

**INDEPENDENT REVIEW REPORT
TO THE SHAREHOLDERS OF ITHMAAR BANK B.S.C.**

Introduction

We have reviewed the accompanying interim consolidated condensed balance sheet of Ithmaar Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as of 30 June 2008 and the related interim consolidated condensed statement of income, interim consolidated condensed statement of changes in equity and the interim consolidated condensed statement of cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim consolidated condensed financial information based on our review

Scope of Review

We conducted our review in accordance with 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 consolidated condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".



11 August 2008
Manama, Kingdom of Bahrain

Ithmaar Bank B.S.C.
Interim consolidated condensed balance sheet
 (Expressed in thousands of United States Dollars unless otherwise stated)

| | At 30 June 2008 | At 31 December 2007 |
|---|---------------------|---------------------|
| Note | (Reviewed) | (Audited) |
| Assets | | |
| Cash and cash equivalents | 516,182 | 575,304 |
| Due from banks and financial institutions | 21,548 | 16,172 |
| Investments in financings | 2,020,180 | 1,882,028 |
| Investment securities | 635,459 | 638,579 |
| Investment properties | 249,404 | 213,067 |
| Accounts receivable | 105,394 | 101,856 |
| Investments in associates | 4 609,378 | 194,549 |
| Property, plant and equipment | 127,551 | 130,930 |
| Intangible assets | 319,669 | 326,304 |
| Total assets | 4,664,763 | 4,078,789 |
| Liabilities | | |
| Customer current accounts | 531,240 | 569,239 |
| Customer investment accounts | 1,451,190 | 1,366,904 |
| Due to banks | 610,891 | 394,025 |
| Other borrowings | 408,484 | 123,239 |
| Accounts payable | 263,870 | 269,438 |
| Current tax payable | 14,704 | 8,175 |
| Deferred tax liability | 52,464 | 60,372 |
| Total liabilities | 3,332,843 | 2,794,382 |
| Equity | | |
| Capital and reserves attributable to the Bank's equity holders | | |
| Share capital | 535,130 | 537,474 |
| Reserves | 539,053 | 560,334 |
| | 1,074,183 | 1,097,808 |
| Minority interests | 257,737 | 196,589 |
| Total equity | 1,331,920 | 1,284,397 |
| Total equity and liabilities | 4,664,763 | 4,078,789 |
| Funds under management | 10 2,216,477 | 1,723,814 |

This interim consolidated condensed financial information was approved for issue by the Board of Directors on 11 August 2008 and signed on its behalf by:


 Khalid Abdulla-Janahi
 Chairman


 Khalil Nooruddin
 Director


 Michael P. Lee
 CEO and Director


The notes on pages 9 to 20 form an integral part of this interim consolidated condensed financial information.

Ithmaar Bank S.S.C.
Interim consolidated condensed statement of income
 (Expressed in thousands of United States Dollars unless otherwise stated)

| | Note | Six months ended | |
|---|------|----------------------------|----------------------------|
| | | 30 June 2008 (Reviewed) | 30 June 2007 (Reviewed) |
| Income | | | |
| Income from short term deposits | | 20,742 | 15,462 |
| Income from investments in financings | | 91,348 | 97,792 |
| Fee and commission income | | 28,848 | 25,443 |
| Fund management and services | | 9,895 | 10,430 |
| Income from investments | 5 | 139,057 | 39,265 |
| Net trading income | | 1,453 | 3,489 |
| Other income | | 8,089 | 1,271 |
| | | 299,430 | 193,122 |
| Distribution to investment account holders | | (78,823) | (87,967) |
| Operating income | | 220,607 | 125,155 |
| Expenses | | | |
| Staff costs | | (42,281) | (25,965) |
| General and administrative expenses | | (31,055) | (18,747) |
| Depreciation and amortisation | | (12,267) | (9,670) |
| Exchange gain | | 4,017 | 309 |
| Total expenses | | (81,586) | (64,073) |
| Operating profit | | 139,021 | 71,082 |
| Share of profit of associated companies | | 11,053 | 5,974 |
| Profit before income taxes | | 150,074 | 77,056 |
| Taxes | | (8,204) | (11,113) |
| Profit after income taxes | | 141,870 | 65,943 |
| Attributable to: | | | |
| Equity holders of the Bank | | 80,557 | 38,867 |
| Minority interests | | 61,313 | 27,276 |
| | | 141,870 | 65,943 |
| Basic/diluted earnings per share | 9 | US cts 3.78 | US cts 2.28 |

