

# CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

At 31 December		
	2010 (Audited)	2009 (Restated)
<b>ASSETS</b>		
Cash, balances with banks and central banks	732,683	651,048
Commodity placements with banks, financial and other institutions	176,408	388,231
Murabaha and other financing	2,530,094	2,189,501
Investments:		
Sukuk	50,156	32,334
Mudaraba	26,911	24,296
Investment in associates	664,988	706,706
Investment securities	1,190,680	931,664
Restricted investment accounts	204,278	110,958
Assets acquired for leasing	70,536	70,710
Investment in real estate	389,592	416,964
Other assets	287,271	217,170
Fixed assets	145,382	107,745
Intangible assets	274,590	258,607
<b>Total assets</b>	<b>6,743,569</b>	<b>6,105,934</b>
<b>LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS, MINORITY INTEREST AND OWNERS' EQUITY</b>		
Customers' current accounts	684,162	455,265
Due to banks, financial and other institutions	1,714,025	1,830,554
Due to investors	1,970,795	1,640,393
Other liabilities	288,516	259,312
<b>Total liabilities</b>	<b>4,657,498</b>	<b>4,185,524</b>
Equity of unrestricted investment account holders	1,195,963	983,011
Minority interest	236,092	225,964
<b>Total liabilities, equity of unrestricted investment account holders and minority interest</b>	<b>6,089,553</b>	<b>5,394,499</b>
Share capital	671,254	568,832
Reserves	(17,238)	142,603
<b>Total owners' equity</b>	<b>654,016</b>	<b>711,435</b>
<b>Total liabilities, equity of unrestricted investment account holders, minority interest and owners' equity</b>	<b>6,743,569</b>	<b>6,105,934</b>

## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

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

	Share capital	Share premium	Statutory reserve	Reserves					Total reserves	Total owners' equity
				General reserve	Investments fair value reserve	Investment property fair value reserve	Foreign currency translation	Accumulated losses		
At 1 January 2010	568,832	161,132	38,090	150,827	1,989	-	59	(209,494)	142,603	711,435
Reorganisation adjustments	-	-	-	(96,211)	8,676	-	(283)	87,818	-	-
At 1 January 2010 (Restated)	568,832	161,132	38,090	54,616	10,665	-	(224)	(121,676)	142,603	711,435
Increase in share capital	103,025	-	-	-	-	-	-	-	-	103,025
Costs related to rights issue	-	(10,000)	-	-	-	-	-	-	(10,000)	(10,000)
Treasury shares purchased	(2,961)	725	-	-	-	-	-	725	(2,236)	(1,511)
Treasury shares sold	2,358	(1,890)	-	-	-	-	-	(1,890)	468	468
Net loss for the year	-	-	-	-	-	-	-	(150,149)	(150,149)	(150,149)
Movement in fair value of available-for-sale investments	-	-	-	-	(173)	-	-	-	(173)	(173)
Disposal of subsidiaries	-	-	-	501	-	-	-	3,169	3,670	3,670
Movement in deferred tax relating to available-for-sale investments	-	-	-	-	(944)	-	-	-	(944)	(944)
Transfer to income statement due to impairment of investment securities	-	-	-	-	4,889	-	-	-	4,889	4,889
Transfer to income statement due to disposal of available-for-sale investments	-	-	-	-	(14,124)	-	-	-	(14,124)	(14,124)
Movement in fair value of investment property	-	-	-	-	-	1,015	-	-	1,015	1,015
Foreign currency translation adjustment	-	-	-	-	(170)	-	9,830	(2,520)	7,140	7,140
Transfer from general reserve	-	-	-	(4,391)	-	-	-	4,391	-	-
<b>At 31 December 2010</b>	<b>671,254</b>	<b>149,967</b>	<b>38,090</b>	<b>50,726</b>	<b>143</b>	<b>1,015</b>	<b>9,606</b>	<b>(266,785)</b>	<b>(17,238)</b>	<b>654,016</b>

	Share capital	Share premium	Statutory reserve	Reserves					Total reserves	Total owners' equity
				General reserve	Investments fair value reserve	Foreign currency translation	Retained earnings/(Accumulated losses)			
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	(19,322)	5,973	-	-	-	-	-	5,973	(13,349)	
Treasury shares sold	5,836	(20)	-	-	-	-	-	(20)	5,816	
Net loss for the year	-	-	-	-	-	-	-	(247,415)	(247,415)	
Movement in fair value of available-for-sale investments	-	-	-	-	4,723	-	-	4,723	4,723	
Movement in deferred tax relating to available-for-sale investments	-	-	-	-	(1,184)	-	-	(1,184)	(1,184)	
Movement in fair value due to impairment of investment securities	-	-	-	-	42,925	-	-	42,925	42,925	
Movements in fair value reserve of associated companies	-	-	-	-	147	-	-	147	147	
Transfer to income statement due to disposal of available-for-sale investments	-	-	-	-	(2,099)	-	-	(2,099)	(2,099)	
Foreign currency translation adjustment	-	-	-	-	(73)	(846)	-	(565)	(1,484)	
Transfer to general reserve	-	-	-	43,148	-	-	-	(43,148)	-	
Appropriation to Ithmaar Education and Training Fund	-	-	-	-	-	-	(554)	(554)	(554)	
<b>At 31 December 2009 (Restated)</b>	<b>568,832</b>	<b>161,132</b>	<b>38,090</b>	<b>150,827</b>	<b>1,989</b>	<b>59</b>	<b>(209,494)</b>	<b>142,603</b>	<b>711,435</b>	

The above Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Changes in Owners' 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 2010, which were approved for issue by the Board of Directors on 5 March 2011 and audited by PricewaterhouseCoopers, Kingdom of Bahrain.

