

INTERIM CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	At 30 June 2010 (Reviewed)	At 31 December 2009 (Restated)
ASSETS		
Cash, balances with banks and central bank	386,200	651,048
Commodity placements with banks, financial and other institutions	273,060	388,231
Murabaha and other financing	2,158,249	2,245,159
Investments:		
Sukuk	32,719	32,334
Mudaraba	41,843	99,614
Investment in associates	704,170	702,366
Investment securities	909,630	894,913
Restricted investment accounts	186,190	76,731
Assets acquired for leasing	18,516	15,052
Investment in real estate	431,770	416,964
Intangible assets	251,454	258,607
Other assets	222,833	219,327
Property and equipment	102,337	107,745
Total assets	5,718,971	6,108,091
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS, MINORITY INTEREST AND OWNERS' EQUITY		
Customers' current accounts	471,202	455,265
Due to banks, financial and other institutions	1,348,613	1,739,696
Due to investors	1,435,197	1,640,393
Other liabilities	215,190	350,170
Total liabilities	3,470,202	4,185,524
Unrestricted investment accounts	1,235,644	983,011
Minority interest	223,771	225,964
Total liabilities, unrestricted investment accounts and minority interest	4,929,617	5,394,499
Share capital	669,441	568,832
Reserves	119,913	144,760
Total owners' equity	789,354	713,592
Total liabilities, unrestricted investment accounts, minority interest and owners' equity	5,718,971	6,108,091

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	Share capital	Reserves						Total reserves	Total owners' equity
		Share premium	Statutory reserve	General reserve	Investments fair value reserve	Foreign currency translation	Retained earnings/(Accumulated losses)		
At 1 January 2010 (Restated)	568,832	161,132	38,090	54,616	10,665	(224)	(119,519)	144,760	713,592
Increase in share capital	103,025	-	-	-	-	-	-	103,025	103,025
Costs related to rights issue	-	(10,000)	-	-	-	-	-	(10,000)	(10,000)
Treasury shares purchased	(2,961)	682	-	-	-	-	-	682	(2,279)
Treasury shares sold	545	(112)	-	-	-	-	-	(112)	433
Net income for the period	-	-	-	-	-	4,595	4,595	4,595	4,595
Movement in fair value of available-for-sale investments	-	-	-	-	(3,863)	-	-	(3,863)	(3,863)
Movement in deferred tax relating to available-for-sale investments	-	-	-	-	1,076	-	-	1,076	1,076
Transfer to income statement due to disposal of available-for-sale investments	-	-	-	-	(13,230)	-	-	(13,230)	(13,230)
Foreign currency translation adjustment	-	-	-	-	(129)	(3,866)	-	(3,995)	(3,995)
At 30 June 2010 (Reviewed)	669,441	151,702	38,090	54,616	(5,481)	(4,090)	(114,924)	119,913	789,354
At 1 January 2009 (Restated)	527,956	209,541	38,090	107,679	(42,450)	905	82,188	395,953	923,909
Issue of bonus shares	54,362	(54,362)	-	-	-	-	-	(54,362)	-
Treasury shares purchased	(15,598)	5,580	-	-	-	-	-	5,580	(10,018)
Treasury shares sold	4,896	74	-	-	-	-	-	74	4,970
Net loss for the period	-	-	-	-	-	-	(47,635)	(47,635)	(47,635)
Movement in fair value of available-for-sale investments	-	-	-	-	(12,741)	-	-	(12,741)	(12,741)
Movement in deferred tax relating to available-for-sale investments	-	-	-	-	(1,447)	-	-	(1,447)	(1,447)
Movements in fair value reserve of associated companies	-	-	-	-	153	-	-	153	153
Transfer to income statement due to disposal of available-for-sale investments	-	-	-	-	(558)	-	-	(558)	(558)
Foreign currency translation adjustment	-	-	-	-	(32)	(4,486)	(684)	(5,202)	(5,202)
Transfer to general reserve	-	-	-	43,148	-	-	(43,148)	-	-
Appropriation to Ithmaar Education and Training Fund	-	-	-	-	-	-	(554)	(554)	(554)
At 30 June 2009 (Restated)	571,616	160,833	38,090	150,827	(57,075)	(3,581)	(9,833)	279,261	850,877

The above Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Statement of Income, Interim Condensed Consolidated Statement of Changes in Owners' Equity and Interim Condensed Consolidated Statement of Cash Flows have been extracted from the Interim Condensed Consolidated Financial Statements of Ithmaar Bank B.S.C. for the period ended 30 June 2010, which were approved for issue by the Board of Directors on 12 August 2010 and reviewed by PricewaterhouseCoopers, Kingdom of Bahrain.

