

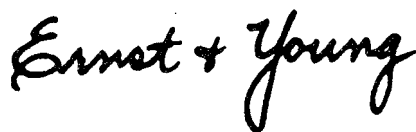
Bahrain Islamic Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2007 (UNAUDITED)

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

We have reviewed the accompanying interim consolidated balance sheet of Bahrain Islamic Bank B.S.C. ("the Bank") and its subsidiary ("the Group") as at 31 March 2007, 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. These interim condensed consolidated financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the Bank's Board of Directors. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our 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.

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 fairly, in all material respects, in accordance with the accounting policies in note 2.



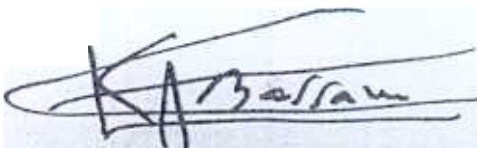
9 April 2007
Manama, Kingdom of Bahrain

Bahrain Islamic Bank B.S.C.

CONSOLIDATED BALANCE SHEET

31 March 2007 (Unaudited)

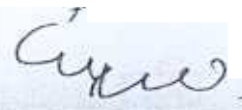
	<i>31 March</i> 2007 BD'000	<i>Audited</i> 31 December 2006 BD'000
ASSETS		
Cash and balances with CBB and other banks	16,067	15,469
Murabaha receivables	301,837	241,710
Mudaraba investments	25,111	22,180
Musharaka investments	14,954	13,954
Non-trading investments	93,031	97,418
Investment in associates	6,721	6,652
Investments in Ijarah assets	4,953	4,998
Ijarah Muntahia Bittamleek	15,292	15,486
Investments in properties	11,903	9,985
Ijarah rental receivables	2,551	2,315
Other assets	4,189	6,309
TOTAL ASSETS	496,609	436,476
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		
LIABILITIES		
Customers' current accounts	46,624	51,393
Other liabilities	12,594	6,041
TOTAL LIABILITIES		57,434
UNRESTRICTED INVESTMENT ACCOUNTS	370,718	304,118
EQUITY		
Share capital	31,878	28,336
Reserves	34,795	36,999
Proposed appropriations	-	9,589
TOTAL EQUITY		74,924
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	496,609	436,476
CONTINGENCIES (Note 3)	13,392	9,432



Khalid Abdulla Al Bassam
Chairman



Nabil Ahmed Amin
Managing Director



Yousif Saleh Khalaf
Chief Executive Officer

Bahrain Islamic Bank B.S.C.**CONSOLIDATED STATEMENT OF INCOME**

31 March 2007 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2007</i>	<i>2006</i>
	<i>BD'000</i>	<i>BD'000</i>
INCOME		
Income from Islamic finances	<u>7,317</u>	<u>4,275</u>
Return on unrestricted investment accounts before Bank's share as a Mudarib	5,962	3,479
Bank's share as a Mudarib	<u>(1,972)</u>	<u>(1,512)</u>
Return to unrestricted investment accounts	<u>3,990</u>	<u>1,967</u>
Bank's share of income from unrestricted investment accounts (as a Mudarib and Rabalmaal)	3,327	2,308
Income from investments	2,946	2,161
Gain on investments in properties	265	239
Share of results of associates	41	46
Other income	<u>516</u>	<u>459</u>
Total income	<u>7,095</u>	<u>5,213</u>
EXPENSES		
Staff costs	,192	904
Depreciation	144	131
Other expenses	<u>528</u>	<u>358</u>
Total Expenses	<u>1,864</u>	<u>1,393</u>
NET INCOME FOR THE PERIOD	<u>5,231</u>	<u>3,820</u>
BASIC EARNINGS PER SHARE (fils)	16.88	13.85

CONSOLIDATED STATEMENT OF CASH FLOWS

31 March 2007 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2007</i>	<i>2006</i>
	<i>BD'000</i>	<i>BD'000</i>
OPERATING ACTIVITIES		
Net profit for the period	5,231	2,009
Adjustments for non-cash items:		
Depreciation	144	122
Gain on fair value adjustment for investments in properties	(265)	(247)
Gain on sale of investments in properties and Ijarah assets	(80)	(357)
Share of results of associates	(41)	(43)
Operating profit before changes in operating assets and liabilities	4,989	1,484
Changes in:		
Mandatory reserve with CBB	(815)	518
Murabaha receivables	(60,127)	2,359
Mudaraba investments	(2,931)	(572)
Musharaka investments	(1,000)	(1,266)
Other assets	1,742	(421)
Customers' current accounts	(4,769)	2,232
Other liabilities	6,553	7,843
Net cash (used in) from operating activities		12,176
INVESTING ACTIVITIES		
Disposal (Purchase) of Ijara Muntahia Bittamleek	194	(4,055)
Purchase of investment in properties and Ijara assets - net	(1,527)	(1,106)
Purchase of non-trading investments and associates	(3,070)	(3,653)
Net cash used in investing activities		(8,814)
FINANCING ACTIVITIES		
Decrease in unrestricted investment accounts	66,600	(1,855)
Dividends paid	(5,667)	(701)
Directors' remuneration paid	(210)	
Zakah paid	(170)	
Net cash from (used in) financing activities		(2,556)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(208)	806
Cash and cash equivalents at beginning of the period	7,945	3,269
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7,737	4,075
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and balances with CBB, excluding mandatory reserve deposits	2,955	2,535
Balances with other banks	4,782	1,540
	7,737	4,075

