

# INTERIM CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	At 30 September 2010 (Reviewed)	At 31 December 2009 (Audited and Restated)
<b>ASSETS</b>		
Cash, balances with banks and central bank	346,001	651,048
Commodity placements with banks, financial and other institutions	218,846	388,231
Murabaha and other financing	2,104,305	2,189,501
Investments:		
Sukuk	32,354	32,334
Mudaraba	26,907	24,296
Investment in associates	715,791	702,366
Investment securities	766,799	936,004
Restricted investment accounts	224,076	110,958
Assets acquired for leasing	76,223	70,710
Investment in real estate	423,521	416,964
Intangible assets	247,931	258,607
Other assets	246,947	219,327
Property and equipment	103,566	107,745
<b>Total assets</b>	<b>5,533,267</b>	<b>6,108,091</b>
<b>LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS, MINORITY INTEREST AND OWNERS' EQUITY</b>		
Customers' current accounts	471,911	455,265
Due to banks, financial and other institutions	1,106,717	1,739,696
Due to investors	1,377,567	1,640,393
Other liabilities	208,763	350,170
<b>Total liabilities</b>	<b>3,164,958</b>	<b>4,185,524</b>
Unrestricted investment accounts	1,350,100	983,011
Minority interest	222,000	225,964
<b>Total liabilities, unrestricted investment accounts and minority interest</b>	<b>4,737,058</b>	<b>5,394,499</b>
Share capital	669,441	568,832
Reserves	126,768	144,760
<b>Total owners' equity</b>	<b>796,209</b>	<b>713,592</b>
<b>Total liabilities, unrestricted investment accounts, minority interest and owners' equity</b>	<b>5,533,267</b>	<b>6,108,091</b>

## 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 owners' equity
		Share premium	Statutory reserve	General reserve	Investments fair value reserve	Foreign currency translation	Retained earnings/(Accumulated losses)	Total reserves	
At 1 January 2010 (Audited and 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
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	-	-	-	-	-	-	11,109	11,109	11,109
Movement in fair value of available-for-sale investments	-	-	-	-	(1,124)	-	-	(1,124)	(1,124)
Disposal of subsidiaries	-	-	-	(4,797)	(1,082)	-	-	(5,879)	(5,879)
Movement in deferred tax relating to available-for-sale investments	-	-	-	-	2,016	-	-	2,016	2,016
Transfer to income statement due to disposal of available-for-sale investments	-	-	-	-	(13,255)	-	-	(13,255)	(13,255)
Foreign currency translation adjustment	-	-	-	-	(197)	1,526	(2,758)	(1,429)	(1,429)
Transfer from general reserve	-	-	-	(4,391)	-	-	4,391	-	-
<b>At 30 September 2010 (Reviewed)</b>	<b>669,441</b>	<b>151,702</b>	<b>38,090</b>	<b>45,428</b>	<b>(2,977)</b>	<b>1,302</b>	<b>(106,777)</b>	<b>126,768</b>	<b>796,209</b>
At 1 January 2009 (Audited and 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	(16,545)	5,665	-	-	-	-	-	5,665	(10,880)
Treasury shares sold	5,532	34	-	-	-	-	-	34	5,566
Net loss for the period	-	-	-	-	-	-	(80,262)	(80,262)	(80,262)
Movement in fair value of available-for-sale investments	-	-	-	-	(6,010)	-	-	(6,010)	(6,010)
Movement in deferred tax relating to available-for-sale investments	-	-	-	-	(2,067)	-	-	(2,067)	(2,067)
Movements in fair value reserve of associated companies	-	-	-	-	148	-	-	148	148
Transfer to income statement due to disposal of available-for-sale investments	-	-	-	-	(399)	-	-	(399)	(399)
Foreign currency translation adjustment	-	-	-	-	(57)	(3,098)	(617)	(3,772)	(3,772)
Transfer to general reserve	-	-	-	43,148	-	-	(43,148)	-	-
Appropriation to Ithmaar Education and Training Fund	-	-	-	-	-	-	(554)	(554)	(554)
<b>At 30 September 2009 (Reviewed and Restated)</b>	<b>571,305</b>	<b>160,878</b>	<b>38,090</b>	<b>150,827</b>	<b>(50,835)</b>	<b>(2,193)</b>	<b>(42,393)</b>	<b>254,374</b>	<b>825,679</b>

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 Information of Ithmaar Bank B.S.C. for the nine month period ended 30 September 2010, which were approved for issue by the Board of Directors on 13 November 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)

