

Bahrain Islamic Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2009 (UNAUDITED)

Ernst & Young

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

Introduction

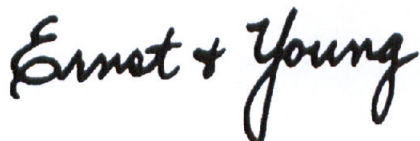
We have reviewed the accompanying interim condensed consolidated financial statements of Bahrain Islamic Bank B.S.C. (the "Bank") and its subsidiary (the "Group") as at 31 March 2009, comprising of the interim consolidated balance sheet as at 31 March 2009 and the related interim consolidated statements 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

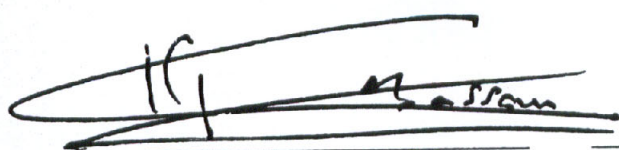
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



22 April 2009
Manama, Kingdom of Bahrain

Bahrain Islamic Bank B.S.C.
INTERIM CONSOLIDATED BALANCE SHEET
 At 31 March 2009 (Unaudited)

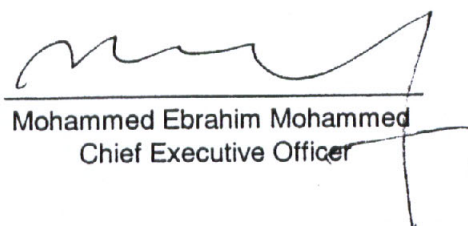
	Notes	2009 BD'000	2008 BD'000
ASSETS			
Cash and balances with Central Bank of Bahrain and other banks		32,247	49,579
Murabaha receivables		401,090	368,563
Mudaraba investments		56,845	55,436
Musharaka investments		85,956	80,526
Investments		118,735	127,193
Investments in associates		6,509	7,423
Investments in Ijarah assets		9,873	9,901
Ijarah Muntahia Bittamleek		71,208	67,960
Investments in properties		100,845	97,829
Ijarah rental receivables		1,469	1,469
Other assets	3	10,674	8,088
TOTAL ASSETS		895,451	873,967
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Customers' current accounts		72,551	69,466
Other liabilities	4	18,253	13,935
TOTAL LIABILITIES		90,804	83,401
UNRESTRICTED INVESTMENT ACCOUNTS		641,400	624,119
EQUITY			
Share capital		72,859	66,235
Share premium		43,936	43,936
Treasury shares	5	(173)	-
Reserves		46,625	42,387
Proposed appropriations		-	13,889
TOTAL EQUITY		163,247	166,447
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		895,451	873,967
COMMITMENTS AND CONTINGENT LIABILITIES	7	30,343	37,434



Khalid Abdulla Al Bassam
Chairman



Nabil Ahmed Amin
Board Member



Mohammed Ebrahim Mohammed
Chief Executive Officer

Bahrain Islamic Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 March 2009

	Note	Three months ended 31 March	
		2009 BD'000	2008 BD'000
INCOME			
Income from jointly financed sales and investments		8,337	8,295
Return on unrestricted investment accounts before Group's share as a Mudarib		6,885	7,084
Group's share as a Mudarib		(4,003)	(3,268)
Return on unrestricted investment accounts		2,882	3,816
Group's share of income from joint financing and investment accounts		5,455	4,479
Income from investments	9	2,954	6,169
Gain on fair value adjustment for investments in properties		2,345	1,396
Share of results of associates		(602)	489
Fee and commission income		1,498	1,506
Total income		11,650	14,039
EXPENSES			
Staff costs		2,604	2,410
Depreciation		283	215
Other expenses		1,205	1,053
Total expenses		4,092	3,678
Net income before provisions		7,558	10,361
Provision for impairment		(1,553)	(300)
NET INCOME FOR THE PERIOD		6,005	10,061
BASIC AND DILUTED EARNINGS PER SHARE (fiIs)		8.25	13.81

