

BAHRAIN MIDDLE EAST BANK BSC
INTERIM FINANCIAL INFORMATION
30 SEPTEMBER 2011



The legal name of BMB Investment Bank is Bahrain Middle East Bank BSC.

BAHRAIN MIDDLE EAST BANK BSC

**Interim financial information
for the nine months ended 30 September 2011**

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Independent auditors' report on review of interim financial information

13 November 2011

The Board of Directors
Bahrain Middle East Bank BSC
Manama
Kingdom of Bahrain

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bahrain Middle East Bank BSC (the "Bank") and its subsidiaries (together the "Group") as at 30 September 2011, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended ("the interim financial information"). The Board of Directors of the Bank is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this 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 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 International Standards on Auditing 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

BAHRAIN MIDDLE EAST BANK BSC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2011

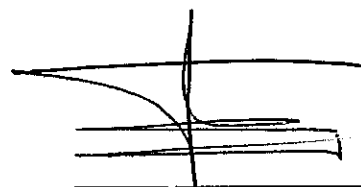
(United States Dollars thousands)

| | Note | 30 September 2011 (reviewed) | 31 December 2010 (audited) |
|---|------|------------------------------------|----------------------------------|
| Assets | | | |
| Cash and cash equivalents | | 7,559 | 8,923 |
| Placement with financial institutions | 4 | 6,200 | 10,306 |
| Trading securities | | 2,558 | 5,794 |
| Available-for-sale investments | 5 | 28,971 | 30,451 |
| Held-to-maturity investments | | 4,615 | 4,614 |
| Loans and advances | 6 | 16,233 | 12,133 |
| Other assets | | 2,799 | 1,939 |
| Total assets | | 68,935 | 74,160 |
| Liabilities | | | |
| Deposit from a financial institution | | 3,000 | 3,000 |
| Securities sold under repurchase agreements | 7 | 1,481 | - |
| Deposits from customers | 8 | 10,118 | 17,249 |
| Revolving loan facility | | 9,389 | 9,600 |
| Other liabilities | | 5,299 | 5,970 |
| Unclaimed dividends | | 2,736 | 3,224 |
| Subordinated loan | | 10,000 | 10,000 |
| Total liabilities | | 42,023 | 49,043 |
| Equity | | | |
| Share capital | | 54,955 | 54,955 |
| Advance towards share capital | 10 | 5,000 | - |
| Legal reserve | | 16,954 | 16,954 |
| General reserve | | 7,521 | 7,521 |
| Accumulated losses | | (57,927) | (59,074) |
| Fair value reserve | | 409 | 4,761 |
| Total equity | | 26,912 | 25,117 |
| Total liabilities and equity | | 68,935 | 74,160 |

This interim financial information, which consists of pages 3 to 11, was approved by the Board of Directors on 13 November 2011 and signed on its behalf by:



Wilson S. Benjamin
Chairman



Sheikh Abdulla A.K. Al Sabah
Vice Chairman



Akbar A. Habib
Chief Executive Officer and Member of the Board

BAHRAIN MIDDLE EAST BANK BSC

CONDENSED CONSOLIDATED STATEMENT OF INCOME
for the nine months ended 30 September 2011

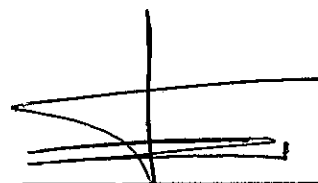
(United States Dollars thousands)

| | Note | Three months ended | | Nine months ended | |
|--|------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | | 30 September 2011 (reviewed) | 30 September 2010 (reviewed) | 30 September 2011 (reviewed) | 30 September 2010 (reviewed) |
| (Loss) / income from trading securities | | (383) | 107 | 898 | 71 |
| Income from sale of available-for-sale investments | | 178 | 3,552 | 2,024 | 4,563 |
| Foreign exchange translation (loss) / gain | | (94) | 79 | 499 | 746 |
| Fees and commission income | | 757 | 396 | 2,142 | 472 |
| Interest income | | 354 | 281 | 1,050 | 810 |
| Other income | 9 | 307 | 111 | 965 | 6,372 |
| Total income | | 1,119 | 4,526 | 7,578 | 13,034 |
| Staff expenses | | (709) | (837) | (2,323) | (2,716) |
| Premises expenses | | (198) | (206) | (579) | (630) |
| Interest expense | | (424) | (608) | (1,434) | (1,749) |
| Other operating expenses | | (645) | (494) | (2,095) | (1,236) |
| Total expenses | | (1,976) | (2,145) | (6,431) | (6,331) |
| Profit before provisions | | (857) | 2,381 | 1,147 | 6,703 |
| Impairment provisions on investments | | - | (186) | - | (371) |
| Profit for the period | | (857) | 2,195 | 1,147 | 6,332 |
| Basic and diluted earnings per share | | (USD 0.004) | USD 0.01 | USD 0.01 | USD 0.03 |

