

**BAHRAIN MIDDLE EAST BANK BSC**

**CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL INFORMATION**

**30 JUNE 2012**



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

**BAHRAIN MIDDLE EAST BANK BSC**

**Condensed consolidated interim financial information  
for the six months ended 30 June 2012**

---

<b>CONTENTS</b>	<b>Page</b>
Independent auditors' report on review of condensed consolidated interim financial information .....	2
<b>Condensed consolidated interim financial information</b>	
Condensed consolidated statement of financial position .....	3
Condensed consolidated income statement .....	4
Condensed consolidated statement of comprehensive income .....	5
Condensed consolidated statement of changes in equity .....	6
Condensed consolidated statement of cash flows .....	7
Notes to the condensed consolidated interim financial information .....	8-11



**KPMG Fakhro**  
**Audit**  
5th Floor  
Chamber of Commerce Building  
PO Box 710, Manama  
Kingdom of Bahrain

CR No. 6220  
Telephone +973 17 224807  
Fax +973 17 227443  
Internet www.kpmg.com.bh

## **Independent auditors' report on review of condensed consolidated interim financial information**

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

13 August 2012

### **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 June 2012, the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows 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 IAS 34, "Interim Financial Reporting". 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 the 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

**BAHRAIN MIDDLE EAST BANK BSC**

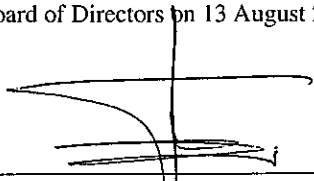
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

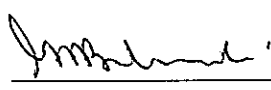
as at 30 June 2012


(United States Dollars thousands)

	Note	30 June 2012 (reviewed)	31 December 2011 (audited)
<b>Assets</b>			
Cash and cash equivalents		4,536	8,697
Placement with a financial institution	5	5,200	5,200
Trading securities		3,419	2,035
Available-for-sale investments	6	25,465	27,813
Held-to-maturity investments		4,616	4,613
Loans and advances	7	19,109	20,513
Other assets		1,860	2,287
<b>Total assets</b>		<b>64,205</b>	<b>71,158</b>
<b>Liabilities</b>			
Deposit from a financial institution		3,000	6,000
Deposits from customers	8	6,341	8,752
Securities sold under repurchase agreements		4,518	3,325
Borrowings		17,389	19,389
Other liabilities		4,565	4,684
<b>Total liabilities</b>		<b>35,813</b>	<b>42,150</b>
<b>Equity</b>			
Share capital		60,501	60,501
Legal reserve		17,326	17,326
Accumulated losses		(49,200)	(51,014)
Fair value reserve		(235)	2,195
<b>Total equity</b>		<b>28,392</b>	<b>29,008</b>
<b>Total liabilities and equity</b>		<b>64,205</b>	<b>71,158</b>

This condensed consolidated interim financial information, which consists of pages 3 to 11, was approved by the Board of Directors on 13 August 2012 and signed on its behalf by:

  
 \_\_\_\_\_  
 Sheikh Abdullah A.K Al Sabah  
 Vice Chairman

  
 \_\_\_\_\_  
 Ibrahim Bu Hendi  
 Chairman of the Audit Committee  
 and Member of Board

  
 \_\_\_\_\_  
 Akbar A. Habib  
 Chief Executive Officer and Member of Board

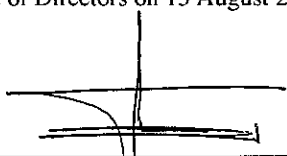
**BAHRAIN MIDDLE EAST BANK BSC**

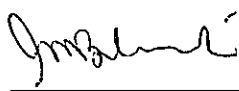
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
for the six months ended 30 June 2012


(United States Dollars thousands)

