



## CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

### CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2011

	30 June 2011	30 June 2010
	US\$ '000	US\$ '000
<b>ASSETS</b>		
Cash and short-term funds	132,050	143,334
Receivables	1,132,543	1,073,959
Investments	2,365,475	2,168,127
Other assets	88,182	71,716
<b>TOTAL ASSETS</b>	<b>3,718,250</b>	<b>3,457,136</b>
<b>LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>		
<b>LIABILITIES</b>		
Due to financial and other institutions	1,076,717	1,084,104
Medium-term financing	1,098,637	1,094,031
Other liabilities	61,927	36,372
Total Liabilities excluding unrestricted investment accounts	2,237,281	2,214,507
Unrestricted investment accounts	363,431	182,469
<b>Total liabilities including unrestricted investment accounts</b>	<b>2,600,712</b>	<b>2,396,976</b>
<b>EQUITY</b>		
Share capital and premium	1,008,179	1,077,262
Reserves	29,816	(17,102)
Share subscription pending allotment	79,543	-
	1,117,538	1,060,160
<b>TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY</b>	<b>3,718,250</b>	<b>3,457,136</b>

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2011

	Share Capital & Premium			Reserves			Total equity
	Share capital	Share premium	Unallocated shares under Employee Incentive Program	Total share capital & premium	Total reserves	Share subscription pending allotment	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Balance at 1 July 2010</b>	311,323	954,175	(188,236)	1,077,262	(17,102)	-	1,060,160
Net income for the year	-	-	-	-	50,163	-	50,163
Shares subscription received	-	-	-	-	-	79,543	79,543
Purchase of treasury shares	(66)	(188)	-	(254)	-	-	(254)
Share-based compensation reversal	-	-	-	-	(1,492)	-	(1,492)
Net movement in unallocated employee shares	-	-	(68,829)	(68,829)	-	-	(68,829)
Appropriations/transfers	-	-	-	-	(1,753)	-	(1,753)
<b>Balance at 30 June 2011</b>	<b>311,257</b>	<b>953,987</b>	<b>(257,065)</b>	<b>1,008,179</b>	<b>29,816</b>	<b>79,543</b>	<b>1,117,538</b>
Balance at 1 July 2009	282,243	765,155	(168,221)	879,177	534,209	185,209	1,598,595
Net loss for the year	-	-	-	-	(559,389)	-	(559,389)
Shares subscription received	-	-	-	-	-	32,891	32,891
Share issue	29,080	189,020	-	218,100	-	(218,100)	-
Share-based compensation expense	-	-	-	-	8,078	-	8,078
Net movement in unallocated employee shares	-	-	(20,015)	(20,015)	-	-	(20,015)
Balance at 30 June 2010	311,323	954,175	(188,236)	1,077,262	(17,102)	-	1,060,160

### CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED 30 JUNE 2011

	Quarter ended 30 June 2011	Quarter ended 30 June 2010	Year ended 30 June 2011	Year ended 30 June 2010
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Recurring and other income	26,479	22,551	108,372	91,504
Management fees	24,999	17,119	95,096	74,996
Fair value adjustments	(14,439)	(11,942)	48,020	(153,389)
Investment banking income (loss)	15,353	(85,634)	7,830	(78,198)
Foreign exchange gains (loss)	7,677	(86,660)	138,940	(169,893)
<b>TOTAL INCOME (LOSS)</b>	<b>60,069</b>	<b>(144,566)</b>	<b>398,258</b>	<b>(234,980)</b>
Relating to financial and other institutions	(12,965)	(26,428)	(71,290)	(95,868)
Relating to unrestricted investment accounts	(2,250)	5,771	(6,542)	(3,604)
Relating to medium-term financing	(4,811)	(4,348)	(19,546)	(18,385)
<b>Net funding cost</b>	<b>(20,026)</b>	<b>(25,005)</b>	<b>(97,378)</b>	<b>(117,857)</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>40,043</b>	<b>(169,571)</b>	<b>300,880</b>	<b>(352,837)</b>
Staff compensation and benefits	(18,790)	(18,001)	(74,491)	(77,871)
General and administration expenses	(6,768)	(7,921)	(44,767)	(43,194)
Headquarter building expenses	(6,513)	(6,725)	(30,470)	(17,257)
	(32,071)	(32,647)	(149,728)	(138,322)
<b>NET INCOME (LOSS) BEFORE ALLOWANCES</b>	<b>7,972</b>	<b>(202,218)</b>	<b>151,152</b>	<b>(491,159)</b>
Allowance for doubtful receivable	(5)	(5,759)	(100,989)	(68,230)
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<b>7,967</b>	<b>(207,977)</b>	<b>50,163</b>	<b>(559,389)</b>

### CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2011

	Year ended 30 Jun 2011	Year ended 30 Jun 2010
	US\$ '000	US\$ '000
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the year	50,163	(559,389)
Adjustments for non-cash items:		
Share-based compensation (reversal) expense	(1,492)	8,078
Allowance for doubtful receivable	100,989	68,230
Changes in fair value of investments carried at fair value through statement of income	(48,020)	153,389
Operating profit (loss) before changes in operating assets and liabilities	101,640	(329,692)
Changes in operating assets and liabilities:		
Receivables	(228,402)	400,277
Investments	(149,328)	241,375
Due to financial and other institutions	(7,387)	(254,833)
Other assets	(16,466)	(16,000)
Other liabilities	28,408	(72,056)
Net cash used in operating activities	(271,535)	(30,929)
<b>FINANCING ACTIVITIES</b>		
Share subscription received	79,543	32,891
Movement in unrestricted investment accounts	180,962	(49,827)
Repurchase of shares	(254)	-
Net cash from (used in) financing activities	260,251	(16,936)
<b>Net movement in cash and cash equivalents</b>	<b>(11,284)</b>	<b>(47,865)</b>
Cash and cash equivalents at beginning of year	143,334	191,199
<b>Cash and cash equivalents at end of year</b>	<b>132,050</b>	<b>143,334</b>
Cash and cash equivalents comprise:		
Cash and balances with banks	121,204	54,291
Short-term deposits	10,846	66,606
Transitory funds	-	22,437
	132,050	143,334

These statements are extracted from the audited Consolidated Financial Statements, as at 30 June 2011, of Arcapita Bank B.S.C.(c), an Islamic wholesale bank licensed by the Central Bank of Bahrain.

These financials have been audited by Ernst & Young, who have expressed an unqualified opinion in their report to the shareholders dated 14 August 2011.