This interim financial information, which consists of pages 3 to 11, was approved by the Board of Directors on 13 November 2011 and signed on its behalf by:



Wilson S. Benjamin
Chairman



Sheikh Abdulla A.K. Al Sabah
Vice Chairman



Akbar A. Habib
Chief Executive Officer and Member of the Board

BAHRAIN MIDDLE EAST BANK BSC**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****for the nine months ended 30 September 2011**

(United States Dollars thousands)

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | 30 September 2011 (reviewed) | 30 September 2010 (reviewed) | 30 September 2011 (reviewed) | 30 September 2010 (reviewed) |
| Profit for the period | (857) | 2,195 | 1,147 | 6,332 |
| Other comprehensive income: | | | | |
| Fair value reserves (Available for sale investments): | | | | |
| Net amount transferred to statement of income | (178) | (3,552) | (2,024) | (4,563) |
| Net changes in fair value | (2,380) | 4,137 | (2,328) | 1,362 |
| Total other comprehensive income for the period | (2,558) | 585 | (4,352) | (3,201) |
| Total comprehensive income for the period | (3,415) | 2,780 | (3,205) | 3,131 |

The interim financial information consists of pages 3 to 11.

BAHRAIN MIDDLE EAST BANK BSC
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2011**

(United States Dollars thousands)

| 2011 (reviewed) | Share capital | Advance towards share capital | Legal reserve | General reserve | Accumulated losses | Fair value reserve | Total equity |
|---|------------------|--|------------------|--------------------|-----------------------|--------------------------|-----------------|
| Balance at 1 January 2011 | 54,955 | - | 16,954 | 7,521 | (59,074) | 4,761 | 25,117 |
| Comprehensive income for the period: | | | | | | | |
| Profit for the period | - | - | - | - | 1,147 | - | 1,147 |
| <u>Other comprehensive income</u> | | | | | | | |
| Fair value reserves (Available for sale investments): | | | | | | | |
| Net amount transferred to statement of income | - | - | - | - | - | (2,024) | (2,024) |
| Net changes in fair value | - | - | - | - | - | (2,328) | (2,328) |
| Total other comprehensive income | - | - | - | - | - | (4,352) | (4,352) |
| Total comprehensive income for the period | - | - | - | - | 1,147 | (4,352) | (3,205) |
| Advance towards share capital | - | 5,000 | - | - | - | - | 5,000 |
| Balance at 30 September 2011 | 54,955 | 5,000 | 16,954 | 7,521 | (57,927) | 409 | 26,912 |

| 2010 (reviewed) | Share capital | Legal reserve | General reserve | Accumulated losses | Fair value reserve | Total equity |
|---|------------------|------------------|--------------------|-----------------------|-----------------------|-----------------|
| Balance at 1 January 2010 | 54,955 | 16,310 | 7,521 | (64,870) | 9,745 | 23,661 |
| Comprehensive income for the period: | | | | | | |
| Profit for the period | - | - | - | 6,332 | - | 6,332 |
| <u>Other comprehensive income</u> | | | | | | |
| Fair value reserves (Available for sale investments): | | | | | | |
| Net amount transferred to statement of income | - | - | - | - | (4,563) | (4,563) |
| Net changes in fair value | - | - | - | - | 1,362 | 1,362 |
| Total other comprehensive income | - | - | - | - | (3,201) | (3,201) |
| Total comprehensive income for the period | - | - | - | 6,332 | (3,201) | 3,131 |
| Balance at 30 September 2010 | 54,955 | 16,310 | 7,521 | (58,538) | 6,544 | 26,792 |

The interim financial information consists of pages 3 to 11.

