

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

31 MARCH 2012

Commercial registration	:	53462 (registered with Central Bank of Bahrain as a wholesale Islamic bank).
Registered Office	:	6 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 Dehailan Adel Yousef Al Saqabi
Acting Chief Executive Officer	:	Ikbal Daredia
Auditors	:	KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 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

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

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

9 May 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 31 March 2012, the condensed consolidated statements of income, changes in equity, cash flows and changes in restricted investment accounts for the three-month period then ended (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 31 March 2012

US\$ 000's

	Note	31 March 2012 (reviewed)	31 December 2011 (audited)
ASSETS			
Cash and balances with banks		25,605	11,081
Placements with financial institutions		47,232	66,477
Financing receivables	6	96,278	95,838
Investment securities	7	119,975	130,383
Investments in associates	8	103,983	114,952
Investment property		17,706	17,706
Other assets	9	39,661	38,552
Equipment		5,239	5,483
Assets held-for-sale	10	18,932	2,560
TOTAL ASSETS		474,611	483,032
LIABILITIES AND EQUITY			
LIABILITIES			
Due to financial and other institutions	11	232,245	231,661
Other liabilities	12	15,220	16,205
TOTAL LIABILITIES		247,465	247,866
EQUITY			
Share capital		207,862	207,862
Statutory reserve		337	337
Fair value reserve		115	(227)
Foreign currency translation reserve		(8,214)	(8,642)
(Accumulated losses) / Retained earnings		(3,792)	4,153
Total equity attributable to the shareholders of the parent (page 4)		196,308	203,483
Non-controlling interests		30,838	31,683
TOTAL EQUITY		227,146	235,166
TOTAL LIABILITIES AND EQUITY		474,611	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 9 May 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2012

US\$ 000's

	Note	Three months ended	
		31 March 2012 (reviewed)	31 March 2011 (reviewed)
Finance income		2,161	2,733
Finance expense		(2,136)	(3,410)
Net finance income / (expense)		25	(677)
Investment banking (loss) / income	13	(5,853)	7,419
Share of profit of associates		5,185	1,392
Other income		522	360
Total income		(121)	8,494
Staff cost		5,769	6,386
Legal and professional expenses		972	1,324
Premises cost		773	794
Business development expenses		312	232
Depreciation		552	546
Other operating expenses		1,727	1,367
Total expenses		10,105	10,649
Loss for the period from continuing operations		(10,226)	(2,155)
Provision for taxation		(500)	(500)
Reversal of impairment and provisions		2,000	-
Income from assets held-for-sale and discontinued operations		-	4,623
(Loss) / profit for the period		(8,726)	1,968
Attributable to:			
Shareholders of the parent		(7,945)	2,158
Non-controlling interests		(781)	(539)
Non-controlling interests relating to assets held-for-sale		-	349
		(8,726)	1,968

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2012

US\$ 000's

	Attributable to the shareholders of the parent					Non-controlling interests	Total equity	
	Share capital	Statutory Reserve	Fair value Reserve	Foreign currency translation reserve	Retained earnings / (accumulated losses)			Total
31 March 2012 (reviewed)								
At 1 January 2012	207,862	337	(227)	(8,642)	4,153	203,483	31,683	235,166
Loss for the period	-	-	-	-	(7,945)	(7,945)	(781)	(8,726)
Foreign currency translation differences	-	-	-	428	-	428	(64)	364
Fair value changes	-	-	193	-	-	193	-	193
Share of changes in reserves of associates	-	-	149	-	-	149	-	149
Total recognised income and expense for the period	-	-	342	428	(7,945)	(7,175)	(845)	(8,020)
As At 31 March 2012	207,862	337	115	(8,214)	(3,792)	196,308	30,838	227,146

