

Bahrain Islamic Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2008 (UNAUDITED)

Ernst & Young

REVIEW REPORT TO THE BOARD OF DIRECTORS OF BAHRAIN ISLAMIC BANK B.S.C.

Introduction

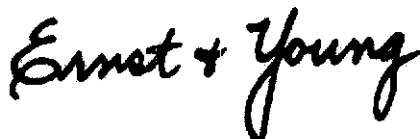
We have reviewed the accompanying interim condensed consolidated financial statements of Bahrain Islamic Bank B.S.C. ("the Bank") and its subsidiary ("the Group") as at 31 March 2008, comprising of the interim consolidated balance sheet as at 31 March 2008 and the related interim consolidated statements of income, cash flows, changes in equity, sources and uses of good faith qard fund and sources and uses of zakah and charity 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 consolidated financial statements in accordance with the accounting policies disclosed 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 disclosed in note 2.




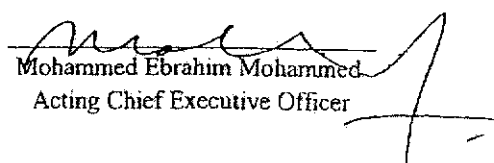
7 April 2008
Manama, Kingdom of Bahrain

Bahrain Islamic Bank B.S.C.
INTERIM CONSOLIDATED BALANCE SHEET
at 31 March 2008 (Unaudited)

	Notes	31 March 2008 BD'000	Audited 31 December 2007 BD'000
ASSETS			
Cash and balances with Central Bank of Bahrain and other banks		28,004	18,349
Murabaha receivables		297,993	337,055
Mudaraba investments		55,020	43,609
Musharaka investments		48,812	39,426
Investments		173,461	156,161
Investment in associates		7,546	7,045
Investments in Ijarah assets		8,208	5,893
Ijarah Muntahia Bittamleek		18,247	13,574
Investments in properties		60,530	27,905
Ijarah rental receivables		2,963	2,963
Other assets		22,565	6,989
TOTAL ASSETS		723,349	658,969
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Customers' current accounts		70,647	60,963
Other liabilities		21,210	7,615
TOTAL LIABILITIES		91,857	68,578
UNRESTRICTED INVESTMENT ACCOUNTS		433,731	403,215
EQUITY			
Share capital	3	65,926	60,214
Share premium		50,869	50,869
Reserves		80,966	62,460
Proposed appropriations		-	13,633
TOTAL EQUITY		197,761	187,176
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		723,349	658,969
COMMITMENTS AND CONTINGENT LIABILITIES	4	26,516	15,199


Khalid Abdulla Al Bassam
Chairman


Nabil Ahmed Amin
Managing Director &
Board Member


Mohammed Ebrahim Moharumed
Acting Chief Executive Officer

Bahrain Islamic Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

for the period ended 31 March 2008 (Unaudited)

	Note	Three months ended	
		31 March	
		2008	2007
		BD'000	BD'000
INCOME			
Income from Islamic finances		<u>8,534</u>	<u>7,317</u>
Return on unrestricted investment accounts before Bank's share as a Mudarib		7,084	5,962
Bank's share as a Mudarib		<u>(3,268)</u>	<u>(1,972)</u>
Return on unrestricted investment accounts		<u>3,816</u>	<u>3,990</u>
Bank's share of income from unrestricted investment accounts (as a Mudarib and Rabalmai)		4,718	3,327
Income from investments	6	5,930	2,946
Gain on fair value adjustment for investments in properties		1,396	265
Share of results of associates		489	41
Other income		<u>1,506</u>	<u>516</u>
Total income		<u>14,039</u>	<u>7,095</u>
EXPENSES			
Staff costs		2,410	1,192
Depreciation		215	144
Other expenses		<u>1,053</u>	<u>528</u>
Total expenses		<u>3,678</u>	<u>1,864</u>
Net income before provision for impairment		10,361	5,231
Provision for impairment		<u>(300)</u>	<u>-</u>
NET INCOME FROM THE PERIOD		<u>10,061</u>	<u>5,231</u>
BASIC EARNINGS PER SHARE (fils)		<u>15.26</u>	<u>16.88</u>

The attached notes 1 to 6 form part of these interim condensed consolidated financial statements.