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

Bahrain Islamic Bank B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOW

For the period ended 31 March 2009

	Three months ended 31 March	
	2009 BD'000	2008 BD'000
OPERATING ACTIVITIES		
Net income for the period	6,005	10,061
Adjustments for non-cash items:		
Depreciation	283	215
Provision for impairment	1,553	300
Gain on sale of investments	(334)	(1,999)
Fair value gain on investment in properties	(2,345)	(1,396)
Share of results of associates	602	(489)
	5,764	6,692
Operating profit before changes in operating assets and liabilities		
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	7,758	(7,175)
Murabaha receivables	(32,527)	38,762
Mudaraba investments	(1,409)	(11,411)
Musharaka investments	(5,430)	(9,386)
Ijarah Muntahia Bittamleek	(3,248)	(4,888)
Other assets	(2,827)	(15,526)
Customers' current accounts	3,085	9,684
Other liabilities	(2,030)	13,595
	(30,864)	20,347
Net cash (used in) from operating activities		
INVESTING ACTIVITIES		
Purchase of investments in properties	(671)	(23,635)
Investments in Ijarah assets	(14)	(2,375)
Purchase of investments	-	(16,451)
Proceeds from disposal of investments	5,784	1,999
	5,099	(40,462)
Net cash from (used in) investing activities		
FINANCING ACTIVITIES		
Purchase of treasury shares	(173)	-
Increase in unrestricted investment accounts	17,281	30,516
Dividends paid	(864)	(7,615)
Zakah paid	(53)	(306)
	16,191	22,595
Net cash from financing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,574)	2,480
Cash and cash equivalents at 1 January	18,331	6,064
CASH AND CASH EQUIVALENTS AT 31 MARCH	8,757	8,544
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and balances with CBB, excluding mandatory reserve deposits	6,878	2,660
Balances with other banks	1,879	5,884
	8,757	8,544

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT CHANGES IN EQUITY

For the period ended 31 March 2009

	Reserves							Total equity BD'000
	Share capital BD'000	Share premium BD'000	Treasury share BD'000	Statutory reserve BD'000	General reserve BD'000	Investments in properties fair value reserve BD'000	Cumulative changes in fair value of investments BD'000	
Balance at 1 January 2009	66,235	43,936	-	10,268	1,000	18,093	(4,688)	166,447
Bonus shares issued (note 6)	6,624	-	-	-	-	-	-	-
Purchase of treasury shares (note 5)	-	-	(173)	-	-	-	-	(173)
Dividends paid (note 6)	-	-	-	-	-	-	-	(6,624)
Zakah paid	-	-	-	-	-	-	-	(641)
Net income for the period	-	-	-	-	-	-	-	6,005
Unrealized gain on investments in properties	-	-	-	-	-	2,345	-	-
Net movement in cumulative changes in fair value of investments	-	-	-	-	-	-	(1,767)	(1,767)
Transfer of changes in fair value reserve	-	-	-	-	-	-	2,368	-
Balance at 31 March 2009	72,859	43,936	(173)	10,268	1,000	20,438	(4,087)	163,247
Balance at 1 January 2008	60,214	50,869	-	8,037	1,000	7,133	30,217	187,176
Bonus shares issued (note 6)	6,021	(309)	-	-	-	-	-	-
Dividends paid (note 6)	-	-	-	-	-	-	-	(7,831)
Zakah paid	-	-	-	-	-	-	-	(306)
Net income for the period	-	-	-	-	-	-	-	10,061
Realized gain on investments in properties	-	-	-	-	-	1,396	-	-
Net movement in cumulative changes in fair value of investments	-	-	-	-	-	-	8,445	8,445
Balance at 31 March 2008	66,235	50,560	-	8,037	1,000	8,529	38,662	197,545

Bahrain Islamic Bank B.S.C.

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

For the period ended 31 March 2009

	<i>Qard hasan receivables BD'000</i>	<i>Funds available for qard hasan BD'000</i>	<i>Total BD'000</i>
Balance at 1 January 2009	10	118	128
Uses of qard fund	18	(18)	-
Marriage	16	(16)	-
Refurbishment	14	(14)	-
Medical treatment	11	(11)	-
Others			
Total uses during the period	59	(59)	-
Repayments	(64)	64	-
Balance at 31 March 2009	5	123	128
Balance at 1 January 2008	27	101	128
Uses of qard fund	17	(17)	-
Marriage	16	(16)	-
Refurbishment	14	(14)	-
Medical treatment	11	(11)	-
Others			
Total uses during the period	58	(58)	-
Repayments	(65)	65	-
Balance at 31 March 2008	20	108	128
		31 March 2009 BD'000	31 March 2008 BD'000
Sources of Qard fund		123	108
Contribution by the Bank		5	20
Donation		128	128
Total of sources during the period			

Bahrain Islamic Bank B.S.C.