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2012

US\$ 000's

	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	Fair value reserve	Foreign currency translation reserve	Accumulated losses				Total
31 March 2011 (reviewed)										
As At 1 January 2011	215,578	141,708	15,580	189	(6,112)	(215,004)	151,939	34,605	15,273	201,817
Impact of change in accounting	-	-	-	(451)	-	1,040	589	-	-	589
Restated balance 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	-	-	-	-	-	2,158	2,158	(539)	349	1,968
Foreign currency translation differences	-	-	-	-	257	-	257	57	-	314
Fair value changes	-	-	-	904	-	-	904	-	-	904
Transfer from fair value on sale	-	-	-	(79)	-	79	-	-	-	-
Share of changes in reserves of associates, net	-	-	-	1	272	-	273	-	-	273
Total recognised income and expense for the period	-	-	-	826	529	2,237	3,592	(482)	349	3,459
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(6,198)	(6,198)
As At 31 March 2011	215,578	141,708	15,580	564	(5,583)	(211,727)	156,120	34,123	9,424	199,667

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2012

US\$ 000's

	31 March 2012 (reviewed)	31 March 2011 (reviewed)
OPERATING ACTIVITIES		
(Loss) / profit for the period	(8,726)	1,968
Adjustments for:		
Gain on sale of investment securities	(364)	(5,957)
Fair value movement on investment securities	6,693	(3,090)
Share of profit of associates	(5,185)	(1,392)
Profit from assets held-for-sale	-	(1,747)
Foreign exchange loss	72	63
Subordinated murabaha	-	(791)
Depreciation and amortisation	552	546
Reversal of impairment and provisions	(2,000)	-
	(8,958)	(10,400)
Changes in:		
Financing receivables	(440)	135,510
Other assets	(345)	(9,881)
Due to financial and other institutions	584	(90,480)
Other liabilities	15	(4,013)
Proceeds from sale of investment securities	4,214	18,186
Purchase of investment securities	-	(7,248)
Net cash (used in) generated from operating activities	(4,930)	31,674
INVESTING ACTIVITIES		
Purchase of equipment	(181)	(54)
Disposal of assets held-for-sale	-	25,283
Net cash (used in) generated from investing activities	(181)	25,229
FINANCING ACTIVITIES		
Repayment of syndicated borrowing	-	(128,273)
Net cash used in financing activities	-	(128,273)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,111)	(71,370)
Effect of exchange rate changes on cash and cash equivalents	390	(253)
Cash and cash equivalents at beginning of the period	77,558	210,283
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	72,837	138,660
Cash and cash equivalents comprise:		
Cash and balances with banks	25,605	7,561
Placements with financial institutions	47,232	131,099
	72,837	138,660

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2012 US\$ 000's

Three months ended 31 March 2012 (reviewed)	At 1 January 2012	Deposit	Gross Income	Wakil Fee	Withdrawals	At 31 March 2012
Wakala contract	3,604	-	78	(31)	(513)	3,138

Three months ended 31 March 2011 (reviewed)	At 1 January 2011	Deposit	Gross Income	Wakil Fee	Withdrawals	At 31 March 2011
Wakala contract	-	-	-	-	-	-

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 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 6^h 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 three months ended 31 March 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 comparatives for the condensed consolidated statement of financial position have 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 three months ended 31 March 2011.
4. Due to nature of the Bank's business, the three 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

	31 March 2012	31 December 2011
Gross financing receivables		
- Murabaha	96,278	95,838
	96,278	95,838

Murabaha financing receivables are net of deferred profits of US\$1.8 million (2011: US\$1.9 million).

7. INVESTMENT SECURITIES

	31 March 2012	31 December 2011
Equity type instruments:		
<i>Fair value through income statement:</i>		
- Quoted equity securities	31,680	38,896
- Unquoted equity securities	33,009	32,994
- Unquoted funds	27,460	27,150
- Quoted funds	1,740	1,495
	93,889	100,535
<i>Fair value through equity:</i>		
- Unquoted equity securities	6,650	6,452
	100,539	106,987
Debt type instruments:		
<i>Amortised cost:</i>		
- Sukuk	19,436	23,396
	119,975	130,383

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2012

US\$ 000's

8. INVESTMENTS IN ASSOCIATES

	31 March 2012	31 December 2011
Burj Bank Limited	16,372	18,895
t'azur B.S.C. (c)	12,811	9,515
BFC Group Holdings Ltd.	91,172	89,102
	120,355	117,512
Less: Reclassified to assets held-for-sale (note 10)	(16,372)	(2,560)
	103,983	114,952

