

CONSOLIDATED BALANCE SHEET
(Expressed in thousands of United States Dollars)

	As at 31 December	
	2008	2007
Assets		
Cash and cash equivalents	1,241,421	575,304
Due from banks and financial institutions	15,711	16,172
Investments in financings	2,058,034	1,882,028
Investment securities	617,228	638,579
Investment properties	273,786	213,067
Accounts receivable	161,773	101,856
Investments in associates	612,602	194,549
Property, plant and equipment	124,119	130,930
Intangible assets	275,752	326,304
Total assets	5,380,426	4,078,789
Liabilities		
Customer current accounts	470,602	569,239
Customer investment accounts	1,468,514	1,368,904
Due to banks and financial institutions	1,595,068	394,025
Other borrowings	410,074	123,239
Accounts payable	237,542	269,438
Current tax payable	7,137	9,175
Deferred tax liability	42,138	60,372
Total liabilities	4,231,075	2,794,392
Equity		
Capital and reserves attributable to the Bank's equity holders		
Share capital	527,956	537,474
Reserves	395,953	550,334
	923,909	1,087,808
Minority interests	225,442	196,589
Total equity	1,149,351	1,284,397
Total equity and liabilities	5,380,426	4,078,789
Funds under management	1,991,673	1,723,814

CONSOLIDATED STATEMENT OF INCOME
(Expressed in thousands of United States Dollars)

	Year ended 31 December	
	2008	2007
Income		
Income from short term deposits	55,742	43,429
Income from investments in financings	191,521	188,853
Fee and commission income	46,166	52,481
Fund management and services	16,859	19,524
Gains from investment securities	4,093	44,737
Income from investment properties	114,268	92,731
Net trading income	4,061	7,517
Dividend income	27,962	27,242
Gain on sale of associated company	-	15,001
Other income	5,089	954
	465,761	492,469
Distribution to investment account holders and borrowing costs	(185,898)	(145,495)
Operating income	279,863	346,974
Expenses		
Staff costs	(62,687)	(74,312)
General and administrative expenses	(52,416)	(48,340)
Depreciation and amortisation	(29,061)	(20,542)
Provision for impairment	(52,875)	(7,599)
Exchange gain	5,291	3,782
Total expenses	(191,748)	(147,011)
Operating profit	88,115	199,963
Share of profit of associated companies	6,325	8,353
Profit before income taxes	94,440	208,316
Taxes	(9,278)	(20,006)
Profit after income taxes	85,162	188,310
Attributable to:		
Equity holders of the Bank	22,168	102,755
Minority interests	62,994	85,555
	85,162	188,310
Basic and diluted earnings per share	US cts 1.04	US cts 5.79

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008
(Expressed in thousands of United States Dollars)