BAHRAIN MIDDLE EAST BANK BSC

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2011**

(United States Dollars thousands)

| | Nine months ended | |
|---|---|---|
| | 30 September 2011 (reviewed) | 30 September 2010 (reviewed) |
| Cash flow from operating activities | | |
| Profit for the period | 1,147 | 6,332 |
| <u>Adjustments for:</u> | | |
| Impairment provisions on investments | - | 371 |
| Depreciation | 151 | 182 |
| FX movement | (1) | 6 |
| <u>Changes in operating assets and liabilities:</u> | | |
| Trading securities | 3,236 | 694 |
| Available-for-sale investments | (2,872) | 9,454 |
| Loans and advances | (4,100) | - |
| Other assets | (984) | (8,981) |
| Other liabilities | (370) | 1,826 |
| Deposits from customers | (7,131) | (1,697) |
| Securities sold under repurchase agreements | 1,481 | - |
| Placement with financial institutions | 4,106 | - |
| Net cash (used in)/ from operating activities | (5,337) | 8,187 |
| Cash flow from investing activities | | |
| Purchase of equipment | (27) | (92) |
| Net cash used in investing activities | (27) | (92) |
| Cash flow from financing activities | | |
| Repayment of loans and advances | - | 1,804 |
| Repayment of revolving loan principal | (1,000) | (1,000) |
| Advance received towards share capital | 5,000 | - |
| Net cash generated from financing activities | 4,000 | 804 |
| Net (decrease)/increase in cash and cash equivalents | (1,364) | 8,899 |
| Cash and cash equivalents at 1 January | 8,923 | 3,425 |
| Cash and cash equivalents at 30 September | 7,559 | 12,324 |

The interim financial information consists of pages 3 to 11.

1. Basis of preparation

The interim financial information comprise the interim financial information of Bahrain Middle East Bank BSC (the "Bank") and its subsidiaries (together the "Group") and has been prepared in a condensed form in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. The 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 2010.

The accounting policies and methods of computation applied by the Group in the preparation of the interim financial information are consistent with those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2010, except for the changes arising from adoption of relevant revised IFRS, amendments and interpretations issued by IASB that are effective for annual reporting periods beginning 1 January 2011. The adoption of these standards did not have an impact on the interim financial information. The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2010.

2. The interim financial information is not audited but has been reviewed. The corresponding figures for the condensed consolidated statement of financial position have been extracted from audited consolidated financial statements for the year ended 31 December 2010. The corresponding figures for the condensed consolidated statement of income, comprehensive income, changes in equity and cash flows have been extracted from the reviewed interim financial information for the nine months ended 30 September 2010.
3. Due to the nature of the Group's business, the nine months results reported in this interim financial information may not represent a proportionate share of the overall annual results.

4. Placement with financial institutions

Placement with Financial Institutions include US\$ 4,719 thousand (31 December 2010: US\$ 5,215 thousand) placed with a retail Bank in the Kingdom of Bahrain - representing amounts held on account of sub-participants in Private Equity Funds and for the purposes of honoring their capital calls to fund managers (refer note 8).

5. Available-for-sale investments

| | 30 September 2011 (reviewed) | 31 December 2010 (audited) |
|---|---|----------------------------------|
| Unquoted equity fund investments - at fair value | 25,738 | 29,741 |
| Unquoted equity investments - at cost less impairment | 712 | 710 |
| Quoted equity investments - at fair value | 2,521 | - |
| | 28,971 | 30,451 |

Commitments

At 30 September 2011, the Bank had undrawn investment commitments to private equity funds of USD 10.8 million (31 December 2010: USD 12.6 million). Of this, proprietary commitments amounted to USD 6.1million (31 December 2010: USD 7.4 million). Under the terms of the agreements with these equity fund managers, the Group is irrevocably committed to invest funds upon notice from investment managers, except for certain excused investments. Excused investments include those contrary to Shari'ah principles where the Bank is a co-investor with its clients who apply Shari'ah principles to their investment activity.

BAHRAIN MIDDLE EAST BANK BSC**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2011**

(United States Dollars thousands)

6. Loans and advances

| | 30 September 2011 (reviewed) | 31 December 2010 (audited) |
|----------------------------|---|----------------------------------|
| Instalment sale receivable | 11,261 | 11,261 |
| Trade finance | 4,100 | - |
| Other | 872 | 872 |
| | 16,233 | 12,133 |

7. Securities sold under repurchase agreements

During the period, the Bank has entered into repurchase agreements in the ordinary course of its financing activities. Collateral is provided in the form of selected quoted investments within available for sale investments.

