

BANK ALKHAIR B.S.C. (c)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

30 JUNE 2012

Commercial registration	:	53462 (registered with Central Bank of Bahrain as a wholesale Islamic bank).
Registered Office	:	4 th Floor Building No. 2304, Road 2830, Seef District 428 PO Box 31700, Manama, Kingdom of Bahrain
Directors	:	Yousef A. Al-Shelash, <i>Chairman</i> Hethloul Saleh Al-Hethloul Bader Abdulaziz Kanoo Abdullatif Abdullah Al-Shalash Ayman Abdullah Boodai Ayman Ismail Abudawood Abdulaziz Naif Al Orayer Ahmed Saleh Al-Dehailan Adel Yousef Al-Saqabi Khalil Nooruddin (w.e.f. 02.04.2012) Khalid Shaheen (w.e.f. 02.04.2012)
Chief Executive Officer	:	Khalil Nooruddin
Auditors	:	KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2012

CONTENTS	Page
Independent auditors' report on review of condensed consolidated interim financial Information	1
Condensed consolidated interim financial information	
Condensed consolidated statement of financial position	2
Condensed consolidated income statement	3
Condensed consolidated statement of changes in equity	4-5
Condensed consolidated statement of cash flows	6
Condensed consolidated statement of changes in restricted investment accounts	7
Notes to the condensed consolidated interim financial information	8-13



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1

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To
The Board of Directors
Bank Alkhair B.S.C. (c)
Seef
Kingdom of Bahrain

8 August 2012

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bank Alkhair B.S.C.(c) (the "Bank") and its subsidiaries (together the "Group") as at 30 June 2012, the condensed consolidated statements of income, changes in equity, cash flows and changes in restricted investment accounts for the six-month period then ended, and explanatory notes (the "condensed consolidated interim financial information"). The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

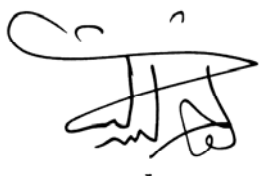
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

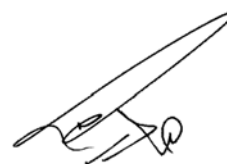
US\$ 000's

	Note	30 June 2012 (reviewed)	31 December 2011 (audited)
ASSETS			
Cash and balances with banks		5,924	11,081
Placements with financial institutions		52,275	66,477
Financing receivables	6	95,105	95,838
Investment securities	7	114,729	130,383
Assets held-for-sale	8	18,932	2,560
Investments in associates	9	105,819	114,952
Investment property		17,706	17,706
Other assets	10	34,844	38,552
Equipment		4,939	5,483
TOTAL ASSETS		450,273	483,032
LIABILITIES AND EQUITY			
LIABILITIES			
Due to financial institutions	11	139,569	143,178
Due to customers		79,695	88,483
Other liabilities	12	15,516	16,205
TOTAL LIABILITIES		234,780	247,866
EQUITY			
Share capital		207,862	207,862
Statutory reserve		337	337
Investments fair value reserve		114	(227)
Foreign currency translation reserve		(8,549)	(8,642)
(Accumulated losses) / retained earnings		(14,271)	4,153
Equity attributable to the shareholders of the parent		185,493	203,483
Non-controlling interests		30,000	31,683
TOTAL EQUITY (page 4)		215,493	235,166
TOTAL LIABILITIES AND EQUITY		450,273	483,032



Yousef Abdullah Al-Shelash

Chairman



Hethloul Saleh Al-Hethloul

Board Member

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 13 on 8 August 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2012

