

# Invitation to the Annual Ordinary General Meeting

The Chairman of the Board of Directors of Al Salam Bank-Bahrain (BSC) cordially invites the shareholders to attend the Annual Ordinary General Meeting to be held on Wednesday 20 February 2008, at 12:30 PM at the VIP Suite in the Diplomat Radisson SAS Hotel, Kingdom of Bahrain, to discuss the agenda below. If the required quorum is not available, a second meeting will be announced at a later date.

## Agenda of the Annual Ordinary General Meeting:

1. To approve the minutes of the previous AGM meeting held on 18 February 2007.
2. To discuss and approve the board's report on the bank's activities for the year ended 31 December 2007.
3. To receive the Shari'a Supervisory Board report for the year ended 31 December 2007.
4. To receive the auditor's report for the year ended 31 December 2007.
5. To review and approve the Financial Statements for the year ended 31 Dec 2007.
6. To appropriate the net profit for the year upon the recommendations of the Board of Directors as follows:
  - a. Transfer of BD 2,314,899 to the Statutory Reserve.
  - b. Transfer of BD 11,079,352 to the Investment Reserve.
  - c. Allocation of BD 100,000 for Charities and Donations.
  - d. Allocation of BD 300,000 for the Board of Directors remuneration for the year 2007.
  - e. Allocation of BD 529,087 for Zakah.
  - f. The distribution of 10% cash dividend of paid-up capital.
7. To absolve the members of the Board from liability for their actions during the year ended 31 December 2007.
8. To select or re-appoint external auditors for the year 2008 and authorize the Board of Directors to determine their remuneration.

**Mohammed Ali Rashid Alabbar**  
Chairman



AL SALAM BANK

Bahrain البحرين

BALANCE SHEET	31 December 2007	31 December 2006	STATEMENT OF INCOME	Year ended 31 December 2007	Period from 19 January to 31 December 2006
	BD	BD		BD	BD
<b>ASSETS</b>			<b>OPERATING INCOME</b>		
Cash and balances with Central Bank of Bahrain	15,173,663	2,942,042	Income from Murabaha and Mudaraba	8,239,228	8,501,816
Central Bank of Bahrain Sukuk	20,380,000	-	Income from other Islamic financing contracts	4,330,891	643,221
Murabaha and Mudaraba with banks	224,450,893	105,089,786		12,570,119	9,145,037
Murabaha financing	32,641,599	22,963,267	Profit paid on Murabaha from banks	(2,815,106)	(42,368)
Ijarah Muntahia Bittamleek	10,435,863	10,382,429	Profit paid on Murabaha from non-banks	(2,704,532)	(387,697)
Non-trading investments	62,735,696	32,618,646	Share of profit to unrestricted investment account holders	(245,414)	-
Investment in an associate	8,272,000	2,073,500		6,805,067	8,714,972
Investment properties	1,177,528	1,177,528	Fees and commission income	4,480,641	254,381
Receivables and prepayments	10,505,046	8,784,454	Gain on sale of investments designated as held-for-sale	11,017,492	-
Premises and equipment	2,979,252	2,026,884	Unrealised gains on investments designated as fair value through profit or loss	11,079,352	11,443,688
Investments held-for-sale	9,024,000	-	Foreign exchange gains	254,264	15,792
<b>TOTAL ASSETS</b>	<b>397,775,540</b>	<b>188,058,536</b>	Other operating income	215,703	-
			<b>TOTAL OPERATING INCOME</b>	<b>33,852,519</b>	<b>20,428,833</b>
<b>LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>			<b>OPERATING EXPENSES</b>		
<b>LIABILITIES</b>			Staff costs	5,312,083	2,393,760
Murabaha from banks	96,983,041	23,647,305	Premises and equipment cost	423,905	219,525
Murabaha from non-banks	106,908,709	20,111,967	Depreciation	745,138	54,633
Customers' current accounts	5,688,686	5,673,812	Depreciation on Ijarah Muntahia Bittamleek	1,140,346	-
Other liabilities	8,954,642	2,223,863	Other operating expenses	2,981,195	1,342,123
	218,535,078	51,656,947	<b>TOTAL OPERATING EXPENSES</b>	<b>10,602,667</b>	<b>4,010,041</b>
<b>UNRESTRICTED INVESTMENT ACCOUNTS</b>	<b>19,769,585</b>	<b>-</b>	<b>OPERATING PROFIT</b>	<b>23,249,852</b>	<b>16,418,792</b>
<b>EQUITY</b>			Share of loss of associate	100,858	-
Share capital	120,000,000	120,000,000	<b>PROFIT FOR THE YEAR</b>	<b>23,148,994</b>	<b>16,418,792</b>
Treasury stock	-	(17,203)	<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>1,199,935,900</b>	<b>1,089,777,780</b>
Reserves and retained earnings	38,941,790	16,418,792	<b>BASIC EARNINGS PER SHARE (FILS)</b>	<b>19.3</b>	<b>15.1</b>
Proposed appropriations	529,087	-			
	159,470,877	136,401,589			
<b>TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>	<b>397,775,540</b>	<b>188,058,536</b>			

STATEMENT OF CHANGES IN EQUITY	Year ended 31 December 2007	Period from 19 January to 31 December 2006	STATEMENT OF CASH FLOWS	Year ended 31 December 2007	Period from 19 January to 31 December 2006
	BD	BD		BD	BD
Balance as of 1 January	136,401,589	-	Net cash from (used in) operating activities	157,490,287	(1,477,753)
Charitable donations	(100,000)	-	Net cash used in investing activities	(35,957,704)	(26,219,316)
Net profit for the year	23,148,994	16,418,792	Net cash from financing activities	19,789,879	119,982,797
Proceeds from issue of share capital	-	119,982,797	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>141,322,462</b>	<b>92,285,728</b>
Sale of treasury stock	20,294	-	Cash and cash equivalents at 1 January	92,285,728	-
Balance at 31 December	159,470,877	136,401,589	<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>233,608,190</b>	<b>92,285,728</b>

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 4<sup>th</sup> February, 2008.

Mohamed Ali Rashid Alabbar  
Chairman

Hussein Mohammed Al Meeza  
Vice Chairman

Yousif Abdulla Taqi  
Chief Executive Officer

These financial statements were extracted from the audited financial statements on which Ernst & Young issued an unqualified opinion dated 4<sup>th</sup> February 2008.