

Al Salam Bank-Bahrain B.S.C. Consolidated Financial Statements for the Year ended 31 December 2011

These consolidated financial statements were extracted from the audited consolidated financial statements on which Ernst & Young issued an unqualified opinion dated 4th March 2012.

| CONSOLIDATED INCOME STATEMENT | Year ended 31 | Year ended 31 |
|--|------------------|------------------|
| | December 2011 | December 2010 |
| | BD '000 | BD '000 |
| OPERATING INCOME | | |
| Income from financing contracts | 30,262 | 25,447 |
| Gains on sale of investments and sukuk | 2,849 | 1,531 |
| Income from FVTPL investments | 601 | 1,089 |
| Fair value changes on FVTPL investments | 5,189 | 7,608 |
| Writedown of available for sale investments | (5,325) | - |
| Fair value changes on investment properties | (873) | - |
| Dividend income | 1,156 | 402 |
| Fees, commissions and foreign exchange gains | 2,300 | 5,536 |
| | 36,159 | 41,613 |
| Profit on Murabaha and Wakala payables to banks | (714) | (617) |
| Profit on Wakala payables to non-banks | (16,403) | (14,674) |
| Profit relating to equity of investment accountholders | (153) | (216) |
| Depreciation on Ijarah Muntahia Bittamleek | (6,149) | (3,742) |
| Total operating income | 12,740 | 22,364 |
| OPERATING EXPENSES | | |
| Staff costs | 6,016 | 7,023 |
| Premises and equipment cost | 1,168 | 1,144 |
| Depreciation | 999 | 1,133 |
| Other operating expenses | 3,415 | 4,255 |
| Total operating expenses | 11,598 | 13,555 |
| Share of profit from an associate | - | 15 |
| NET PROFIT BEFORE PROVISIONS | 1,142 | 8,824 |
| Provision for impairment | (645) | (1,508) |
| NET PROFIT FOR THE YEAR | 497 | 7,316 |
| <i>Attributable to:</i> | | |
| Shareholders of the Bank | 312 | 7,209 |
| Non-controlling interest | 185 | 107 |
| | 497 | 7,316 |
| WEIGHTED AVERAGE NUMBER OF SHARES (in '000) | 1,491,779 | 1,497,064 |
| BASIC AND DILUTED EARNINGS PER SHARE (FILS) | 0.2 | 4.8 |

| CONSOLIDATED STATEMENT OF CASH FLOWS | Year ended 31 | (Restated) Year ended 31 |
|---|-----------------|-----------------------------|
| | December 2011 | December 2010 |
| | BD '000 | BD '000 |
| Net cash used in operating activities | (12,484) | (54,517) |
| Net cash used in investing activities | (229) | (2,851) |
| Net cash (used in) from financing activities | (2,674) | 1,927 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (15,387) | (55,441) |
| Cash and cash equivalents at 1 January | 203,116 | 258,557 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 187,729 | 203,116 |

These consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 4th March, 2012.


Mohamed Alabbar
Chairman


Yousif Taqi
Director & CEO

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 31 December 2011 | (Restated) 31 December 2010 |
|--|------------------|--------------------------------|
| | BD '000 | BD '000 |
| ASSETS | | |
| Cash and balances with banks and Central Bank of Bahrain | 72,318 | 95,791 |
| Central Bank of Bahrain Sukuk | 125,027 | 68,632 |
| Murabaha and Wakala receivables from banks | 135,698 | 137,299 |
| Corporate Sukuk | 49,650 | 60,959 |
| Murabaha financing | 135,383 | 114,572 |
| Mudaraba financing | 57,706 | 19,309 |
| Ijarah Muntahia Bittamleek | 66,477 | 56,756 |
| Musharaka financing | 11,711 | 8,127 |
| Assets under conversion | 27,750 | 57,432 |
| Non-trading investments | 223,320 | 212,432 |
| Investment in an associate | - | 7,578 |
| Investment properties | 2,500 | 3,373 |
| Receivables and prepayments | 15,278 | 12,479 |
| Premises and equipment | 1,089 | 1,859 |
| TOTAL ASSETS | 923,907 | 856,598 |
| LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY | | |
| LIABILITIES | | |
| Murabaha and Wakala payables to banks | 104,573 | 101,300 |
| Wakala payables to non-banks | 515,147 | 456,447 |
| Customers' current accounts | 66,585 | 57,362 |
| Liabilities under conversion | 7,633 | 5,171 |
| Other liabilities | 13,088 | 15,993 |
| TOTAL LIABILITIES | 707,026 | 636,273 |
| EQUITY OF INVESTMENT ACCOUNTHOLDERS | 16,256 | 18,465 |
| OWNERS' EQUITY | | |
| Share capital | 149,706 | 149,706 |
| Treasury stock | (465) | - |
| Reserves and retained earnings | 47,228 | 48,165 |
| Total equity attributable to shareholders of the Bank | 196,469 | 197,871 |
| Non-controlling interest | 4,156 | 3,989 |
| TOTAL OWNERS' EQUITY | 200,625 | 201,860 |
| TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY | 923,907 | 856,598 |

| CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY | Year ended 31 | (Restated) Year ended 31 |
|---|----------------|-----------------------------|
| | December 2011 | December 2010 |
| | BD '000 | BD '000 |
| Balance at 1 January | 202,625 | 201,777 |
| Changes due to adoption of FAS 25 | (765) | 507 |
| As at 1 January (restated) | 201,860 | 202,284 |
| Net profit for the year | 497 | 7,316 |
| Changes on investment in an associate | - | (96) |
| Net change in fair value | (1,263) | (415) |
| Transfer to income statement | 96 | - |
| Treasury shares purchased | (465) | - |
| Charitable donations | (100) | (100) |
| Dividends paid for 2009 | - | (7,129) |
| Balance at 31 December | 200,625 | 201,860 |