

**Bahrain Islamic Bank B.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 MARCH 2010 (UNAUDITED)**

## 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 2010, comprising of the interim consolidated statement of financial position as at 31 March 2010 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.

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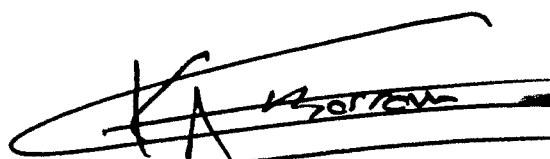
13 April 2010  
Manama, Kingdom of Bahrain


Bahrain Islamic Bank B.S.C.

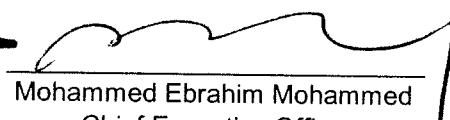
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010 (Unaudited)

	Note	31 March 2010 BD'000	31 December 2009 (Audited) BD'000
<b>ASSETS</b>			
Cash and balances with Central Bank of Bahrain and other banks		38,923	36,093
Murabaha receivables		386,533	332,519
Mudaraba investments		52,612	53,370
Musharaka investments		75,751	80,919
Investments		123,061	134,195
Investment in associates		7,445	7,448
Investment in Ijarah assets		9,737	9,771
Ijarah Muntahia Bittamleek		122,449	119,244
Investment in properties		123,176	123,030
Ijarah rental receivables		3,603	3,603
Other assets	3	13,397	11,758
<b>TOTAL ASSETS</b>		<b>956,687</b>	<b>911,950</b>
<b>LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>			
<b>LIABILITIES</b>			
Customers' current accounts		90,484	79,724
Other liabilities	4	12,290	11,432
<b>Total Liabilities</b>		<b>102,774</b>	<b>91,156</b>
<b>UNRESTRICTED INVESTMENT ACCOUNTS</b>			
Financial institutions' investment accounts		162,474	157,914
Customers' investment accounts		550,709	522,379
<b>Total Unrestricted Investment Accounts</b>		<b>713,183</b>	<b>680,293</b>
<b>EQUITY</b>			
Share capital		72,859	72,859
Treasury shares	5	(307)	(173)
Share premium		43,936	43,936
Reserves		24,242	23,132
Proposed appropriations		-	747
<b>Total Equity</b>		<b>140,730</b>	<b>140,501</b>
<b>TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>		<b>956,687</b>	<b>911,950</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	6	<b>19,329</b>	<b>18,765</b>

  
Khalid Abdulla Al Bassam  
Chairman

  
Khalid Mohammed Najeed  
Board Member

  
Mohammed Ebrahim Mohammed  
Chief Executive Officer

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

Bahrain Islamic Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 March 2010

	Note	Three months ended	
		2010	2009
		BD'000	BD'000
<b>INCOME</b>			
Income from Islamic finances		7,587	7,297
Income from Sukuk and Commodities		1,158	1,238
		<b>8,745</b>	<b>8,535</b>
Gross return to unrestricted investment accounts		7,617	6,885
Group's share as a Mudarib		(2,959)	(4,003)
Return on unrestricted investment accounts		<b>4,658</b>	<b>2,882</b>
Group's share of income from joint financing and investment accounts		4,087	5,653
Net income from investments	8	886	2,422
Gain on sale of available for sale investments - net		946	334
Gain on fair value adjustment for investment in properties		-	2,345
Share of results of associates		(6)	(602)
Fee and commission income		639	1,546
Other income		114	(48)
<b>Total income</b>		<b>6,666</b>	<b>11,650</b>
<b>EXPENSES</b>			
Staff costs		2,252	2,604
Depreciation		371	283
Other expenses		1,779	1,205
<b>Total expenses</b>		<b>4,402</b>	<b>4,092</b>
<b>Net income before provisions</b>		<b>2,264</b>	<b>7,558</b>
Provision for impairment		(1,062)	(1,553)
<b>NET INCOME FOR THE PERIOD</b>		<b>1,202</b>	<b>6,005</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (fils)</b>		<b>1.65</b>	<b>8.26</b>

The attached notes 1 to 9 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 2010