	Note	Three months ended		Six months ended	
		30 June 2012 (reviewed)	30 June 2011 (reviewed)	30 June 2012 (reviewed)	30 June 2011 (reviewed)
Investment banking income	9	1,724	2,095	4,357	4,044
Foreign exchange translation gain/ (loss)		(175)	56	556	593
Interest income		414	324	932	696
Other income		98	556	234	658
<b>Total income</b>		<b>2,061</b>	<b>3,031</b>	<b>6,079</b>	<b>5,991</b>
General and administration expenses	10	(1,598)	(1,426)	(3,461)	(2,977)
Interest expense		(298)	(466)	(585)	(1,010)
<b>Total expenses</b>		<b>(1,896)</b>	<b>(1,892)</b>	<b>(4,046)</b>	<b>(3,987)</b>
<b>Profit before provisions</b>		<b>165</b>	<b>1,139</b>	<b>2,033</b>	<b>2,004</b>
Impairment provisions on investments		(14)	-	(219)	-
<b>Profit for the period</b>		<b>151</b>	<b>1,139</b>	<b>1,814</b>	<b>2,004</b>
<b>Basic and diluted earnings per share - USD cents</b>		<b>0.06</b>	<b>0.47</b>	<b>0.75</b>	<b>0.83</b>

This condensed consolidated interim financial information, which consists of pages 3 to 11, was approved by the Board of Directors on 13 August 2012 and signed on its behalf by:

  
\_\_\_\_\_  
Sheikh Abdullah A.K Al Sabah  
Vice Chairman

  
\_\_\_\_\_  
Ibrahim Bu Hendi  
Chairman of the Audit Committee  
and Member of Board

  
\_\_\_\_\_  
Akbar A. Habib  
Chief Executive Officer and Member of Board

**BAHRAIN MIDDLE EAST BANK BSC****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****for the six months ended 30 June 2012**

(United States Dollars thousands)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June 2012 (reviewed)</b>	<b>30 June 2011 (reviewed)</b>	<b>30 June 2012 (reviewed)</b>	<b>30 June 2011 (reviewed)</b>
<b>Profit for the period</b>	<b>151</b>	1,139	<b>1,814</b>	2,004
<b>Other comprehensive income:</b>				
Fair value reserves (available-for-sale investments):				
Net amount transferred to income statement	(319)	(493)	(1,342)	(1,575)
Net changes in fair value	(1,225)	(822)	(1,088)	(219)
Other comprehensive income for the period	(1,544)	(1,315)	(2,430)	(1,794)
<b>Total comprehensive income for the period</b>	<b>(1,393)</b>	(176)	<b>(616)</b>	210

The condensed consolidated interim financial information consists of pages 3 to 11.

**BAHRAIN MIDDLE EAST BANK BSC**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**for the six months ended 30 June 2012**

(United States Dollars thousands)

<b>2012 (reviewed)</b>	<b>Share capital</b>	<b>Legal reserve</b>	<b>Accumulated losses</b>	<b>Fair value reserve</b>	<b>Total equity</b>		
Balance at 1 January	60,501	17,326	(51,014)	2,195	29,008		
Total comprehensive income for the period:							
Profit for the period	-	-	1,814	-	1,814		
<i>Other comprehensive income:</i>							
Fair value reserves (available-for-sale investments):							
Net amount transferred to income statement	-	-	-	(1,342)	(1,342)		
Net changes in fair value	-	-	-	(1,088)	(1,088)		
Total other comprehensive income	-	-	-	(2,430)	(2,430)		
Total comprehensive income for the period	-	-	1,814	(2,430)	(616)		
<b>Balance at 30 June</b>	<b>60,501</b>	<b>17,326</b>	<b>(49,200)</b>	<b>(235)</b>	<b>28,392</b>		
2011 (reviewed)	Share capital	Advance towards share capital	Legal reserve	General reserve	Accumulated losses	Fair value reserve	Total equity
Balance at 1 January	54,955	-	16,954	7,521	(61,884)	7,571	25,117
Total comprehensive income for the period:							
Profit for the period	-	-	-	-	2,004	-	2,004
<i>Other comprehensive income:</i>							
Fair value reserves (available-for-sale investments):							
Net amount transferred to income statement	-	-	-	-	-	(1,575)	(1,575)
Net changes in fair value	-	-	-	-	-	(219)	(219)
Total other comprehensive income	-	-	-	-	-	(1,794)	(1,794)
Total comprehensive income for the period	-	-	-	-	2,004	(1,794)	210
Advance towards proposed share capital	-	5,000	-	-	-	-	5,000
<b>Balance at 30 June</b>	<b>54,955</b>	<b>5,000</b>	<b>16,954</b>	<b>7,521</b>	<b>(59,880)</b>	<b>5,777</b>	<b>30,327</b>

The condensed consolidated interim financial information consists of pages 3 to 11.

