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 Sunday 22 February 2009, at 01:30 PM at the Dana Hall in the Gulf Convention Center at the Gulf 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 22 February 2008.
2. To discuss and approve the Baord of Director's report on the bank's activities for the year ended 31 December 2008.
3. To receive the Shari'a Supervisory Board report for the year ended 31 December 2008.
4. To receive the auditor's report for the year ended 31 December 2008.
5. To review and approve the Financial Statements for the year ended 31 December 2008.
6. To appropriate the net profit for the year upon the recommendations of the Board of Directors as follows:
   a. Transfer of BD 2,554,268 to the Statutory Reserve.
   b. Transfer of BD 2,050,309 from the Investment Reserve.
   c. Allocation of BD 100,000 for Charities and Donations.
   d. Allocation of BD 320,000 for the Board of Directors remuneration for the year 2008.
   e. Allocation of BD 822,525 for Zakah.
   f. The distribution of cash dividend of 10% of paid-up capital.
7. To absolve the members of the Board from liability for their actions during the year ended 31 December 2008.
8. To select or re-appoint external auditors for the year 2009 and authorize the Board of Directors to determine their remuneration.

Mohamed Ali Rashid Alabbar
Chairman

مصرف السلام
AL SALAM BANK
Bahrain البحرين

STATEMENT OF INCOME	Year ended 31 December 2008	Year ended 31 December 2007
	BD	BD
Income from financing contracts	**11,763,159**	11,429,773
Gains on disposal of assets held-for-sale	**30,266,556**	11,017,492
Gains on investments designated as fair value through profit or loss	**5,259,691**	11,079,352
Other operating income	**2,300,596**	4,950,608
Total operating income	**49,590,002**	38,477,225
Less: Profit on unrestricted investment accounts	**(219,939)**	(245,414)
Less: Profit on Murabaha contracts	**(11,768,805)**	(5,519,638)
Net operating income	**37,601,258**	32,712,173
Staff costs	**6,854,616**	5,312,083
Premises and equipment cost	**582,745**	423,905
Depreciation	**902,526**	745,138
Other operating expenses	**3,438,451**	2,981,195
	11,778,338	9,462,321
OPERATING PROFIT	**25,822,920**	23,249,851
Share of loss from an associate	**(280,239)**	(100,858)
NET PROFIT FOR THE YEAR	**25,542,681**	23,148,993
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**1,200,000,000**	1,199,935,900
BASIC EARNINGS PER SHARE (FILS)	**21.3**	19.3

BALANCE SHEET	31 December 2008	31 December 2007
	BD	BD
ASSETS		
Cash and balances with Central Bank of Bahrain	**83,533,981**	15,173,663
Central Bank of Bahrain Sukuk	**31,095,000**	20,380,000
Murabaha with banks	**87,167,449**	224,450,893
Murabaha financing	**72,483,745**	32,641,599
Ijarah Muntahia Bittamleek	**41,530,784**	10,435,863
Non-trading investments	**116,929,500**	62,735,696
Investment in an associate	**8,011,913**	8,193,142
Investment properties	**1,177,528**	1,177,528
Receivables and prepayments	**21,032,829**	10,505,046
Premises and equipment	**2,583,796**	2,979,252
Assets held-for-sale	**88,934,033**	9,024,000
TOTAL ASSETS	**554,480,558**	397,696,682
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		
LIABILITIES		
Murabaha from banks	**32,880,685**	96,983,041
Murabaha from non-banks	**289,004,770**	106,908,709
Customers' current accounts	**3,231,303**	5,688,686
Other liabilities	**10,755,559**	8,875,784
Total liabilities, excluding unrestricted investment accounts	**335,872,317**	218,456,220
UNRESTRICTED INVESTMENT ACCOUNTS	**46,124,760**	19,769,585
Total liabilities, including unrestricted investment accounts	**381,997,077**	238,225,805
EQUITY		
Share capital	**120,000,000**	120,000,000
Reserves and retained earnings	**39,660,956**	38,941,790
Proposed appropriations	**12,822,525**	529,087
	172,483,481	159,470,877
TOTAL LIABILITIES, UNRESTRICTED INVESTMENTS ACCOUNTS AND EQUITY	**554,480,558**	397,696,682

STATEMENT OF CHANGES IN EQUITY	Year ended 31 December 2008	Year ended 31 December 2007
	BD	BD
Balance as of 1 January	**159,470,877**	136,401,589
Charitable donations	**(100,000)**	(100,000)
Changes on investment in an associate	**99,010**	-
Net profit for the year	**25,542,681**	23,148,994
Zakah paid	**(529,087)**	-
Proposed dividends for 2008	**(12,000,000)**	-
Sale of treasury stock	**-**	20,294
Balance at 31 December	**172,483,481**	159,470,877

STATEMENT OF CASH FLOWS	Year ended 31 December 2008	Year ended 31 December 2007
	BD	BD
Net cash (used in) from operating activities	**(91,252,296)**	129,529,447
Net cash (used in) investing activities	**(507,070)**	(7,996,864)
Net cash from financing activities	**14,355,176**	19,789,879
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(77,404,190)**	141,322,462
Cash and cash equivalents at 1 January	**233,608,190**	92,285,728
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**156,204,000**	233,608,190

These financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 24th January, 2009.

Mohamed Ali Rashid Alabbar
Chairman

Hussein Mohammed Al Meeza
Vice Chairman

Yousif Taqi
Director & Chief Executive Officer

These financial statements were extracted from the audited financial statements on which Ernst & Young issued an unqualified opinion dated 24th January 2009.