	Attributable to the Bank's equity holders									
	Share capital	Share premium	Statutory reserve	General reserve	Fair Value reserve	Currency translation	Retained earnings	Total reserves	Minority interests	Total equity
At 1 January 2008	537,474	216,026	35,873	68,327	27,170	(3,079)	206,017	550,334	196,589	1,284,397
Treasury shares purchased	(29,950)	(41,281)						(41,281)		(71,231)
Treasury shares sold	20,432	34,796						34,796		55,228
Net profit for the year							22,168	22,168	62,994	85,162
Dividend paid							(52,435)	(52,435)		(52,435)
Dividend paid by subsidiaries									(12,317)	(12,317)
Minority interests relating to new subsidiaries									32,687	32,687
Movement in fair value of available-for-sale investments					(54,717)			(54,717)	(28,103)	(82,820)
Movement in deferred tax relating to available-for-sale investments				6,298				6,298	3,285	9,583
Movements in fair value of associated companies				166				166		166
Transfer to income statement due to disposal of available-for-sale investments					(8,140)			(8,140)	(27)	(8,167)
Foreign currency translation adjustment					(13,227)	(45,574)	134	(58,667)	(29,666)	(88,333)
Transfer to general reserve				39,352			(39,352)			
Transfer to statutory reserve			2,217				(2,217)			
Appropriation to Ithmaar Education and Training Fund							(2,569)	(2,569)		(2,569)
At 31 December 2008	527,956	209,541	38,090	107,679	(42,450)	(48,653)	131,746	395,953	225,442	1,149,351
At 1 January 2007	353,525	167,347	25,598	46,044	16,151	(4,144)	187,572	438,568	331,562	1,123,655
Issue of bonus shares	72,000	(72,000)						(72,000)		
Issue of new shares	111,625	312,550						312,550	(230,288)	193,887
Goodwill on acquisition of minority interest		(193,887)						(193,887)		(193,887)
Treasury shares purchased	(12,857)	(12,933)						(12,933)		(25,790)
Treasury shares sold	13,181	14,949						14,949		28,130
Net profit for the year							102,755	102,755	85,555	188,310
Dividend paid							(47,520)	(47,520)	(21,812)	(69,332)
Minority interests relating to new subsidiaries									13,954	13,954
Movement in fair value of available-for-sale investments					27,234			27,234	24,745	51,979
Movement in deferred tax relating to available-for-sale investments					(7,120)			(7,120)	(3,851)	(10,971)
Movements in fair value of associated companies					(2,603)			(2,603)		(2,603)
Available-for-sale investments sold					(5,587)			(5,587)	(2,662)	(8,249)
Foreign currency translation adjustment					(905)	1,065	(27)	133	(614)	(481)
Transfer to general reserve				22,283			(22,283)			
Transfer to statutory reserve			10,275				(10,275)			
Appropriation to Ithmaar Education and Training Fund							(4,205)	(4,205)		(4,205)
At 31 December 2007	537,474	216,026	35,873	68,327	27,170	(3,079)	206,017	550,334	196,589	1,284,397

CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in thousands of United States Dollars)

	Year ended 31 December	
	2008	2007
Cash flows from operating activities		
Profit before taxes and minority interests	94,440	208,316
Adjustments for:		
Share based payments	(5,321)	5,321
Depreciation and amortisation	29,061	20,542
Changes in fair value of investment properties	(111,772)	(36,033)
Share of profit of associated companies	(6,325)	(8,353)
Provision for impairment	52,875	7,599
Operating profit before changes in operating assets and liabilities	52,958	197,392
Decrease/(Increase) in due from banks and financial institutions	461	(14,273)
Increase in investments in financings	(151,326)	(254,492)
Increase in investment securities	(210,466)	(183,300)
Increase in accounts receivable	(59,881)	(35,928)
(Decrease)/increase in accounts payable, excluding taxes	(36,509)	80,186
Increase in customer accounts	974	142
Increase in due to banks and financial institutions	1,201,043	362,217
Taxes paid	(5,782)	(6,549)
Net cash provided by operating activities	791,472	145,395
Cash flows from investing activities		
Dividends from associated companies	1,523	1,169
Investments in associated companies	(435,533)	(52,158)
Sale of associated companies	-	17,042
Purchase of investment properties	(52,256)	(236,722)
Sale of investment properties	98,178	130,329
Purchase of property, plant and equipment	(11,539)	(105,699)
Sale of property, plant and equipment	2,722	-
Net cash used in investing activities	(396,905)	(246,039)
Cash flows from financing activities		
Other borrowings	286,834	123,239
Treasury shares purchased	(71,231)	(25,790)
Treasury shares sold	55,228	28,130
Dividends paid	(52,435)	(47,520)
Dividends paid to minority shareholders of subsidiaries	(12,317)	(21,812)
Net cash provided by financing activities	206,079	56,247
Foreign currency translation adjustments	65,471	(276)
Net increase/(decrease) in cash and cash equivalents	666,117	(44,673)
Cash and cash equivalents at beginning of year	575,304	619,977
Cash and cash equivalents at end of year	1,241,421	575,304

The above Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows have been extracted from the Consolidated Financial Statements of Ithmaar Bank B.S.C. for the year ended 31 December 2008, which were approved by the Board of Directors on 27 February 2009 and audited by PricewaterhouseCoopers, Kingdom of Bahrain.

Khalid Abdulla-Janahi
Chairman

Khalil Nooruddin
Director

Michael P. Lee
CEO and Director