

# CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

|   | At 31 December    |                              |
|---|-------------------|------------------------------|
|   | 2011<br>(Audited) | 2010<br>(Audited & Restated) |
| <b>ASSETS</b>   |                   |                              |
| Cash, balances with banks and central banks   | 378,701           | 373,970                      |
| Commodity placements with banks, financial and other institutions   | 504,213           | 535,121                      |
| Murabaha and other financings   | 2,733,024         | 2,515,480                    |
| Musharaka financing   | 42,518            | 14,614                       |
| Investments:  |                   |                              |
| Mudaraba  | 23,493            | 26,911                       |
| Investment in associates  | 650,156           | 664,988                      |
| Investment securities   | 1,224,386         | 1,247,441                    |
| Restricted investment accounts  | 199,117           | 204,278                      |
| Assets acquired for leasing   | 59,421            | 70,536                       |
| Investment in real estate   | 390,174           | 389,592                      |
| Other assets  | 303,950           | 284,564                      |
| Fixed assets  | 132,408           | 145,382                      |
| Intangible assets   | 257,859           | 274,590                      |
| <b>Total assets</b>   | <b>6,899,420</b>  | <b>6,747,467</b>             |
| <b>LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS, MINORITY INTEREST AND OWNERS' EQUITY</b>       |                   |                              |
| Customers' current accounts   | 792,077           | 684,162                      |
| Due to banks, financial and other institutions  | 1,617,321         | 1,714,025                    |
| Due to investors  | 1,930,445         | 1,970,795                    |
| Other liabilities   | 273,434           | 288,516                      |
| <b>Total liabilities</b>  | <b>4,613,277</b>  | <b>4,657,498</b>             |
| Equity of unrestricted investment account holders   | 1,476,633         | 1,195,963                    |
| Minority interest   | 232,682           | 237,428                      |
| <b>Total liabilities, equity of unrestricted investment account holders and minority interest</b>                 | <b>6,322,592</b>  | <b>6,090,889</b>             |
| Share capital   | 670,863           | 671,254                      |
| Reserves  | (94,035)          | (14,676)                     |
| <b>Total owners' equity</b>   | <b>576,828</b>    | <b>656,578</b>               |
| <b>Total liabilities, equity of unrestricted investment account holders, minority interest and owners' equity</b> | <b>6,899,420</b>  | <b>6,747,467</b>             |

## CONSOLIDATED INCOME STATEMENT

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

|   | Year ended 31 December |                              |
|---|------------------------|------------------------------|
|   | 2011<br>(Audited)      | 2010<br>(Audited & Restated) |
| <b>INCOME</b>   |                        |                              |
| Income from unrestricted investment accounts                                      | 67,926                 | 61,546                       |
| Less: return to unrestricted investment accounts and provisions                   | (65,018)               | (56,395)                     |
| <b>Group's share of income from unrestricted investment accounts as a Mudarib</b> | <b>2,908</b>           | <b>5,151</b>                 |
| Group's share of income from restricted investment accounts as a Mudarib          | 2,814                  | 4,618                        |
| Income from murabaha and other financings   | 259,156                | 184,001                      |
| Income from investments   | 138,002                | 159,578                      |
| Gain arising on acquisition of a business (net)                                   | -                      | 38,748                       |
| Other income  | 48,149                 | 46,333                       |
| <b>Total income</b>   | <b>451,029</b>         | <b>438,429</b>               |
| Less: profit paid to banks, financial and other institutions - net                | (276,152)              | (212,822)                    |
| <b>Operating income</b>   | <b>174,877</b>         | <b>225,607</b>               |
| <b>EXPENSES</b>   |                        |                              |
| Administrative and general expenses   | (168,407)              | (129,807)                    |
| Depreciation and amortization   | (44,438)               | (32,763)                     |
| <b>Total expenses</b>   | <b>(212,845)</b>       | <b>(162,570)</b>             |
| <b>Net income/(loss) before provision for impairment and overseas taxation</b>    | <b>(37,968)</b>        | <b>63,037</b>                |
| Provision for impairment - net  | (21,836)               | (209,386)                    |
| <b>Net loss before overseas taxation</b>  | <b>(59,804)</b>        | <b>(146,349)</b>             |
| Overseas taxation   | (2,102)                | 6,341                        |
| <b>NET LOSS FOR THE YEAR</b>  | <b>(61,906)</b>        | <b>(140,008)</b>             |
| Attributable to:  |                        |                              |
| Equity holders of the Bank  | (62,886)               | (150,409)                    |
| Minority interests  | 980                    | 10,401                       |
|   | (61,906)               | (140,008)                    |
| <b>Basic and diluted earnings per share</b>                                       | <b>US cts (2.31)</b>   | <b>US cts (5.89)</b>         |