8. Deposits from customers

| | 30 September 2011 (reviewed) | 31 December 2010 (audited) |
|--|---|----------------------------------|
| Customer participation in funds | 4,719 | 5,215 |
| Quasi government entities, corporate and individuals | 4,695 | 10,845 |
| Others | 704 | 1,189 |
| | 10,118 | 17,249 |

Customer participation in funds represents amounts received from customers to be invested in private equity funds marketed by the Bank. These funds, although treated as part of customer deposits, are retained by the Bank until drawdowns are made by private equity fund managers or paid to the customers as part of realised distributions. These amounts have been segregated and placed with a retail Bank in the Kingdom of Bahrain.

9. Other income

| | Nine months ended | |
|---------------------------------|---|------------------------------------|
| | 30 September 2011 (reviewed) | 30 September 2010 (reviewed) |
| Provisions written back | 685 | 944 |
| Forfeiture of customer's assets | - | 5,160 |
| Others | 280 | 268 |
| | 965 | 6,372 |

10. Advance towards share capital

This represents amounts received from existing major shareholder towards the Bank's ongoing capital raising effort and its plans to issue new shares.

11. Related party transactions & balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Bank exercises significant influence, major shareholders, directors and executive management of the Bank.

- a. The transactions and balances with the related parties included in this interim financial information are as follows:

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2011**

(United States Dollars thousands)

11. Related party transactions & balances (continued)

| | 30 September 2011 (reviewed) | 31 December 2010 (audited) |
|---|---|---|
| Statement of financial position | | |
| Deposits from related parties | 88 | 94 |
| Income statement | | |
| | 30 September 2011 (reviewed) | Nine months ended 30 September 2010 (reviewed) |
| Interest expense on deposits from related parties | - | 1 |

- b. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel of the Group comprise the Board of Directors, Chief Executive Officer, Head of Business development and Chief Financial Officer. The key management personnel compensation is as follows:

| | 30 September 2011 (reviewed) | 30 September 2010 (reviewed) |
|--|---|------------------------------------|
| Income statement | | |
| Directors' remuneration | 42 | 32 |
| Salaries and other short-term benefits | 816 | 812 |
| Post employment benefits | 28 | 25 |

12. Segment results

| Nine months ended 30 September 2011 | Trading activity | Investing Activity | Other Operating segments | Total |
|--|-----------------------------|-------------------------------|---|--------------|
| Income from investments | 898 | 2,024 | - | 2,922 |
| Foreign exchange translation income | - | - | 499 | 499 |
| Fees and commission income | - | - | 2,142 | 2,142 |
| Other income | - | - | 280 | 280 |
| Interest income | - | 294 | 756 | 1,050 |
| Interest expense | (16) | (72) | (1,346) | (1,434) |
| Results from operations before impairment | 882 | 2,246 | 2,331 | 5,459 |
| Impairment provisions | - | - | - | - |
| Unallocated other income | - | - | - | 685 |
| Unallocated corporate expenses | - | - | - | (4,997) |
| Net income for the period | | | | 1,147 |
| | Trading Activity | Investing Activity | Other Operating segments | Total |
| Nine months ended 30 September 2010 | | | | |
| Income/(loss) from investments | 71 | 4,563 | - | 4,634 |
| Foreign exchange translation income | - | - | 746 | 746 |
| Fees and commission income | - | - | 472 | 472 |
| Other income | - | - | 268 | 268 |
| Interest income | - | 219 | 591 | 810 |
| Interest expense | (17) | (145) | (1,587) | (1,749) |
| Results from operations before impairment | 54 | 4,637 | 490 | 5,181 |
| Impairment provisions | - | - | - | (371) |
| Unallocated other income | - | - | - | 6,104 |
| Unallocated corporate expenses | - | - | - | (4,582) |
| Net income for the period | | | | 6,332 |

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2011**

(United States Dollars thousands)

12 Segment results (continued)

During the nine month period there have been no changes in the segments identified as set out in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2010.

13. Off balance sheet items

The following were the off-balance sheet items as at 30 September 2011:

| | 30 September 2011 (reviewed) | 31 December 2010 (audited) |
|--|---|----------------------------------|
| Undrawn investment commitments in other equities and funds | 10,826 | 12,655 |
| Funds under management | 84,159 | 85,350 |
| Contingencies | 133 | - |

14. Appropriations, if any, will be made only at the year end.

15. Certain prior period amounts have been regrouped to conform to the current period's presentation. Such regrouping did not affect previously reported profit, comprehensive income or equity.