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Itthmaar Bank B.S.C.
Interim consolidated condensed statement of income
 (Expressed in thousands of United States Dollars unless otherwise stated)

| | Three months ended | |
|---|---------------------------|---------------------|
| | 30 June 2008 | 30 June 2007 |
| | (Reviewed) | (Reviewed) |
| Income | | |
| Income from short term deposits | 9,898 | 8,201 |
| Income from investments in financings | 43,603 | 64,146 |
| Fee and commission income | 19,393 | 15,873 |
| Fund management and services | 6,081 | 5,082 |
| Income from investments | 77,280 | 17,931 |
| Net trading income | 1,702 | 1,766 |
| Other income | 5,576 | 240 |
| | 182,533 | 103,239 |
| Distribution to investment account holders | (39,877) | (38,212) |
| Operating income | 122,596 | 67,027 |
| Expenses | | |
| Staff costs | (21,779) | (13,641) |
| General and administrative expenses | (18,988) | (10,320) |
| Depreciation and amortisation | (8,089) | (5,047) |
| Exchange (loss)/gain | (1,630) | 553 |
| Total expenses | (46,494) | (28,455) |
| Operating profit | 76,082 | 38,572 |
| Share of profit of associated companies | 10,383 | 2,960 |
| Profit before income taxes | 86,445 | 41,532 |
| Taxes | (3,875) | (6,633) |
| Profit after income taxes | 82,570 | 34,899 |
| Attributable to: | | |
| Equity holders of the Bank | 46,544 | 20,522 |
| Minority interests | 34,026 | 14,377 |
| | 82,570 | 34,899 |
| Basic/diluted earnings per share | US cts 2.27 | US cts 1.21 |

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Ithmaar Bank B.S.C.
Interim consolidated condensed statement of changes in equity for the six month period ended 30 June 2007
(Expressed in thousands of United States Dollars unless otherwise stated)

| | Attributable to the Bank's equity holders | | | | | | | Total equity | | |
|--|---|----------------|-------------------|-----------------|--------------------|----------------------|-------------------|----------------|----------------|--------------------|
| | Share capital | Share premium | Statutory reserve | General reserve | Fair value reserve | Currency translation | Retained earnings | | Total reserves | Minority Interests |
| At 1 January 2007 (Audited) | 353,525 | 167,347 | 25,598 | 46,044 | 16,151 | (4,144) | 187,572 | 438,568 | 331,562 | 1,123,655 |
| Treasury shares acquired | (1,978) | | (2,268) | | | | | (2,268) | | (4,246) |
| Net profit for the period | | | | | | | 38,667 | 38,667 | 27,276 | 65,943 |
| Dividends paid (note 6) | | | | | | | (47,520) | (47,520) | | (47,520) |
| Dividends paid by subsidiaries | | | | | | | | | (21,811) | (21,811) |
| Transfer to general reserve | | | | 22,283 | | | (22,283) | | | |
| Movement in fair value of available-for-sale investments | | | | | 30,514 | | | 30,514 | 29,733 | 60,247 |
| Movement in deferred tax available-for-sale investments | | | | | (484) | | | (484) | (465) | (949) |
| Movement in fair value of associated companies | | | | | (173) | | | (173) | | (173) |
| Transfer to income statement due to disposal of available-for-sale investments | | | | | (471) | | | (471) | (410) | (881) |
| Foreign currency translation adjustment | | | | | | 260 | | 260 | 778 | 1,038 |
| At 30 June 2007 (Reviewed) | 351,547 | 167,347 | 23,330 | 68,327 | 45,537 | (3,884) | 156,436 | 457,093 | 366,663 | 1,175,303 |

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Ithmaar Bank B.S.C.
Interim consolidated condensed statement of changes in equity for the six month period ended 30 June 2008
 (Expressed in thousands of United States Dollars unless otherwise stated)

| | 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 (Audited) | 537,474 | 216,026 | 35,873 | 68,327 | 27,170 | (3,079) | 206,017 | 550,334 | 196,589 | 1,284,397 |
| Treasury shares acquired | (20,157) | (32,653) | | | | | | (32,653) | | (52,810) |
| Treasury shares sold | 17,813 | 30,014 | | | | | | 30,014 | | 47,827 |
| Net profit for the period | | | | | | | 80,557 | 80,557 | 61,313 | 141,870 |
| Dividends paid (note 6) | | | | | | | (52,435) | (52,435) | (12,317) | (64,752) |
| Transfer to general reserve | | | | 39,352 | | | (39,352) | | | |
| Movement in fair value of available-for-sale investments | | | | | (13,254) | | | (13,254) | (6,250) | (19,504) |
| Movement in deferred tax | | | | | | | | | | |
| available-for-sale investments | | | | | 1,694 | | | 1,694 | 883 | 2,577 |
| Minority interest relating to new subsidiaries | | | | | | | | | 26,448 | 26,448 |
| Movement in fair value of associated companies | | | | | | | | | | |
| Transfer to income statement due to disposal of available-for-sale investments | | | | | | | | | | |
| Appropriation to Ithmaar Education and Training Fund | | | | | | | (2,569) | (2,569) | (96) | (9,438) |
| Foreign currency translation adjustment | | | | | (5,795) | (7,683) | 134 | (13,344) | (8,833) | (22,177) |
| At 30 June 2008 (Reviewed) | 535,130 | 213,387 | 35,873 | 107,679 | 524 | (10,762) | 192,352 | 539,053 | 257,737 | 1,331,920 |

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