

TAIB BANK B.S.C. (c)

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

TAIB BANK B.S.C. (c)

**Interim condensed consolidated financial information for the nine months ended 30
September 2010**

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE DIRECTORS OF
TAIB Bank B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of TAIB Bank B.S.C. (c) (the Bank) and its subsidiaries (together, the Group) as at 30 September 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated 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 enquires, 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 condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.


11 November 2010

Manama, Kingdom of Bahrain

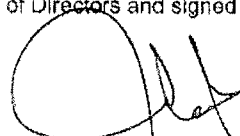
TAIB Bank B.S.C. (c)


Interim condensed consolidated statement of financial position

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	30 September 2010 (Unaudited)	31 December 2009 (Audited)
ASSETS		
Cash and balances with central banks	50,388	68,225
Placements with banks	100,234	92,629
Financial assets at fair value through profit or loss	6,718	5,435
Loans and advances	19,210	25,245
Available-for-sale financial assets	69,974	77,771
Investment in associate	19,840	20,205
Investment property	26,651	26,277
Property and equipment	20,215	21,360
Intangible assets	1,198	1,514
Goodwill	3,840	3,730
Other assets	9,199	5,715
Total assets	327,467	348,106
LIABILITIES		
Deposits from banks	22,641	24,525
Deposits from customers	196,787	193,907
Other liabilities	25,524	17,313
Long-term debt	7,440	7,516
	252,392	243,261
Non-controlling Interests - Funds	409	791
Total liabilities	252,801	244,052
EQUITY		
Capital and reserves attributable to equity holders of the Bank		
Share capital	112,362	112,362
Less: Treasury shares	(5,504)	(4,530)
Reserves	(33,099)	(4,816)
	73,759	103,016
Non-controlling Interests in equity	907	1,038
Total equity	74,666	104,054
Total equity and liabilities	327,467	348,106

The interim condensed consolidated financial information has been approved for issue by the Board of Directors and signed on its behalf on 8 November 2010 by:


 10-11-2010
 Abdulrazaq Mohammed Abdulla Ali Al Jassim
 Chairman


 Mohamed Aif Saleh Abbas
 Director

The notes on pages 8 to 12 form an integral part of the interim condensed consolidated financial information.

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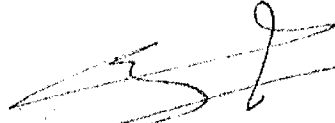
Interim condensed consolidated income statement

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	Nine months ended 30 September		Three months ended 30 September	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Interest and similar income	2,905	4,195	824	1,320
Interest expense	(5,577)	(4,587)	(1,836)	(1,719)
	(2,672)	(392)	(1,012)	(399)
Fees and commission income	4,236	4,820	2,399	1,684
Net trading income	455	1,134	387	636
Gain on disposal of available-for-sale financial assets	355	677	8	227
Foreign exchange income/(loss)	1,053	969	(45)	168
Other operating income	3,194	3,248	1,016	1,024
Total operating income	8,621	10,456	2,753	3,342
Staff costs	(7,897)	(10,211)	(2,754)	(2,995)
Other operating costs	(8,325)	(8,738)	(2,750)	(3,204)
Finance cost	(29)	(160)	(44)	(80)
Provisions for impairment of loans, investments and other assets	(3,134)	(767)	(1,909)	(384)
Other provisions (Note 6)	(14,791)	-	(3,762)	-
Share of loss from an associate	(520)	-	-	-
Loss before taxation	(28,075)	(9,420)	(8,466)	(3,321)
Overseas income tax expense	(82)	(52)	(15)	(2)
Loss for the period	(28,137)	(9,472)	(8,481)	(3,323)
Attributable to:				
Equity holders of the Bank	(28,002)	(9,491)	(8,451)	(3,439)
Non-controlling interests	(135)	19	(30)	116
	(28,137)	(9,472)	(8,481)	(3,323)
Earnings per share for loss attributable to the equity holders of the Bank during the period (expressed in United States Dollars per share – Basic and diluted)	\$(0.26)	\$(0.09)	\$(0.08)	\$(0.03)

The interim condensed consolidated financial information has been approved for issue by the Board of Directors and signed on its behalf on 8 November 2010 by:


16. 11. 2010
Abdurazaq Mohammed Abdulla Ali Al Jassim
Chairman


Mohamed Ali Saleh Abbas
Director

The notes on pages 8 to 12 form an integral part of the interim condensed consolidated financial information.

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TAIB Bank B.S.C. (c)

Interim condensed consolidated statement of comprehensive income

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	Nine months ended 30 September		Three months ended 30 September	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Loss for the period	(28,137)	(9,472)	(8,481)	(3,323)
Other comprehensive income/(loss):				
Exchange difference on translating foreign operations	819	(2,759)	1,627	486
Exchange difference on retained earnings and other reserves	(198)	(793)	(609)	(108)
Disposal of available-for-sale financial assets	42	(111)	42	(24)
Movement in fair value of available-for-sale financial assets	484	208	151	1,257
Fair value reserve recycled to income statement	106	201	106	201
Share of other comprehensive income from associate	156	-	-	-
Other comprehensive income	-	67	(5)	18
Other comprehensive income/(loss) for the period	1,409	(3,187)	1,312	1,830
Total comprehensive loss for the period	(26,728)	(12,659)	(7,169)	(1,493)
Attributable to:				
Equity holders of the Bank	(26,597)	(12,711)	(7,155)	(1,628)
Non-controlling interests	(131)	52	(14)	135
	(26,728)	(12,659)	(7,169)	(1,493)

The notes on pages 8 to 12 form an integral part of the interim condensed consolidated financial information.