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2010</b>	2009
	<b>BD'000</b>	<b>BD'000</b>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	<b>1,202</b>	6,005
Adjustments for:		
Depreciation	<b>371</b>	283
Provision for impairment	<b>1,062</b>	1,553
Gain on sale of available for sale investments	<b>(946)</b>	(334)
Gain on fair value adjustment for investment in properties	<b>-</b>	(2,345)
Share of results of associates	<b>6</b>	602
Operating profit before changes in operating assets and liabilities	<b>1,695</b>	5,764
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	<b>(1,735)</b>	7,758
Murabaha receivables	<b>(53,475)</b>	(32,527)
Mudaraba investments	<b>(21)</b>	(1,409)
Musharaka investments	<b>5,168</b>	(5,430)
Other assets	<b>(2,259)</b>	(2,827)
Customers' current accounts	<b>10,760</b>	3,085
Other liabilities	<b>203</b>	(2,030)
Net cash used in operating activities	<b>(39,664)</b>	(27,616)
<b>INVESTING ACTIVITIES</b>		
Purchase of investments in properties	<b>(146)</b>	(671)
Ijarah Muntahia Bittamleek	<b>(3,205)</b>	(3,248)
Investment in Ijarah assets	<b>-</b>	(14)
Purchase of investments	<b>(7,371)</b>	-
Proceeds from disposal of investments	<b>18,817</b>	5,784
Net cash from investing activities	<b>8,095</b>	1,851
<b>FINANCING ACTIVITIES</b>		
Purchase of treasury shares	<b>(134)</b>	(173)
Financial institutions' investment accounts	<b>4,560</b>	(3,314)
Customers' investment accounts	<b>28,330</b>	20,595
Dividends paid	<b>(18)</b>	(864)
Zakah paid	<b>(74)</b>	(53)
Net cash from financing activities	<b>32,664</b>	16,191
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,095</b>	(9,574)
Cash and cash equivalents at 1 January	<b>12,683</b>	18,331
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>13,778</b>	8,757
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and balances with CBB, excluding mandatory reserve deposits	<b>10,202</b>	6,878
Balances with other banks	<b>3,576</b>	1,879
	<b>13,778</b>	8,757

The attached notes 1 to 9 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 2010

	Reserves							Total equity BD'000		
	Share capital BD'000	Treasury shares BD'000	Share premium 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		Accumulated loss/ retained earnings BD'000	Proposed appropriations BD'000
Balance at 1 January 2010	72,859	(173)	43,936	10,268	1,000	18,093	(1,431)	(4,798)	747	140,501
Purchase of treasury shares (note 5)	-	(134)	-	-	-	-	-	-	-	(134)
Zakah paid	-	-	-	-	-	-	-	-	(747)	(747)
Net income for the period	-	-	-	-	-	-	-	1,202	-	1,202
Net movement in cumulative changes in fair value of investments	-	-	-	-	-	-	(92)	-	-	(92)
<b>Balance at 31 March 2010</b>	<b>72,859</b>	<b>(307)</b>	<b>43,936</b>	<b>10,268</b>	<b>1,000</b>	<b>18,093</b>	<b>(1,523)</b>	<b>(3,596)</b>	<b>-</b>	<b>140,730</b>
Balance at 1 January 2009	66,235	-	43,936	10,268	1,000	18,093	(4,688)	17,714	13,889	166,447
Bonus shares issued	6,624	-	-	-	-	-	-	-	(6,624)	-
Purchase of treasury shares	-	(173)	-	-	-	-	-	-	-	(173)
Dividends paid	-	-	-	-	-	-	-	-	(6,624)	(6,624)
Zakah paid	-	-	-	-	-	-	-	-	(641)	(641)
Net income for the period	-	-	-	-	-	-	-	6,005	-	6,005
Unrealized gain on investments in properties	-	-	-	-	-	2,345	-	(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	(2,368)	-	-
Balance at 31 March 2009	72,859	(173)	43,936	10,268	1,000	20,438	(4,087)	19,006	-	163,247

The attached notes 1 to 9 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 2010

	<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 2010	2	126	<b>128</b>
Uses of qard fund			
Marriage	18	(18)	-
Refurbishment	16	(16)	-
Medical treatment	14	(14)	-
Others	11	(11)	-
Total uses during the period	59	(59)	-
Repayments	(60)	60	-
<b>Balance at 31 March 2010</b>	<b>1</b>	<b>127</b>	<b>128</b>
Balance at 1 January 2009	10	118	<b>128</b>
Uses of qard fund			
Marriage	18	(18)	-
Refurbishment	16	(16)	-
Medical treatment	14	(14)	-
Others	11	(11)	-
Total uses during the period	59	(59)	-
Repayments	(64)	64	-
Balance at 31 March 2009	5	123	128
		<b>31 March 2010 BD'000</b>	<b>31 March 2009 BD'000</b>
<b>Sources of Qard fund</b>			
Contribution by the Bank		125	123
Donation		3	5
Total of sources during the period		<b>128</b>	128

The attached notes 1 to 9 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 2010

	<b>31 March 2010 BD'000</b>	<b>31 March 2009 BD'000</b>
<b>Sources of zakah and charity funds</b>		
Undistributed zakah and charity funds at the beginning of the year	<b>1,092</b>	1,049
Zakah due from the Bank for the period	-	-
Non-Islamic income / late fee	-	-
	<hr/>	<hr/>
Total sources of Zakah and Charity funds during the period	<b>1,092</b>	1,049
<b>Uses of zakah and charity funds</b>		
Philanthropic societies	<b>2</b>	2
Aid to needy families	<b>74</b>	52
	<hr/>	<hr/>
Total uses of funds during the period	<b>76</b>	54
	<hr/>	<hr/>
Undistributed zakah and charity funds at the end of the period	<b>1,016</b>	995
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The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (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 thirteen branches (2009: twelve), all operating in the Kingdom of Bahrain.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The interim condensed consolidated financial statements for the three month period ended 31 March 2010 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 2009. In addition, results for the three month period ended 31 March 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