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 March 2007 (Unaudited)

Reserves

Share capital	Share premium	Statutory reserve	General reserve	Cumulative changes in fair value	Retained earnings	Proposed appropriations	Total equity
BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000
Balance at 1 January 2006	25,300	2,726	4,229	2,360	27,769	1,360	71,908
Bonus shares issued	3,036	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(3,795)
Directors' remuneration paid	-	-	-	-	-	-	(120)
Zakah paid	-	-	-	-	-	-	(138)
Charitable contributions paid	-	-	-	-	-	-	(75)
Profit for the period from 1 January 2006 to 31 March 2006	-	-	-	-	-	-	3,820
Unrealized gain on investments in properties	-	-	-	239	(239)	-	-
Realized gain on investments in properties	-	-	-	(119)	119	-	-
Net movement in cumulative changes in fair values	-	-	-	-	-	-	(2,660)
Balance at 31 March 2006	28,336	2,726	4,229	2,480	25,109	5,060	(2,660)
Balance at 1 January 2007	28,336	5,534	,000	3,255	21,860	5,350	74,924
Bonus shares issued	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)	-	-
Realized gain on investments in properties	-	-	-	(80)	80	-	-
Net movement in cumulative changes in fair values	-	-	-	-	-	-	(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 5 form part of these interim condensed consolidated financial statements

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

31 March 2007 (Unaudited)

	31 March 2007 BD'000	<i>Audited</i> 31 December 2006 BD'000
Opening balances		
Qard hasan receivables	35	
Funds available for qard hasan	93	123
	<u>128</u>	<u>128</u>
Sources of Qard fund		
Contribution by the Bank	125	125
Donations	3	3
	<u>128</u>	<u>128</u>
Total Sources during the period	128	128
Uses of qard fund		
Marriage	13	6
Refurbishment	16	12
Medical treatment	12	
Others	10	10
	<u>51</u>	<u>39</u>
Total uses during the period	51	39
End of period balances		
Qard hasan receivables	42	35
Funds available for qard hasan	86	93
	<u>128</u>	<u>128</u>

Bahrain Islamic Bank B.S.C.**CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND**

31 March 2007 (Unaudited)

	<i>31 March 2007 BD'000</i>	<i>Audited 31 December 2006 BD'000</i>
Sources of zakah and charity funds		
Undistributed zakah and charity funds at the beginning of the period	365	139
Zakah due from the Bank for the period	-	170
Non-Islamic income	-	150
Donations	25	91
Total sources of funds during the period	<u>390</u>	<u>550</u>
Uses of zakah and charity funds		
Philanthropic societies		97
Aid to needy families	24	88
Total uses of funds during the period	<u>24</u>	<u>185</u>
Undistributed zakah and charity funds at end of the period	<u>366</u>	<u>365</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2007 (Unaudited)

INCORPORATION AND ACTIVITIES

Bahrain Islamic Bank B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain by Amiri Decree No.2 of 1979, under Commercial Registration No.9900, to carry out banking and other financial trading activities in accordance with the teachings of Islam (Shari'a). The Bank operates under a commercial banking license 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 participated in 100% of the share capital in Abaa'd Real-Estate Company B.S.C. ("subsidiary"). Abaa'd was incorporated on 8 April 2003 in the Kingdom of Bahrain and has an authorized and paid-up share capital of BD 10,000,000. The Company start operation in 2007.

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

These interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2006, which financial statements were prepared in accordance with Financial Auditing Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standards exist, the Bank uses the relevant International Accounting Standard issued by International Accounting Standards Board.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with AAOIFI. In addition, results for the three months ended 31 March 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2007 (Unaudited)

3 CONTINGENCIES**Credit related commitments**

	<i>31 March 2007 BD'000</i>	<i>Audited 31 December 2006 BD'000</i>
Letters of credit	10,445	8,565
Guarantees	2,659	613
Operating lease commitments *	288	254
	<u>13,392</u>	<u>9,432</u>

* 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.

Credit lines commitments

The Group has provided credit line to its associate, Liquidity Management Center B.S.C. (c), of BD 3,770 thousand for liquidity purposes.

4 RELATED PARTY TRANSACTIONS

The balances and values of major transactions with related parties included under various balance sheet and statement of income heads are as follows:

Balances with related parties included in the consolidated balance sheet are as follows:

	<i>31 March 2007 BD'000</i>	<i>Audited 31 December 2006 BD'000</i>
Murabaha receivables	1,901	1,516
Musharaka investments	787	891
Non-trading investments	18,289	6,634
Ijarah Muntahia Bittamleek	1,434	2,689
Assets with related parties		<u>11,730</u>

Bahrain Islamic Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2007 (Unaudited)

4 RELATED PARTY TRANSACTIONS (continued)

The transactions with related parties included in the consolidated income statement are as follows:

	<i>1 January to 31 March 2006 BD'000</i>	<i>1 January to 31 March 2006 BD'000</i>
Income from Murabaha receivables		
Income from Musharaka investments	10	14
Income from non-trading investments	233	90
Income from Ijarah Muntahia Bittamleek	32	
Income from related parties	<u>286</u>	<u>104</u>

5 INCOME FROM INVESTMENTS IN SECURITIES

This income includes dividend of BD 2,618 thousand (2006: BD 1,654 thousand) which is cyclical in nature.