Bahrain Islamic Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 31 March 2008 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2008	2007
	BD'000	BD'000
OPERATING ACTIVITIES		
Net profit for the period	10,061	5,231
Adjustments for non-cash items:		
Depreciation	215	144
Gain on fair value adjustment for investments in properties	(1,396)	(265)
Gain on sale of investments in properties and Ijarah assets	-	(80)
Share of results of associates	(489)	(41)
Provision for impairment	300	-
Operating profit before changes in operating assets and liabilities	8,691	4,989
Working capital adjustments:		
Mandatory reserve with CBB	(7,175)	(815)
Murabaha receivables	38,762	(60,127)
Mudaraba investments	(11,411)	(2,931)
Musharaka investments	(9,386)	(1,000)
Other assets	(15,576)	1,742
Customers' current accounts	9,684	(4,769)
Other liabilities	13,595	6,553
Net cash from (used in) operating activities	27,184	(56,358)
INVESTING ACTIVITIES		
(Purchase) disposal of Ijara Muntahia Bittamleek	(4,888)	194
Purchase of investment in properties and Ijara assets	(33,544)	(1,527)
Purchase of investments and associates	(8,867)	(3,070)
Net cash used in investing activities	(47,299)	(4,403)
FINANCING ACTIVITIES		
Decrease in unrestricted investment accounts	30,516	66,600
Dividends paid	(7,615)	(5,667)
Directors' remuneration paid	-	(210)
Zakah paid	(306)	(170)
Net cash from financing activities	22,595	60,553
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,480	(208)
Cash and cash equivalents at beginning of the period	6,064	7,945
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8,544	7,737
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and balances with CBB, excluding mandatory reserve deposits	2,660	2,955
Balances with other banks	5,884	4,782
	8,544	7,737

The attached notes 1 to 6 form part of these interim condensed consolidated financial statements.

Bahrain Islamic Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2008 (Unaudited)

	Share capital BD'000	Share premium BD'000	Statutory reserve BD'000	General reserve BD'000	Reserves			Total equity BD'000
					Investment fair value reserve BD'000	Cumulative changes in fair value BD'000	Retained earnings BD'000	
Balance at 1 January 2008	60,214	50,869	8,037	1,000	7,133	30,217	16,073	187,176
Bonus shares issued	5,712	-	-	-	-	-	-	(5,712)
Dividends paid	-	-	-	-	-	-	-	(7,615)
Zakah paid	-	-	-	-	-	-	-	(306)
Profit for the period from 1 January 2008 to 31 March 2008	-	-	-	-	-	-	10,061	-
Unrealized gain on investments in properties	-	-	-	-	1,396	-	(1,396)	-
Net movement in cumulative changes in fair values	-	-	-	-	-	8,445	-	8,445
Balance at 31 March 2008	65,926	50,869	8,037	1,000	8,529	38,662	24,738	197,761
Balance at 1 January 2007	28,336	-	5,534	1,000	3,255	21,860	5,350	74,924
Bonus shares issued	3,542	-	-	-	-	-	-	(3,542)
Dividends paid	-	-	-	-	-	-	-	(5,667)
Directors' remuneration paid	-	-	-	-	-	-	-	(210)
Zakah paid	-	-	-	-	-	-	-	(170)
Profit for the period from 1 January 2007 to 31 March 2007	-	-	-	-	-	-	5,231	-
Unrealized gain on investments in properties	-	-	-	-	265	-	(265)	-
Realised gain on investments in properties	-	-	-	-	(80)	-	80	-
Net movement in cumulative changes in fair values	-	-	-	-	-	(7,435)	-	(7,435)
Balance at 31 March 2007	31,878	-	5,534	1,000	3,440	14,425	10,396	66,673

The attached notes 1 to 6 form part of these interim condensed consolidated financial statements.

Bahrain Islamic Bank B.S.C.**INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES OF
GOOD FAITH QARD FUND**

for the period ended 31 March 2008 (Unaudited)

	31 March 2008 BD'000	31 March 2007 BD'000
Opening balances		
Qard hasan receivables	27	35
Funds available for qard hasan	101	93
	<u>128</u>	<u>128</u>
Sources of Qard fund		
Contribution by the Bank	125	125
Donation	3	3
Total of sources during the period	<u>128</u>	<u>128</u>
Uses of qard fund		
Marriage	18	13
Refurbishment	16	16
Medical treatment	14	12
Others	11	10
Total uses during the period	<u>59</u>	<u>51</u>
End of period balance		
Qard hasan receivables	24	42
Funds available for qard hasan	104	86
	<u>128</u>	<u>128</u>

The attached notes 1 to 6 form part of these interim condensed consolidated financial statements.