**BAHRAIN MIDDLE EAST BANK BSC**

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

(United States Dollars thousands)

	<b>Six months ended</b>	
	<b>30 June 2012 (reviewed)</b>	<b>30 June 2011 (reviewed)</b>
<b>Cash flow from operating activities</b>		
Profit for the period	1,814	2,004
<u>Adjustments for:</u>		
Impairment provisions on investments	219	-
Depreciation	71	105
Foreign exchange movement	(3)	(7)
<u>Changes in operating assets and liabilities:</u>		
Trading securities	(1,384)	1,440
Available-for-sale investments	(301)	(2,003)
Loans and advances	1,404	(2,480)
Other assets	387	(246)
Other liabilities	(119)	(1,746)
Securities sold under repurchase agreements	1,193	-
Deposits from customers	(2,411)	(5,148)
Deposit from a financial institution	(3,000)	-
Placement with financial institutions	-	106
<b>Net cash used in operating activities</b>	<b>(2,130)</b>	<b>(7,975)</b>
<b>Cash flow from investing activities</b>		
Purchase of equipment	(31)	(15)
<b>Net cash used in investing activities</b>	<b>(31)</b>	<b>(15)</b>
<b>Cash flow from financing activities</b>		
Repayment of borrowings	(2,000)	(1,000)
Advance received towards share capital	-	5,000
<b>Net cash (used in)/ generated from financing activities</b>	<b>(2,000)</b>	<b>4,000</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,161)</b>	<b>(3,990)</b>
Cash and cash equivalents at 1 January	8,697	8,923
<b>Cash and cash equivalents at 30 June</b>	<b>4,536</b>	<b>4,933</b>

The condensed consolidated interim financial information consists of pages 3 to 11.



**1. BASIS OF PREPARATION**

**(a) Statement of compliance**

The condensed consolidated 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 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.

The condensed consolidated 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 2011. The corresponding figures for the condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed consolidated interim financial information for the six months ended 30 June 2011.

**(b) Judgements and estimates**

Preparing the condensed consolidated interim financial information requires management to make judgments, 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.

In preparing the condensed consolidated interim financial information, significant judgments made by the management in applying the Bank’s accounting policies and key source of estimation of uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended 31 December 2011.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2011, 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 2012. The adoption of these standards did not have an impact on the interim financial information.

**3. FINANCIAL RISK MANAGEMENT**

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 2011.

4. Due to the nature of the Group’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. PLACEMENT WITH A FINANCIAL INSTITUTION**

Placement with Financial Institutions include USD 3,820 thousand (31 December 2011: USD 4,421 thousand) placed with a third party 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.

**BAHRAIN MIDDLE EAST BANK BSC**

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

(United States Dollars thousands)

**6. AVAILABLE-FOR-SALE INVESTMENTS**

	<b>30 June 2012 (reviewed)</b>	<b>31 December 2011 (audited)</b>
Unquoted equity fund investments - at fair value	21,218	25,088
Unquoted equity investments - at cost less impairment	200	495
Quoted equity investments - at fair value	4,047	2,230
	<b>25,465</b>	<b>27,813</b>

*Commitments*

At 30 June 2012, the Bank had undrawn unfunded investment commitments to private equity funds of USD 4.6 million (31 December 2011: USD 5.4 million). Under the terms of the agreements with these 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.

Income from available-for-sale investments of USD 2,060 thousand (30 June 2011: USD 1,846 thousand) represents distributions received from unquoted equity fund investments at exits at higher multiples to cost.