US\$ 000's

	Note	Six months ended		Three months ended	
		30 June 2012 (reviewed)	30 June 2011 (reviewed)	30 June 2012 (reviewed)	30 June 2011 (reviewed)
Finance income		4,314	5,814	2,153	2,669
Finance expense		(4,019)	(5,805)	(1,883)	(2,396)
Net finance income		295	9	270	273
Income from investment securities	13	(11,460)	6,825	(5,131)	1,067
Fees and commission	14	1,052	2,233	576	985
Share of profit of associates		7,150	2,896	1,965	1,504
Other income		888	2,423	366	2,063
Total income		(2,075)	14,386	(1,954)	5,892
Staff cost		10,031	13,589	5,262	7,203
Legal and professional expenses		2,368	1,757	1,396	433
Premises cost		1,476	1,599	703	805
Business development expenses		545	811	233	579
Depreciation		1,000	1,144	448	598
Other operating expenses		2,717	3,569	1,346	2,202
Total expenses		18,137	22,469	9,388	11,820
Loss for the period before tax and reversal of impairment		(20,212)	(8,083)	(11,342)	(5,928)
Provision for tax		(1,000)	(1,000)	(500)	(500)
Reversal of impairment		1,500	5,548	500	5,548
Loss for the period from continuing operations		(19,712)	(3,535)	(11,342)	(880)
(Loss) / Income from assets held-for-sale and discontinued operations		(356)	6,616	-	1,993
(Loss) / profit for the period		(20,068)	3,081	(11,342)	1,113
Attributable to:					
Shareholders of the parent		(18,424)	4,097	(10,479)	1,939
Non-controlling interests		(1,644)	(1,651)	(863)	(1,112)
Non-controlling interests relating to assets held-for-sale		-	635	-	286
		(20,068)	3,081	(11,342)	1,113

The condensed consolidated interim financial information consists of pages 2 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2012

US\$ 000's

	Attributable to the shareholders of the parent						Non-controlling interests	Total equity
	Share capital	Statutory reserve	Investments fair value reserve	Foreign currency translation reserve	Accumulated losses	Total		
30 June 2012 (reviewed)								
As at 1 January 2012	207,862	337	(227)	(8,642)	4,153	203,483	31,683	235,166
Loss for the period	-	-	-	-	(18,424)	(18,424)	(1,644)	(20,068)
Foreign currency translation differences	-	-	-	93	-	93	(39)	54
Fair value changes	-	-	192	-	-	192	-	192
Share of changes in reserves of associates	-	-	149	-	-	149	-	149
Total recognised income and expense for the period	-	-	341	93	(18,424)	(17,990)	(1,683)	(19,673)
As at 30 June 2012	207,862	337	114	(8,549)	(14,271)	185,493	30,000	215,493

The condensed consolidated interim financial information consists of pages 2 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2012 (continued)

US\$ 000's

30 June 2011 (reviewed)	Attributable to the shareholders of the parent							Non- controlling interests	Non- controlling interests relating to assets held- for-sale	Total equity
	Share capital	Share premium	Statutory reserve	Investments fair value reserve	Foreign currency translation reserve	Retained earnings	Total			
As at 1 January 2011	215,578	141,708	15,580	(262)	(6,112)	(213,964)	152,528	34,605	15,273	202,406
Profit / (loss) for the period	-	-	-	-	-	4,097	4,097	(1,651)	635	3,081
Foreign currency translation differences	-	-	-	-	(1,385)	-	(1,385)	17	-	(1,368)
Fair value changes	-	-	-	(691)	-	-	(691)	-	-	(691)
Transfer to income statement on sale	-	-	-	(79)	-	79	-	-	-	-
Share of changes in reserves of associates	-	-	-	(11)	138	-	127	-	-	127
Total recognised income and expense for the period	-	-	-	(781)	(1,247)	4,176	2,148	(1,634)	635	1,149
Conversion of subordinated murabaha	50,000	-	-	-	-	-	50,000	-	-	50,000
Capital reduction	(57,716)	(141,708)	(15,580)	-	-	215,004	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(6,198)	(6,198)
As at 30 June 2011	207,862	-	-	(1,043)	(7,359)	5,216	204,676	32,971	9,710	247,357

The condensed consolidated interim financial information consists of pages 2 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2012

