9
Total sources	3,560	2,665
Uses of charity fund		
Charitable contributions	1,937	1,616
Others	-	9
Total uses	1,937	1,625
Net increase of sources over uses	1,623	1,040
Foreign currency translations	(1,064)	(7)
Balance of charity fund at beginning of the period	10,026	4,969
Balance of charity fund at end of the period	10,585	6,002

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Albaraka Banking Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES
OF GOOD FAITH QARD FUND

For the three months ended 31 March 2008 (Unaudited)

	31 March 2008 US\$ '000	31 March 2007 US\$ '000
Sources of Good Faith Qard fund		
Contribution by the Group	11,703	4,373
Others	77	830
Total Sources	11,780	5,203
Uses of Good Faith Qard fund		
Marriage	668	395
Medical treatment	553	284
Education	1,057	421
Settlement of current accounts	7,100	2,234
Others	2,402	1,869
Total uses	11,780	5,203
Balance of Good Faith Qard fund at beginning of the period	13,605	9,638
Advances granted during the period	11,780	5,203
Advances settled during the period	(13,609)	(3,923)
Foreign currency translations	26	36
Balance of Good Faith Qard fund at end of the period	11,802	10,954

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2008

1 INCORPORATION AND PRINCIPAL ACTIVITY

Albaraka Banking Group B.S.C. ('the Bank') is a joint stock company incorporated in the Kingdom of Bahrain on 27 June 2002, under Commercial Registration (CR) number 48915. The Bank is engaged in banking activities in the Middle East, Europe, North African and South African region. The address of the Bank's registered office is P.O. Box 1882, Diplomatic Area, Manama, Kingdom of Bahrain. The Bank is listed on Bahrain Stock Exchange and Dubai International Financial Exchange.

The Bank operates under a wholesale banking license issued by the Central Bank of Bahrain ('the CBB').

The principal activities of the Bank and its subsidiaries ('the Group') comprise of international and commercial banking, financing, treasury and investment activities. The Bank is supervised and regulated by the CBB.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2008 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2007. In addition, results for the three months ended 31 March 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2007, which were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('the AAOIFI'), the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by the AAOIFI standards including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at and for the period ended 31 March 2008. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

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

3 RECEIVABLES

	31 March 2008 US\$ '000	<i>Audited</i> 31 December 2007 US\$ '000
Sales receivables	5,876,835	5,482,299
Ijarah receivables	26,891	22,484
Salam receivables	106,447	101,043
Istisna'a receivables	17,336	15,654
	<u>6,027,509</u>	<u>5,621,480</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2008

4 MUDARABA AND MUSHARAKA FINANCING

	31 March 2008 US\$ '000	<i>Audited</i> 31 December 2007 US\$ '000
Mudaraba financing	677,804	527,880
Musharaka financing	163,151	179,578
	<u>840,955</u>	<u>707,458</u>

5 INVESTMENTS

	31 March 2008 US\$ '000	<i>Audited</i> 31 December 2007 US\$ '000
Investment properties	70,838	71,720
Investment in associates	21,482	17,642
Trading securities	50,417	27,251
Available for sale investments	253,410	296,028
Held to maturity investments	409,619	298,408
	<u>805,766</u>	<u>711,049</u>

6 CREDIT RELATED COMMITMENTS

	31 March 2008 US\$ '000	<i>Audited</i> 31 December 2007 US\$ '000
Letters of credit	595,168	435,121
Guarantees	1,172,980	995,531
Acceptances	47,115	122,931
Others	25,075	75,089
	<u>1,840,338</u>	<u>1,628,672</u>

7 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, close members of their families, entities owned or controlled 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:

	31 March 2008 US\$ '000	<i>31 March 2007 US\$ '000</i>
Net income from jointly finance contracts and investments	270	1,242
Return on unrestricted investment accounts	19	31
	<u>289</u>	<u>1,273</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (Unaudited)

At 31 March 2008

7 RELATED PARTY TRANSACTIONS (continued)

The significant balances with related parties were as follows:

	31 March 2008 US\$ '000	<i>Audited</i> 31 December 2007 US\$ '000
Assets:		
Receivables	18	1,856
Mudaraba and Musharaka financing	12,239	27,708
Investments	84,965	84,508
Other assets	8,501	9,828
	<u> </u>	<u> </u>
Liabilities:		
Customer current and other accounts	4,300	3,205
	<u> </u>	<u> </u>
Unrestricted investment accounts	3,695	10,956
	<u> </u>	<u> </u>
Restricted investment accounts	8,164	11,081
	<u> </u>	<u> </u>

8 EARNINGS PER SHARE

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

	<i>3 months ended</i>	
	31 March 2008 US\$ '000	31 March 2007 US\$ '000
Net income attributable to the equity shareholders of the parent for the period	28,242	20,230
	<u> </u>	<u> </u>
Weighted average number of shares outstanding during the period - in thousands	697,500	697,500
	<u> </u>	<u> </u>
Basic and diluted earnings per share - US cents	4	3
	<u> </u>	<u> </u>

The basic earnings per share of the previous period has been adjusted for bonus shares issued in 2008.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

At 31 March 2008

9 SEGMENTAL INFORMATION

For management purposes the Bank is organised into six major geographical segments:

Domestic (Bahrain)
Other Middle East
Europe
Asia
Africa
Others

These segments are the basis on which the Bank reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segmental information for the period was as follows:

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

	March 2008			Audited December 2007		
	Assets US\$ '000	Liabilities US\$ '000	Unrestricted investment accounts US\$ '000	Assets US\$ '000	Liabilities US\$ '000	Unrestricted investment accounts US\$ '000
Geographic region:						
Domestic (Bahrain)	690,388	115,744	252,733	625,773	55,118	236,311
Other Middle East	4,479,783	1,268,796	3,105,840	4,085,369	1,078,770	2,935,426
Europe	3,542,397	486,661	2,268,414	3,496,986	500,791	2,181,984
Asia	300,363	39,234	247,140	409,649	41,114	274,321
Africa	1,494,466	697,269	579,469	1,372,846	629,407	584,938
Others	105,203	10,805	10,916	113,356	6,300	9,841
	10,612,600	2,618,509	6,464,512	10,103,979	2,311,500	6,222,821

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

	March 2008			March 2007		
	Total operating income US\$ '000	Net operating income US\$ '000	Net income US\$ '000	Total operating income US\$ '000	Net operating income US\$ '000	Net income US\$ '000
Geographic region:						
Domestic (Bahrain)	11,888	5,155	4,328	5,088	299	175
Middle East	33,464	16,942	8,702	34,091	21,250	13,533
Europe	64,675	38,051	25,197	32,338	16,373	12,714
Asia	5,798	1,009	883	306	306	306
Africa	24,716	15,321	10,028	20,783	6,940	3,872
Others	67	67	67	407	407	407
	140,608	76,545	49,205	93,013	45,575	31,007