## 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 | Investment in real estate fair value reserve | Foreign currency translation | Accumulated losses |                 |                      |
| At 1 January 2011 (Audited & Restated)                                  | 671,254        | 149,967        | 38,090            | 50,726          | 2,964                          | 1,015  | 9,606                        | (267,044)          | (14,676)        | 656,578              |
| Treasury shares purchased   | (391)          | (276)          | -                 | -               | -                              | -  | -                            | (276)              | (276)           | (667)                |
| Net loss for the year   | -              | -              | -                 | -               | -                              | -  | -                            | (62,886)           | (62,886)        | (62,886)             |
| Movement in fair value of investment securities                         | -              | -              | -                 | -               | (8,926)                        | -  | -                            | -                  | (8,926)         | (8,926)              |
| Movement in fair value of associates                                    | -              | -              | -                 | -               | (8,239)                        | -  | -                            | -                  | (8,239)         | (8,239)              |
| Movement in deferred tax relating to investment securities              | -              | -              | -                 | -               | 2,753                          | -  | -                            | -                  | 2,753           | 2,753                |
| Transfer to income statement due to impairment of investment securities | -              | -              | -                 | -               | 2,199                          | -  | -                            | -                  | 2,199           | 2,199                |
| Transfer to income statement due to disposal of investment securities   | -              | -              | -                 | -               | (2,093)                        | -  | -                            | -                  | (2,093)         | (2,093)              |
| Movement in fair value of investment in real estate                     | -              | -              | -                 | -               | (68)                           | -  | -                            | (68)               | (68)            | (68)                 |
| Foreign currency translation adjustment                                 | -              | -              | -                 | -               | 133                            | (1,443)                                      | -                            | (513)              | (1,823)         | (1,823)              |
| <b>At 31 December 2011</b>  | <b>670,863</b> | <b>149,691</b> | <b>38,090</b>     | <b>50,726</b>   | <b>(11,209)</b>                | <b>947</b>                                   | <b>8,163</b>                 | <b>(330,443)</b>   | <b>(94,035)</b> | <b>576,828</b>       |
| 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             | -               | -                    |
| Adjustments resulting from adoption of FAS 25                           | -              | -              | -                 | -               | 1,357                          | -  | -                            | -                  | 1,357           | 1,357                |
| At 1 January 2010 (Audited & Restated)                                  | 568,832        | 161,132        | 38,090            | 54,616          | 12,022                         | -  | (224)                        | (12,676)           | 143,960         | 712,792              |
| Increase in share capital   | 103,025        | -              | -                 | -               | -                              | -  | -                            | -                  | 103,025         | 103,025              |
| Costs related to rights issue   | (10,000)       | -              | -                 | -               | -                              | -  | -                            | (10,000)           | (10,000)        | (10,000)             |
| Treasury shares purchased   | (2,961)        | 725            | -                 | -               | -                              | -  | -                            | 725                | (2,236)         | (2,236)              |
| Treasury shares sold  | 2,358          | (1,890)        | -                 | -               | -                              | -  | -                            | (1,890)            | 468             | 468                  |
| Net loss for the year   | -              | -              | -                 | -               | -                              | -  | -                            | (150,409)          | (150,409)       | (150,409)            |
| Movement in fair value of investment securities                         | -              | -              | -                 | -               | 3,869                          | -  | -                            | 3,869              | 3,869           | 3,869                |
| Disposal of subsidiaries  | -              | -              | -                 | 501             | -                              | -  | -                            | 3,169              | 3,670           | 3,670                |
| Movement in fair value of associates                                    | -              | -              | -                 | (2,578)         | -                              | -  | -                            | (2,578)            | (2,578)         | (2,578)              |
| Movement in deferred tax relating to investment securities              | -              | -              | -                 | (944)           | -                              | -  | -                            | (944)              | (944)           | (944)                |
| Transfer to income statement due to impairment of investment securities | -              | -              | -                 | -               | 4,889                          | -  | -                            | 4,889              | 4,889           | 4,889                |
| Transfer to income statement due to disposal of investment securities   | -              | -              | -                 | (14,124)        | -                              | -  | -                            | (14,124)           | (14,124)        | (14,124)             |
| Movement in fair value of investment in real estate                     | -              | -              | -                 | -               | 1,015                          | -  | -                            | 1,015              | 1,015           | 1,015                |
| Foreign currency translation adjustment                                 | -              | -              | -                 | (170)           | -                              | 9,830  | -                            | (2,519)            | 7,141           | 7,141                |
| 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>2,964</b>                   | <b>1,015</b>                                 | <b>9,606</b>                 | <b>(267,044)</b>   | <b>(14,676)</b> | <b>656,578</b>       |