US\$ 000's

	30 June 2012 (reviewed)	30 June 2011 (reviewed)
OPERATING ACTIVITIES		
(Loss) / profit for the period	(20,068)	3,081
Adjustments for:		
Gain on sale of investment securities	(364)	(3,282)
Fair value loss / (gain) on investment securities	11,848	(3,514)
Share of profit of associates	(7,150)	(2,896)
Income from assets held-for-sale	-	(6,616)
Other income	-	(1,729)
Foreign exchange (gain) / loss	(141)	81
Accrued profit on subordinated murabaha	-	(1,249)
Depreciation and amortisation	1,000	1,144
Loss on disposal of equipment	19	-
Reversal of impairment and other provisions	(1,500)	(5,548)
	(16,356)	(20,528)
Changes in:		
Financing receivables	733	143,605
Other assets	4,978	(8,757)
Due to financial institutions	(18,719)	(71,929)
Due to customers	(8,788)	18,715
Other liabilities	(689)	(3,448)
Proceeds from sale of investment securities	4,265	21,401
Purchase of investment securities	-	(7,142)
Net cash (used in) / generated from operating activities	(34,576)	71,917
INVESTING ACTIVITIES		
Purchase of equipment	(246)	(30)
Investment in associates	-	(7,394)
Disposal of assets held-for-sale	-	25,283
Net cash (used in) / generated from investing activities	(246)	17,859
FINANCING ACTIVITIES		
Draw down of bank financing	15,110	-
Repayment of syndicated borrowing	-	(128,273)
Net cash generated from / (used in) financing activities	15,110	(128,273)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,712)	(38,497)
Effect of exchange rate changes on cash and cash equivalents	353	(1,157)
Cash and cash equivalents at beginning of the period	77,558	111,380
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	58,199	71,726
Cash and cash equivalents comprise:		
Cash and balances with banks	5,924	7,434
Placements with financial institutions	52,275	64,292
	58,199	71,726

The condensed consolidated interim financial information consists of pages 2 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2012 US\$ 000's

Six months ended 30 June 2012 (reviewed)	At 1 January 2012	Deposit	Gross Income	Wakil Fee	Withdrawals	At 30 June 2012
Wakala contract	3,604	-	91	(36)	(3,659)	-

Six months ended 30 June 2011 (reviewed)	At 1 January 2011	Deposit	Gross Income	Wakil Fee	Withdrawals	At 30 June 2011
Wakala contract	-	20,022	552	(157)	-	20,417

The condensed consolidated interim financial information consists of pages 2 to 13.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2012**

US\$ 000's

1. CORPORATE INFORMATION

Bank Alkhair B.S.C. (c) ("the Bank") was incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration No. 53462 on 29 April 2004 and operates under a wholesale Islamic banking license granted by the Central Bank of Bahrain (CBB). The Bank's registered office is at the 4th floor of Building No. 2304, Road No. 2830, Seef District 428, Kingdom of Bahrain.

The Bank and its subsidiaries (together referred to as "the Group") aim to provide a full range of investment banking products and services that are compliant with Shari'ah principles. The principal products and services offered by the Group are:

- financial advisory services;
- private equity, equity structuring, private placements and initial public offerings;
- facility structuring, restructuring and placement including project finance, securitisation and Sukuk;
- structuring and marketing of both open and closed end mutual funds as well as client portfolio management and brokerage services that aim to meet investor driven return and asset criteria;
- advisory and investment services for takaful (Islamic insurance) and retakaful (Islamic reinsurance) providers;
- mergers and acquisitions, including deal sourcing, structuring, valuations and advisory; and
- developing and managing liquidity products and other treasury products and services.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standard. Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'. The condensed consolidated interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for foreseeable future. The management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern, and accordingly, the condensed consolidated interim financial information has been prepared on a going concern basis.

Accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2011.

Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2012

US\$ 000's

2. BASIS OF PREPARATION *(continued)*

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2011.