HRH Prince Amr Mohamed Al Faisal  
Chairman

Mohammed Bucherei  
CEO and Director

## CONSOLIDATED INCOME STATEMENT

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

Year ended 31 December		
	2010 (Audited)	2009 (Restated)
<b>INCOME</b>		
Income from unrestricted investment accounts	61,546	48,835
Less: return to unrestricted investment accounts and provisions	(56,395)	(44,796)
<b>Group's share of income from unrestricted investment accounts as a Mudarib</b>	<b>5,151</b>	<b>4,039</b>
Group's share of income from restricted investment accounts as a Mudarib	4,618	6,768
<b>Total income from investment accounts (funds under management)</b>	<b>9,769</b>	<b>10,807</b>
Income from financing and investments	102,717	88,851
Income from related party transactions	28,040	7,706
Gain arising on acquisition of a business (net)	19,737	-
Other income	54,927	4,672
<b>Total income</b>	<b>215,190</b>	<b>112,036</b>
<b>EXPENSES</b>		
Administrative and general expenses	(130,994)	(122,031)
Depreciation and amortization	(32,763)	(34,046)
<b>Total expenses</b>	<b>(163,757)</b>	<b>(156,077)</b>
<b>Net income/(loss) before provision for impairment and overseas taxation</b>	<b>51,433</b>	<b>(44,041)</b>
Provision for impairment	(226,809)	(206,905)
Provision write back on related party transaction	29,423	-
Provision for impairment - net	(197,386)	(206,905)
<b>Net loss before overseas taxation</b>	<b>(145,953)</b>	<b>(250,946)</b>
Overseas taxation	6,341	(562)
<b>NET LOSS FOR THE YEAR</b>	<b>(139,612)</b>	<b>(251,508)</b>
Attributable to:		
Equity holders of the Bank	(150,149)	(247,415)
Minority interests	10,537	(4,093)
	<b>(139,612)</b>	<b>(251,508)</b>
<b>Basic and diluted earnings per share</b>	<b>US cts (5.88)</b>	<b>US cts (11.31)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

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

Year ended 31 December		
	2010 (Audited)	2009 (Restated)
<b>OPERATING ACTIVITIES</b>		
Net loss before overseas taxation	(145,953)	(250,946)
Adjustments for:		
Depreciation and amortisation	32,763	34,046
Gain arising on acquisition of a business	(19,737)	-
Income from associated companies	(27,583)	(27,072)
Provision for impairment	197,386	206,904
<b>Operating profit/(loss) before changes in operating assets and liabilities</b>	<b>36,876</b>	<b>(37,068)</b>
Balances with banks maturing after ninety days and with central bank relating to minimum reserve requirement	14,498	153,417
(Increase)/decrease in operating assets		
Murabaha and other financing	(344,933)	44,184
Other assets	(95,155)	(98,221)
Increase/(decrease) in operating liabilities		
Customers' current accounts	228,897	(15,337)
Due to banks, financial and other institutions	(116,529)	(101,017)
Due to investors	330,402	171,879
Other liabilities	10,145	(91,947)
Increase in equity of unrestricted investment account holders	212,952	299,709
Taxes paid	(28,343)	(45,836)
<b>Net cash provided by operating activities</b>	<b>248,810</b>	<b>279,763</b>
<b>INVESTING ACTIVITIES</b>		
Net (increase)/decrease		
Mudaraba	(2,615)	84,848
Sukuk	(18,703)	(7,175)
Investment in restricted investment accounts	(78,103)	(48,000)
Assets acquired for leasing	174	(49,321)
Investment securities	(321,594)	(343,548)
Investment in associates	-	(83,404)
Dividend received from associates	15,766	12,966
Purchase of fixed assets	(48,197)	(3,786)
Investment in real estate	(20,389)	(41,644)
<b>Net cash used in investing activities</b>	<b>(473,661)</b>	<b>(479,064)</b>
<b>FINANCING ACTIVITIES</b>		
Treasury shares purchased	(2,236)	(13,349)
Treasury shares sold	468	5,816
Share capital	103,025	-
<b>Net cash provided by/(used in) financing activities</b>	<b>101,257</b>	<b>(7,533)</b>
Foreign currency translation adjustments	7,904	2,732
<b>Net decrease in cash and cash equivalents</b>	<b>(115,690)</b>	<b>(204,102)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>818,216</b>	<b>1,022,318</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>702,526</b>	<b>818,216</b>