## CONSOLIDATED STATEMENT OF CASH FLOWS

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

|  | Year ended 31 December |                              |
|--|------------------------|------------------------------|
|  | 2011<br>(Audited)      | 2010<br>(Audited & Restated) |
| <b>OPERATING ACTIVITIES</b>  |                        |                              |
| Net loss before overseas taxation  | (59,804)               | (146,349)                    |
| <b>Adjustments for:</b>  |                        |                              |
| Depreciation and amortisation  | 44,438                 | 32,763                       |
| Gain arising on acquisition of a business  | -                      | (38,748)                     |
| Income from associated companies   | (17,816)               | (27,583)                     |
| Provision for impairment   | 21,836                 | 209,386                      |
| Gain on sale of fixed assets   | (3,178)                | (1,186)                      |
| <b>Operating profit/(loss) before changes in operating assets and liabilities</b>                                      | <b>(14,524)</b>        | <b>28,283</b>                |
| Balances with banks maturing after ninety days and including with central bank relating to minimum reserve requirement | (10,339)               | 14,498                       |
| (Increase)/decrease in operating assets  |                        |                              |
| Murabaha and other financings  | (214,502)              | (330,319)                    |
| Musharaka financing  | (27,904)               | (14,614)                     |
| Other assets   | (983)                  | (86,549)                     |
| Increase/(decrease) in operating liabilities   |                        |                              |
| Customer's current accounts  | 107,915                | 228,897                      |
| Due to banks, financial and other institutions   | (96,704)               | (116,529)                    |
| Due to investors   | (40,350)               | 330,402                      |
| Other liabilities  | (14,027)               | 10,145                       |
| Increase in equity of unrestricted investment account holders  | 280,670                | 212,952                      |
| Taxes paid   | (13,643)               | (28,343)                     |
| <b>Net cash (used in)/provided by operating activities</b>   | <b>(44,391)</b>        | <b>248,823</b>               |
| <b>INVESTING ACTIVITIES</b>  |                        |                              |
| Net (increase)/decrease  |                        |                              |
| Mudaraba   | -                      | (2,615)                      |
| Investment in restricted investment accounts   | 5,161                  | (78,103)                     |
| Assets acquired for leasing  | 11,115                 | 174                          |
| Investment securities  | (31,959)               | (341,631)                    |
| Dividend received from associates  | 15,915                 | 15,766                       |
| Purchase of fixed assets   | (10,002)               | (47,011)                     |
| Investment in real estate  | (3,830)                | (20,389)                     |
| <b>Net cash used in investing activities</b>   | <b>(13,600)</b>        | <b>(473,809)</b>             |
| <b>FINANCING ACTIVITIES</b>  |                        |                              |
| Treasury shares purchased  | -                      | (2,236)                      |
| Treasury shares sold   | -                      | 468                          |
| Share capital  | -                      | 103,025                      |
| <b>Net cash provided by financing activities</b>   | <b>-</b>               | <b>101,257</b>               |
| Foreign currency translation adjustments   | 21,475                 | 8,039                        |
| <b>Net decrease in cash and cash equivalents</b>   | <b>(36,516)</b>        | <b>(115,690)</b>             |
| <b>Cash and cash equivalents at the beginning of the year</b>  | <b>702,526</b>         | <b>818,216</b>               |
| <b>Cash and cash equivalents at the end of the year</b>  | <b>666,010</b>         | <b>702,526</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 2011, which were approved for issue by the Board of Directors on 28 February 2012 and audited by PricewaterhouseCoopers ME Limited, Kingdom of Bahrain, who expressed an unqualified opinion.

HRH Prince Amr Mohamed Al Faisal  
Chairman

Mohammed Bucheerei  
CEO and Director

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