**7. LOANS AND ADVANCES**

	<b>30 June 2012 (reviewed)</b>	<b>31 December 2011 (audited)</b>
Instalment sale receivable	9,649	11,261
Trade finance	9,460	8,380
Other	-	872
	<b>19,109</b>	<b>20,513</b>

**8. DEPOSITS FROM CUSTOMERS**

	<b>30 June 2012 (reviewed)</b>	<b>31 December 2011 (audited)</b>
Customer participation in funds	3,820	4,421
Quasi government entities, corporate and individuals	1,877	3,582
Others	644	749
	<b>6,341</b>	<b>8,752</b>

Customer participation in funds represents amounts received from customers to be invested in private equity funds 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 third party retail Bank in the Kingdom of Bahrain.

Deposits from Government institutions, corporate and individuals included a term deposit from a quasi-government depositor - as originally obtained by the Bank during 2004. These over-due amounts outstanding as at 31 December 2008 amounted to US\$ 13.1 million - and was later rescheduled by the Bank in December 2009. Having consistently been repaid, as at 31 December 2011 amounts outstanding was US\$ 2.1 million. As at 30 June 2012 the amounts were fully repaid.

**BAHRAIN MIDDLE EAST BANK BSC**

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

(United States Dollars thousands)

**9. INVESTMENT BANKING INCOME**

	<b>30 June 2012 (reviewed)</b>	30 June 2011 (reviewed)
Net (loss)/ gain from trading securities	(74)	1,281
Income from available for-sale investment	2,060	1,846
Fee and commission	2,371	917
	<b>4,357</b>	<b>4,044</b>

**10. GENERAL AND ADMINISTRATION EXPENSES**

	<b>30 June 2012 (reviewed)</b>	30 June 2011 (reviewed)
Staff expenses	2,182	1,614
Premises expenses	283	381
Other operating expenses	996	982
	<b>3,461</b>	<b>2,977</b>

**11. RELATED PARTY TRANSACTIONS AND 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 condensed consolidated interim financial information are as follows:

	<b>30 June 2012 (reviewed)</b>	31 December 2011 (audited)
<b>Condensed consolidated statement of financial position</b>		
Deposits from related parties	104	88

- 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:

	<b>30 June 2012 (reviewed)</b>	30 June 2011 (reviewed)
<b>Condensed consolidated income statement</b>		
Directors' remuneration	49	27
Salaries and other short-term benefits	661	536
Post-employment benefits	32	18

**BAHRAIN MIDDLE EAST BANK BSC**

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

(United States Dollars thousands)

**12. SEGMENT RESULTS**

<b>Six months ended 30 June 2012</b>	<b>Trading activity</b>	<b>Investing activity</b>	<b>Other</b>	<b>Total</b>
Investment banking income	(74)	2,060	2,371	4,357
Foreign exchange translation gain	-	556	-	556
Other income	-	-	234	234
Interest income	9	648	275	932
Interest expense	-	(484)	(101)	(585)
Results from operations before impairment	(65)	2,780	2,779	5,494
Impairment provisions	-	(219)	-	(219)
Unallocated corporate expenses	-	-	(3,461)	(3,461)
<b>Net income for the period</b>				<b>1,814</b>

	<b>Trading activity</b>	<b>Investing activity</b>	<b>Other</b>	<b>Total</b>
Six months ended 30 June 2011				
Investment banking income	1,281	1,846	917	4,044
Foreign exchange translation gain	-	593	-	593
Other income	-	-	179	179
Interest income	228	133	335	696
Interest expense	(8)	(78)	(924)	(1,010)
Results from operations before impairment	1,501	2,494	507	4,502
Unallocated other income	-	-	479	479
Unallocated corporate expenses	-	-	(2,977)	(2,977)
<b>Net income for the period</b>				<b>2,004</b>

During the six months 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 2011.

**13. CONTINGENT ITEMS AND COMMITMENTS**

The outstanding contingent items and commitments as at 30 June 2012 were as follows:

	<b>30 June 2012 (reviewed)</b>	31 December 2011 (audited)
Undrawn investment commitments in other equities and funds	8,227	9,469
Letters of credit and guarantee	1,400	1,423
Other commitments	2,736	2,736
Funds under management	77,970	80,283

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

**15.** Certain prior period amounts previously reported have been regrouped to conform to the current period's presentation. Such regrouping did not impact on equity or profit of the Group.