Bahrain Islamic Bank B.S.C.

**INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES OF
ZAKAH AND CHARITY FUND**

for the period ended 31 March 2008 (Unaudited)

	31 March 2008 BD'000	31 March 2007 BD'000
Sources of zakah and charity funds		
Undistributed zakah and charity funds at the beginning of the period	486	365
Zakah due from the Bank for the period	-	-
Non-Islamic income	-	-
Donations	-	25
Total sources of funds during the period	<u>486</u>	<u>390</u>
Uses of zakah and charity funds		
Philanthropic societies	-	-
Aid to needy families	182	24
Total uses of funds during the period	<u>182</u>	<u>24</u>
Undistributed zakah and charity funds at end of the period	<u>304</u>	<u>366</u>

Bahrain Islamic Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2008 (Unaudited)

1 INCORPORATION AND ACTIVITIES

Bahrain Islamic Bank B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain in the year 1979 by Amiri Decree No.2 of 1979, under Commercial Registration (CR) number 9900, to carry out banking and other financial trading activities in accordance with the teachings of Islam (Shari'a). The Bank operates under a retail banking licence issued by the Central Bank of Bahrain (CBB). The Bank's Shari'a Supervisory Board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities.

The Bank holds 100% of the share capital of Abaa'd Real-Estate Company B.S.C. ("Subsidiary"). The Subsidiary was incorporated in the Kingdom of Bahrain on 8 April 2003 with an authorized and fully paid-up share capital of BD 10 million which increased to BD 25 million during the period ended 31 March 2008. The Subsidiary started operations during the year 2007. The main activities of the Subsidiary are the management and development of real estate in accordance with the Islamic rules and principles.

The Bank's registered office is at Building 722, Road 1708, Block 317, Manama, Kingdom of Bahrain.

The Bank has twelve branches, all operating in the Kingdom of Bahrain.

2 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 and Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards (the "IFRSs").

Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and its subsidiary. A subsidiary is an entity over which the Bank has control to govern its financial and operating policies in order to obtain benefits from its activities. The subsidiary is consolidated from the date it was incorporated and was included in the interim condensed consolidated financial statements using the purchase method of accounting. All intercompany balances, transactions and income have been eliminated on consolidation.

3 SHARE CAPITAL

The increase of share capital of BD 5,712 million is due to bonus shares that were approved in the Annual General Meeting held on 10 March 2008.

Bahrain Islamic Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2008 (Unaudited)

4 COMMITMENTS AND CONTINGENT LIABILITIES

Credit related commitments

These include commitments to enter into financing contracts which are designed to meet the requirements of the Bank's customers.

Letters of credit and guarantees commit the Bank to make payments on behalf of customers.

The Group has the following credit related commitments and contingent liabilities on behalf of customers:

	31 March 2008 BD'000	<i>Audited</i> 31 December 2007 BD'000
Letters of credit	19,420	9,125
Guarantees	6,889	5,850
Operating lease commitments *	207	224
	26,516	15,199

* The Group has entered into commercial leases for certain branches. These leases have an average life of between 5 and 10 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

5 RELATED PARTY TRANSACTIONS

Related parties represents associated companies, major shareholders, directors and key management personnel of the Group.

The balances and values of major transactions with the related parties are as follows:

<i>Name of related party</i>	<i>Transaction</i>	<i>Income (expense)</i>		<i>Balances at</i>	
		<i>Three months ended 31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>
		2008 BD'000	2007 BD'000	2008 BD'000	2007 BD'000
Shareholders	Sukuk	203	111	12,032	12,316
Shareholders	Tawaroq	27	-	14,970	18,003
Associate	Ijarah Muntahia Bittamleek	21	-	622	848
Associate	Sukuk	22	90	2,264	2,266
Associate	Tawaroq	194	-	4,637	8,294
Associate	Murabaha	-	-	-	7,540
Board of Directors	Ijarah Muntahia Bittamleek	20	-	622	660
Board of Directors	Musharaka	15	-	1,309	1,054
		502	201	36,456	50,981

Bahrain Islamic Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

at 31 March 2008 (Unaudited)

5 RELATED PARTY TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	<i>Three months ended 31 March</i>	
	2008	2007
	BD'000	BD'000
Short term employee benefits	145	110
Other long term benefits	15	8
	160	118

6 INCOME FROM INVESTMENTS

This income includes dividend of BD 3.8 million (2007: BD 2.6 million) which is cyclical in nature.