HRH Prince Amr Mohamed Al Faisal
Chairman

Mohammed Bucheerei
CEO and Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	Six months ended		Three months ended	
	30 June 2010 (Reviewed)	30 June 2009 (Restated)	30 June 2010 (Reviewed)	30 June 2009 (Restated)
INCOME				
Income from unrestricted investment accounts	26,662	26,551	13,387	13,549
Less: return to unrestricted investment accounts and provisions	(23,890)	(19,366)	(11,830)	(9,884)
Group's share of income from unrestricted investment accounts as a Mudarib	2,772	7,185	1,557	3,665
Group's share of income from restricted investment accounts as a Mudarib	3,631	3,446	1,953	775
Total income from investment accounts (funds under management)	6,403	10,631	3,510	4,440
Income from financing and investments*	79,838	47,914	33,356	25,553
Other income	22,626	17,146	18,043	10,507
Total income	108,867	75,691	54,909	40,500
EXPENSES				
Administrative and general expenses	(59,023)	(59,174)	(30,589)	(34,376)
Depreciation and amortisation	(14,909)	(15,003)	(7,427)	(7,948)
Exchange loss	(1,700)	(12,251)	(5,799)	(1,629)
Total expenses	(75,632)	(86,428)	(43,815)	(43,953)
Net income/(loss) before provision for impairment and overseas taxation	33,235	(10,737)	11,094	(3,453)
Provision for impairment	(28,174)	(33,748)	(20,137)	(29,551)
Net income/(loss) before overseas taxation	5,061	(44,485)	(9,043)	(33,004)
Overseas taxation	3,280	(5,094)	7,144	(3,444)
NET INCOME/(LOSS) FOR THE PERIOD	8,341	(49,579)	(1,899)	(36,448)
Attributable to:				
Equity holders of the Bank	4,595	(47,635)	332	(35,488)
Minority interests	3,746	(1,944)	(2,231)	(960)
	8,341	(49,579)	(1,899)	(36,448)
Basic and diluted earnings per share	US cts 0.19	US cts (2.18)	US cts 0.01	US cts (1.63)

* Income from financing and investments include a gain of \$24.1 million on sale of investment to a related party.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	Six months ended	
	30 June 2010 (Reviewed)	30 June 2009 (Restated)
OPERATING ACTIVITIES		
Net income/(loss) for the period before overseas taxation and minority interest	8,341	(49,579)
Adjustments for:		
Taxation	(3,280)	5,094
Depreciation	4,189	5,294
Amortisation of intangible assets	10,720	9,709
Income from associated companies	(19,520)	(16,953)
Provision for impairment	28,174	33,748
Operating profit/(loss) before changes in operating assets and liabilities	28,624	(12,687)
Balances with banks maturing after ninety days and with central bank relating to minimum reserve requirement	303,421	(55,073)
Murabaha and other financing	75,217	(360,500)
Other assets	(5,076)	(5,016)
Customers' current accounts	15,937	(71,997)
Due to banks and financial institutions	(466,231)	550,053
Due to investors	(205,696)	105,953
Other liabilities	(141,700)	(16,266)
Unrestricted investment accounts	252,633	11,221
Net cash (used in)/provided by operating activities	(142,871)	145,688
INVESTING ACTIVITIES		
Net change in:		
Mudaraba	57,771	14,271
Sukuk	(385)	25,159
Investment in restricted investment accounts	(33,811)	357
Assets acquired for leasing	(3,464)	1,615
Investment securities	(47,175)	(127,074)
Dividend received from associates	15,766	11,237
Purchase of property and equipment	(2,014)	14,971
Investment in real estate	(18,078)	(30,331)
Net cash used in investing activities	(31,390)	(89,795)
FINANCING ACTIVITIES		
Treasury shares purchased	(2,279)	(10,018)
Treasury shares sold	433	4,970
Share capital	103,025	-
Net cash provided by/(used in) financing activities	101,179	(5,048)
Foreign currency translation adjustments	(3,515)	(5,873)
Net (decrease)/increase in cash and cash equivalents	(76,597)	44,972
Cash and cash equivalents at the beginning of the period	620,191	1,022,318
Cash and cash equivalents at the end of the period	543,594	1,067,290