**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 2009, 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (Unaudited)

**3 OTHER ASSETS**

	<i>Audited</i>	
	<b>31 March</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>BD'000</b>	<b>BD'000</b>
Equipment	4,563	4,534
Receivables under letter of credit	220	188
Staff advances	1,359	1,340
Income receivable	1,105	297
Receivables from related parties	2,945	2,945
Prepaid expenses	89	126
Others	4,952	3,881
	<b>15,233</b>	<b>13,311</b>
Provision for impairment	<b>(1,836)</b>	<b>(1,553)</b>
	<b>13,397</b>	<b>11,758</b>

**4 OTHER LIABILITIES**

	<i>Audited</i>	
	<b>31 March</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>BD'000</b>	<b>BD'000</b>
Payable to vendors	1,150	1,380
Accrued expenses	390	1,125
Clearance cheques	149	204
Murabaha bills payable	1,249	963
Managers' cheques	1,521	1,326
Dividends payable	3,518	3,536
Zakah and charity fund	1,016	345
Margin on letters of credit	52	201
Provision for employees' end of service benefits and leave	367	333
Others	2,878	2,019
	<b>12,290</b>	<b>11,432</b>

**5 TREASURY SHARES**

	<i>Audited</i>	
	<b>31 March</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
Number of treasury shares	546,665	546,665
Bonus shares	54,667	54,667
Purchase of treasury shares	699,163	-
<b>TOTAL</b>	<b>1,300,495</b>	<b>601,332</b>
Treasury shares as a percentage of total shares in issue	0.18%	0.075%
Cost of treasury shares in BD'000	307	173
Market value of treasury shares in BD'000	254	118

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (Unaudited)

**6 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:

	<b>31 March</b>	<i>Audited</i> <b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>BD'000</b>	<b>BD'000</b>
Letters of credit	<b>9,614</b>	9,096
Guarantees	<b>9,220</b>	9,255
Operating lease commitments *	<b>495</b>	414
	<b>19,329</b>	<b>18,765</b>

\* The Group has entered into commercial leases for certain branches. These leases have an average life of between 1 year 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.

**7 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</i>		<i>Asset balances at</i>	
		<i>Three months ended</i>		<i>31 March</i>	<i>31 December</i>
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>BD'000</b>	<b>BD'000</b>	<b>BD'000</b>	<b>BD'000</b>
Shareholders*	Sukuk	-	-	<b>4,197</b>	4,197
Shareholders**	Tawarooq	<b>110</b>	699	<b>19,575</b>	19,665
Shareholders	Investment in properties	-	-	<b>18,850</b>	18,850
Shareholders*	Receivable	-	1,553	<b>2,945</b>	2,945
Associate	Sukuk	-	40	-	-
Associate	Mudaraba	<b>49</b>	22	<b>13,135</b>	13,136
Board of Directors	Ijarah Muntahia Bittamleek	-	58	-	-
Board of Directors	Musharaka	-	242	-	-
Board of Directors***	Tawarooq	<b>30</b>	-	<b>1,224</b>	1,259
Board of Directors	Expenses	<b>(132)</b>	(122)	-	-
Shari'a Supervisory Board	Expenses	<b>(18)</b>	(18)	-	-
Shari'a Supervisory Board	Murabaha	<b>9</b>	1	<b>427</b>	623
Shari'a Supervisory Board	Musharaka	<b>5</b>	6	<b>223</b>	-
Key management personnel	Staff advances	-	-	<b>446</b>	454
		<b>53</b>	2,481	<b>61,022</b>	61,129

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (Unaudited)

**7 RELATED PARTY TRANSACTIONS (continued)**

\* An amount of BD 5,750 thousand (2009: BD 5,750 thousand) is considered as impaired for which provision of BD 3,652 thousand (2009: BD 3,652 thousand) has been made.

\*\* An amount of BD 8,231 thousand (2009: BD 7,817 thousand) is restructured or in process of restructuring.

\*\*\* An amount of BD 1,224 thousand (2009: 1,259 thousand) is restructured.

**Compensation of the key management personnel is as follows:**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2010</b>	2009
	<b>BD'000</b>	BD'000
Short term employee benefits	<b>253</b>	162
Other long term benefits	<b>34</b>	31
	<b>287</b>	193

**8 INCOME FROM INVESTMENTS**

This income includes dividend of BD 857 thousand (2009: BD 1,104 thousand) which is cyclical in nature.

**9 COMPARATIVE FIGURES**

Certain of the prior period's figures have been reclassified to conform to the presentation adopted in the current period. Such reclassifications did not affect previously reported net profit.