	Nine months ended 30 September 2010 (Reviewed)	30 September 2009 (Reviewed and Restated)	Three months ended 30 September 2010 (Reviewed)	30 September 2009 (Reviewed and Restated)
<b>INCOME</b>				
Income from unrestricted investment accounts	43,886	39,252	17,224	12,701
Less: return to unrestricted investment accounts and provisions	(39,716)	(33,130)	(15,826)	(13,764)
<b>Group's share of income from unrestricted investment accounts as a Mudarib</b>	<b>4,170</b>	<b>6,122</b>	<b>1,398</b>	<b>(1,063)</b>
Group's share of income from restricted investment accounts as a Mudarib	4,161	5,146	530	1,700
<b>Total income from investment accounts (funds under management)</b>	<b>8,331</b>	<b>11,268</b>	<b>1,928</b>	<b>637</b>
Income from financing and investments	96,278	71,576	16,440	23,662
Other income	35,631	27,594	13,005	10,448
<b>Total income</b>	<b>140,240</b>	<b>110,438</b>	<b>31,373</b>	<b>34,747</b>
<b>EXPENSES</b>				
Administrative and general expenses	(84,071)	(88,507)	(25,048)	(29,333)
Depreciation and amortisation	(22,243)	(26,331)	(7,334)	(11,328)
Exchange gain/(loss)	2,986	(16,008)	4,686	(3,757)
<b>Total expenses</b>	<b>(103,328)</b>	<b>(130,846)</b>	<b>(27,696)</b>	<b>(44,418)</b>
<b>Net income/(loss) before provision for impairment and overseas taxation</b>	<b>36,912</b>	<b>(20,408)</b>	<b>3,677</b>	<b>(9,671)</b>
Provision for impairment (net)	(29,377)	(53,122)	(1,203)	(19,374)
<b>Net income/(loss) before overseas taxation</b>	<b>7,535</b>	<b>(73,530)</b>	<b>2,474</b>	<b>(29,045)</b>
Overseas taxation	5,861	(9,098)	2,581	(4,004)
<b>NET INCOME/(LOSS) FOR THE PERIOD*</b>	<b>13,396</b>	<b>(82,628)</b>	<b>5,055</b>	<b>(33,049)</b>
Attributable to:				
Equity holders of the Bank	11,109	(80,262)	6,514	(32,627)
Minority interests	2,287	(2,366)	(1,459)	(422)
	<b>13,396</b>	<b>(82,628)</b>	<b>5,055</b>	<b>(33,049)</b>
<b>Basic and diluted earnings per share</b>	<b>US cts 0.44</b>	<b>US cts (3.67)</b>	<b>US cts 0.24</b>	<b>US cts (1.50)</b>

\* Net income for the nine months ended 30 September 2010 includes \$53.5 million which represents profits arising from the sale of certain assets to a related party

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Nine months ended	
	30 September 2010 (Reviewed)	30 September 2009 (Reviewed and Restated)
<b>OPERATING ACTIVITIES</b>		
Net income/(loss) for the period	13,396	(82,628)
Adjustments for:		
Taxation	(5,861)	9,098
Depreciation	6,168	11,467
Amortisation of intangible assets	16,075	14,864
Income from associated companies	(22,192)	(20,321)
Recycling of investments fair value reserve	(16,983)	-
Provision for impairment	29,377	53,122
<b>Operating profit/(loss) before changes in operating assets and liabilities</b>	<b>19,980</b>	<b>(14,398)</b>
Balances with banks maturing after ninety days and with central bank relating to minimum reserve requirement	378,519	265,153
Murabaha and other financing	69,810	(166,350)
Other assets	(45,842)	(47,315)
Customers' current accounts	16,646	(68,093)
Due to banks, financial and other institutions	(708,127)	(64,662)
Due to investors	(263,326)	162,120
Other liabilities	(124,127)	10,477
Unrestricted investment accounts	367,089	48,032
Taxes paid	(21,419)	(38,220)
<b>Net cash (used in)/provided by operating activities</b>	<b>(310,797)</b>	<b>86,744</b>
<b>INVESTING ACTIVITIES</b>		
Net change in:		
Mudaraba	(2,611)	52,348
Sukuk	(901)	(50)
Investment in restricted investment accounts	(5,107)	8,304
Assets acquired for leasing	(5,513)	(2,156)
Investment securities	140,858	(220,994)
Investment in associates	-	(84,406)
Dividend received from associates	15,766	11,237
Purchase of property and equipment	(2,919)	(2,000)
Investment in real estate	(19,130)	(33,121)
<b>Net cash provided by/(used in) investing activities</b>	<b>120,443</b>	<b>(270,838)</b>
<b>FINANCING ACTIVITIES</b>		
Treasury shares purchased	(2,279)	(10,879)
Treasury shares sold	433	5,564
Share capital	103,025	-
<b>Net cash provided by/(used in) financing activities</b>	<b>101,179</b>	<b>(5,315)</b>
Foreign currency translation adjustments	(6,738)	5,207
<b>Net decrease in cash and cash equivalents</b>	<b>(95,913)</b>	<b>(184,202)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>620,191</b>	<b>1,022,318</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>524,278</b>	<b>838,116</b>