9. OTHER ASSETS

	31 March 2012	31 December 2011
Deal related advances	14,163	14,163
Fees and expenses recoverable	10,166	6,293
Prepayments and advances	1,350	1,662
Receivable from sale of investment securities	16,276	19,904
Others	5,474	5,298
	47,429	47,320
Less: Provision for impairment		
Fee and expenses recoverable	(4,000)	(5,000)
Others	(3,768)	(3,768)
	39,661	38,552

10. 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 8).

11. DUE TO FINANCIAL AND OTHER INSTITUTIONS

	31 March 2012	31 December 2011
Due to financial institutions	106,940	143,178
Deposits from customers (less than 1 year)	125,305	88,483
	232,245	231,661

Due to financial institutions includes financing of US\$15 million 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 three months ended 31 March 2012

US\$ 000's

12. OTHER LIABILITIES

	31 March 2012	31 December 2011
Accruals and other provisions	1,094	1,120
Restructuring provision	1,058	1,710
Deal-related payables	4,919	4,919
Staff-related payables	1,939	3,105
Trade and other payables	6,210	5,351
	15,220	16,205

13. INVESTMENT BANKING (LOSS) / INCOME

	31 March 2012	31 March 2011
Advisory fees	16	490
Fair value (loss) / gain on investment securities	(6,693)	3,090
Gain on sale of investment securities	364	3,081
Management fees	460	758
	(5,853)	7,419

14. COMMITMENTS

	31 March 2012	31 December 2011
Lease commitments	4,336	4,698
Guarantees	3,292	3,292
	7,628	7,990

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2012

US\$ 000's

15. RELATED PARTY TRANSACTIONS

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

	31 March 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	90,269	-	-	9,894	97,201	-	-	9,557
Investment in associates	103,983	-	-	-	114,952	-	-	-
Other assets	1,267	-	60	824	1,290	-	706	819
Assets held-for-sale	2,560	-	-	-	2,560	-	-	-
Liabilities								
Due to financial and non-financial institutions	25,573	-	-	2,633	31,321	-	-	2,615
Other liabilities	-	928	413	115	-	825	792	66
	Three months ended 31 March 2012				Three months ended 31 March 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)								
Investment banking income	(6,358)	-	-	126	3,818	-	-	309
Net finance income / (expense)	(206)	-	-	(138)	(805)	-	-	(110)
Share of profit of associates	5,185	-	-	-	1,392	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(141)	-	(62)	-	(136)	-	(93)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2012

US\$ 000's

16. SEGMENT INFORMATION

31 March 2012 (reviewed)

	Investment Banking	Malaysia	KSA	Others	Total
Segment income	4,764	1,075	733	-	6,572
Segment expenses	(3,198)	(835)	(2,354)	(4,218)	(10,605)
(Loss)/profit from continuing operations before fair value movements on investment securities and release of provision	1,566	240	(1,621)	(4,218)	(4,033)
Fair value movements on investment securities	(6,693)	-	-	-	(6,693)
Release of provision	1,000	-	-	1,000	2,000
Segment assets	303,490	170,050	1,071	-	474,611
Segment liabilities	102,073	141,730	3,662	-	247,465

31 March 2011 (reviewed)

	Investment Banking	Malaysia	KSA	Others	Total
Segment income	3,471	1,179	754	-	5,404
Segment expenses	(2,989)	(696)	(1,803)	(5,661)	(11,149)
(Loss)/profit from continuing operations before fair value movements on investment securities, profit on asset held for sale	482	483	(1,049)	(5,661)	(5,745)
Fair value movements on investment securities	3,090	-	-	-	3,090
Profit from asset held for sale	4,623	-	-	-	4,623
Segment assets (as at 31 December 2011) (audited)	308,054	173,428	1,550	-	483,032
Segment liabilities (as at 31 December 2011) (audited)	99,202	145,545	3,119	-	247,866