Financial Risk Management

The Group's financial risk management objectives and policies are consistent with that disclosed in the audited consolidated financial statements for the year ended 31 December 2011.

3. The condensed consolidated interim financial information is not audited but has been reviewed by KPMG. The comparative for the condensed consolidated statement of financial position has been extracted from the audited consolidated financial statements for the year ended 31 December 2011 and comparatives for the condensed consolidated statements of income, changes in equity, cash flows and changes in restricted investment accounts have been extracted from the condensed consolidated interim financial information for the six months ended 30 June 2011.
4. Due to nature of the Bank's business, the six months' results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.
5. Appropriations of net profit, if any, are made only at the year end.

6. FINANCING RECEIVABLES

	30 June 2012	31 December 2011
Gross murabaha receivables	96,912	97,695
Less: Deferred profits	(1,807)	(1,857)
	95,105	95,838

7. INVESTMENT SECURITIES

	30 June 2012	31 December 2011
Equity type investments		
<i>At fair value through income statement:</i>		
- Quoted equity securities	26,333	38,896
- Unquoted equity securities	33,003	32,994
- Unquoted funds	27,499	27,150
- Quoted funds	1,707	1,495
	88,542	100,535
<i>At fair value through equity</i>		
- Unquoted equity securities	6,650	6,452
Total equity type investments	95,192	106,987
Debt type investments		
<i>At amortised cost:</i>		
- Sukuk	19,537	23,396
	114,729	130,383

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2012

US\$ '000's

8. ASSETS HELD-FOR-SALE

Assets held-for-sale represents investment in an associate of US\$ 18.9 million (31 December 2011: US\$ 2.6 million) for which the Bank has active plan to sell in the foreseeable future (note 9).

9. INVESTMENTS IN ASSOCIATES

	30 June 2012	31 December 2011
Burj Bank Limited	16,372	18,895
t'azur B.S.C. (c)	12,926	9,515
BFC Group Holdings Ltd.	92,893	89,102
	122,191	117,512
Less: Reclassified to assets held-for-sale (note 8)	(16,372)	(2,560)
	105,819	114,952

10. OTHER ASSETS

	30 June 2012	31 December 2011
Advance for purchase of investments	14,163	14,163
Fees and expenses recoverable	5,270	6,293
Prepayments and advances	1,215	1,662
Receivable from sale of investment securities	16,276	19,904
Others	5,188	5,298
	42,112	47,320
Less: Provision for impairment:		
Fees and expenses recoverable	(3,500)	(5,000)
Others	(3,768)	(3,768)
	34,844	38,552

11. DUE TO FINANCIAL INSTITUTIONS

	30 June 2012	31 December 2011
Placements from financial institutions	124,459	143,178
Bank financing	15,110	-
	139,569	143,178

Bank financing represents financing obtained during the period from a financial institution secured by a mortgage over the Group's investment property. The carrying value of the investment property is US\$ 17.7 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2012

US\$ 000's

12. OTHER LIABILITIES

	30 June 2012	31 December 2011
Accruals and other provisions	1,540	1,120
Restructuring provision	419	2,105
Deal-related payables	4,925	4,919
Staff-related payables	2,186	2,710
Trade and other payables	6,446	5,351
	15,516	16,205

13. INCOME FROM INVESTMENT SECURITIES

	30 June 2012	30 June 2011
Dividend income	24	29
Fair value (loss) / gain on investment securities	(11,848)	3,514
Gain on sale of investment securities	364	3,282
	(11,460)	6,825

14. FEES AND COMMISSION

	30 June 2012	30 June 2011
Placement, arrangement and underwriting fees	32	711
Management fees	1,020	1,522
	1,052	2,233

15. COMMITMENTS

	30 June 2012	31 December 2011
Lease commitments	3,921	4,698
Guarantees	3,293	3,292
	7,214	7,990

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2012

US\$ 000's

16. RELATED PARTY TRANSACTIONS

The significant related party transactions and balances included in this condensed consolidated interim financial information are as follows:

	30 June 2012				31 December 2011			
	Associates	Significant shareholders/ entities in which directors have interest	Senior management	Other entities	Associates	Significant shareholders/ entities in which directors have interest	Senior management	Other entities
Assets								
Financing receivables	6,553	-	-	6,024	6,548	-	-	6,006
Investment securities	85,044	-	-	10,434	97,201	-	-	9,557
Assets held-for-sale	18,932	-	-	-	2,560	-	-	-
Investments in associates	105,819	-	-	-	114,952	-	-	-
Other assets	1,324	-	80	785	1,290	-	706	819
Liabilities								
Due to financial institutions	24,107	-	-	-	25,378	-	-	-
Due to customers	945	-	-	658	5,943	-	-	2,615
Other liabilities	-	1,087	204	109	-	825	792	66

	Six months ended 30 June 2012				Six months ended 30 June 2011			
	Associates	Significant shareholders/ entities in which directors have interest	Senior management	Other entities	Associates	Significant shareholders/ entities in which directors have interest	Senior management	Other entities
Income / (expenses)								
Income from Investment securities	(11,995)	-	-	147	2,025	-	-	(72)
Fees and commission	-	-	-	-	1,444	-	-	233
Net finance income / (expense)	(342)	-	-	245	(1,538)	-	-	220
Share of profit of associates	7,150	-	-	-	2,896	-	-	-
Other income	-	-	-	-	4,037	1,299	-	467
Directors' and Shari'ah board remuneration and expenses	-	(405)	-	(38)	-	(282)	-	(181)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2012

US\$ 000's

17. SEGMENT INFORMATION**30 June 2012 (reviewed)**

Segment income	6,084	2,216	1,473	-	9,773
Segment expenses	(4,327)	(1,876)	(4,840)	(8,094)	(19,137)
(Loss)/profit from continuing operations before fair value changes on investment securities and reversal of impairment	1,757	340	(3,367)	(8,094)	(9,364)
Fair value changes on investment securities	(11,848)	-	-	-	(11,848)
Loss from assets held-for-sale and discontinued operations	(356)	-	-	-	(356)
Reversal of impairment	1,500	-	-	-	1,500
Segment assets	289,075	158,928	2,270	-	450,273
Segment liabilities	89,670	140,663	4,447	-	234,780

Investment Banking	Malaysia	KSA	Others	Total
6,084	2,216	1,473	-	9,773
(4,327)	(1,876)	(4,840)	(8,094)	(19,137)
1,757	340	(3,367)	(8,094)	(9,364)
(11,848)	-	-	-	(11,848)
(356)	-	-	-	(356)
1,500	-	-	-	1,500
289,075	158,928	2,270	-	450,273
89,670	140,663	4,447	-	234,780

30 June 2011 (reviewed)

Segment income	6,503	2,801	1,568	-	10,872
Segment expenses	(6,024)	(1,463)	(4,888)	(11,094)	(23,469)
(Loss)/profit from continuing operations before fair value changes on investment securities and reversal of impairment	479	1,338	(3,320)	(11,094)	(12,597)
Fair value changes on investment securities	3,514	-	-	-	3,514
Income from assets held-for-sale and discontinued operations	6,616	-	-	-	6,616
Reversal of impairment	5,548	-	-	-	5,548
Segment assets (as at 31 December 2011) (audited)	306,054	173,757	3,221	-	483,032
Segment liabilities (as at 31 December 2011) (audited)	89,884	154,640	3,342	-	247,866

Investment Banking	Malaysia	KSA	Others	Total
6,503	2,801	1,568	-	10,872
(6,024)	(1,463)	(4,888)	(11,094)	(23,469)
479	1,338	(3,320)	(11,094)	(12,597)
3,514	-	-	-	3,514
6,616	-	-	-	6,616
5,548	-	-	-	5,548
306,054	173,757	3,221	-	483,032
89,884	154,640	3,342	-	247,866