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

For the period ended 31 March 2009

	31 March 2009 BD'000	31 March 2008 BD'000
Sources of zakah and charity funds		
Undistributed zakah and charity funds at the beginning of the year	1,049	486
Zakah due from the Bank for the period	-	-
Non-Islamic income	-	-
Donations / late fee	-	-
Total sources of funds during the period	1,049	486
Uses of zakah and charity funds		
Philanthropic societies	2	-
Aid to needy families	52	182
Total uses of funds during the period	54	182
Undistributed zakah and charity funds at end of the period	995	304

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (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 Abaad Real Estate Company B.S.C. (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 25 million. The Subsidiary has 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 Shari'a 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 (2008: twelve), all operating in the Kingdom of Bahrain.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the three months period ended 31 March 2009 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 2008. In addition, results for the three months period ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2008, 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 are eliminated on consolidation.

Bahrain Islamic Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

3 OTHER ASSETS

	31 March 2009 BD'000	Audited 31 December 2008 BD'000
Equipment	4,035	3,635
Receivables under letter of credit	207	1,339
Staff advances	838	751
Income receivable	676	576
Receivable from a related party	2,107	-
Others	2,811	1,787
	<u>10,674</u>	<u>8,088</u>

4 OTHER LIABILITIES

	31 March 2009 BD'000	Audited 31 December 2008 BD'000
Payable to vendors	1,838	3,684
Accrued expenses	939	3,149
Clearance cheques	204	1,426
Murabaha bills payable	1,643	1,249
Managers' cheques	4,095	1,189
Dividends payable	6,473	713
Zakah and charity fund	995	408
Margin on letters of credit	216	216
Provision for employees' end of service benefits and leave	310	280
Others	1,540	1,621
	<u>18,253</u>	<u>13,935</u>

5 TREASURY SHARES

	31 March 2009
Number of treasury shares	546,665
Treasury shares as a percentage of total shares in issue	0.075%
Cost of treasury shares in BD'000	173
Market value of treasury shares in BD'000	153

Own equity instruments which are reacquired are deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

6 DIVIDENDS PAID

At the annual general meeting of the shareholders held on 17 March 2009, a cash dividend and bonus shares of 10% each based on the outstanding number of shares during the year 2008 was approved. This resulted in an increase in the number of the issued shares by 66,235 thousand and share capital by BD 6,624 thousand. Last year excess payments of BD 216 thousand for cash dividend and BD 309 thousand for bonus shares was ratified by the Annual General Meeting held on 17 March 2009.

Bahrain Islamic Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

7 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 2009 BD'000	Audited 31 December 2008 BD'000
Letters of credit	19,895	27,578
Guarantees	10,110	9,564
Operating lease commitments *	338	292
	30,343	37,434

* 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.

8 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:

Name of related party	Transaction	Income Three months ended 31 March		Asset balances at 31 March 31 December	
		2009 BD'000	2008 BD'000	2009 BD'000	2008 BD'000
Shareholders	* Sukuk	-	69	4,197	4,009
Shareholders	Tawarooq	699	27	22,995	22,573
Shareholders	* Receivable	1,553	-	3,660	-
Shareholders	Investments in properties	-	-	18,850	18,850
Associate	Ijarah Muntahia Bittamleek	-	21	-	-
Associate	Sukuk	40	22	7,542	9,427
Associate	Tawarooq	-	194	-	-
Associate	Mudaraba	22	-	2,767	2,770
Board of Directors	Ijarah Muntahia Bittamleek	58	20	363	356
Board of Directors	Musharaka	242	15	961	941
		2,614	368	61,335	58,926

* As of 31 March 2009, these include a balance of BD 5,750 thousand (31 December 2008: BD 4,008 thousand) which is past due.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

8 RELATED PARTY TRANSACTIONS (continued)

Compensation of the key management personnel is as follows:

	Three months ended 31 March	
	2009	2008
	BD'000	BD'000
Short term employee benefits	31	145
Other long term benefits	162	15
	<u>193</u>	<u>160</u>

9 INCOME FROM INVESTMENTS

This income includes dividend of BD 1,104 thousand (2008: BD 3,789 thousand) which is cyclical in nature.

10 CONCENTRATION OF RISK

As at 31 March 2009, the Bank had significant exposure to third parties amounting to BD 45,110 thousand (i.e. 27.76% of the total equity).