TAIB Bank B.S.C. (c)
Interim condensed consolidated statement of changes in equity for the nine months ended 30 September 2010
(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	Attributable to equity holders of the Bank							Non-controlling interests in equity	Total			
	Share capital	Treasury shares	Share premium	Capital and statutory reserve	General reserve	Revaluation reserve	Reserves					
						Translation of foreign operations	Fair value reserve	Accumulated losses	Total			
At 1 January 2010	112,362	(4,530)	3,197	22,904	6,977	9,098	(14,103)	502	(33,391)	(4,816)	1,038	104,054
Purchase of treasury shares	-	(974)	(1,686)	-	-	-	-	-	-	(1,686)	-	(2,660)
Total comprehensive loss for the period	-	-	-	5	(1)	1	819	787	(28,208)	(26,597)	(131)	(26,728)
At 30 September 2010 (unaudited)	112,362	(5,504)	1,511	22,909	6,976	9,099	(13,284)	1,289	(61,599)	(33,099)	907	74,666

The notes on pages 8 to 12 form an integral part of the interim condensed consolidated financial information.

TAIB Bank B.S.C. (c)

Interim condensed consolidated statement of changes in equity for the nine months ended 30 September 2009

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	Attributable to equity holders of the Bank								Non-controlling interests in	Total		
	Reserves											
	Share capital	Treasury shares	Share premium	Capital and statutory reserve	General reserve	Revaluation reserve	Translation of foreign operations	Fair value reserve	Accumulated losses	Total		
At 1 January 2009	112,362	(4,530)	3,197	22,985	6,886	9,967	(11,536)	(654)	(6,604)	24,241	974	133,047
Total comprehensive loss for the period	-	-	-	(86)	90	(6)	(2,759)	298	(10,248)	(12,711)	52	(12,659)
At 30 September 2009 (unaudited)	112,362	(4,530)	3,197	22,899	6,976	9,961	(14,295)	(356)	(16,852)	11,530	1,026	120,388

The notes on pages 8 to 12 form an integral part of the interim condensed consolidated financial information.

TAIB Bank B.S.C. (c)**Interim condensed consolidated statement of cash flows**

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	Nine months period ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss for the period before taxation and non-controlling Interests	(28,075)	(9,420)
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in fair value of investments held for trading	(65)	(130)
Changes in fair value of derivative financial instruments	55	(182)
Provision for impairment	17,925	767
Depreciation and amortization	1,394	1,380
Share of loss from associate	520	-
Cash flows from operating profits before changes in operating assets and liabilities	(8,246)	(7,585)
Movements in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,218)	(1,886)
Loans and advances	5,689	4,067
Other assets	(3,539)	(2,753)
Deposits from banks	(1,884)	(39,933)
Deposits from customers	2,880	47,249
Other liabilities	(7,624)	(5,820)
Currency translation adjustment	621	(3,552)
Net cash used in operating activities	(13,321)	(10,213)
Cash flows from investing activities		
Net movement in available-for-sale financial assets	6,241	6,001
Net movement in investment property	(374)	(248)
Net movement in property and equipment	(42)	(1,057)
Net cash provided by investing activities	5,825	4,696
Cash flows from financing activities		
Purchase of treasury shares	(2,660)	-
Long-term debt	(76)	(75)
Net cash used in financing activities	(2,736)	(75)
Net decrease in cash and cash equivalents	(10,232)	(5,592)
Cash and cash equivalents at the beginning of the period	160,854	165,281
Cash and cash equivalents at the end of the period	150,622	159,689

The notes on pages 8 to 12 form an integral part of the interim condensed consolidated financial information.

TAIB Bank B.S.C. (c)

Notes to the interim condensed consolidated financial information for the nine months ended 30 September 2010

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

1 Incorporation and principal activity

TAIB Bank B.S.C. (c) (the Bank) was incorporated in Bahrain as an Exempt Company and holds a wholesale banking license issued by the Central Bank of Bahrain. The Bank has its registered office at TAIB Tower, Diplomatic Area, Manama, Kingdom of Bahrain. Its shares are listed on the Bahrain Stock Exchange.

The principal activities of the Bank and its Subsidiaries (together, the Group) are wealth management and wealth transfer products and services, asset management, private equity investments, real estate investments, provision of financial and securities advisory services and brokerage services.

2 Basis of preparation

The interim condensed consolidated financial information for the nine months ended 30 September 2010 has been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting. The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3 Significant accounting policies

The accounting policies applied in the preparation of the interim condensed consolidated financial information are consistent with those in the annual consolidated financial statements for the year ended 31 December 2009, as described in those annual financial statements.

(a) Standards, amendments and interpretations effective and relevant to the Group's operations.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), ‘Business combinations’, and consequential amendments to IAS 27, ‘Consolidated and separate financial statements’, IAS 28, ‘Investments in associates’, and IAS 31, ‘Interests in joint ventures’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), ‘Consolidated and separate financial statements’, at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

TAIB Bank B.S.C. (c)

Notes to the interim condensed consolidated financial information for the nine months ended 30 September 2010 (continued)

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

3 Significant accounting policies (continued)

(a) Standards, amendments and interpretations effective and relevant to the Group's operations. (continued)

Management has assessed the impact of the above amendments and interpretations to the published standards on the consolidated financial statements and has concluded that they currently would not have an impact on these interim condensed consolidated financial statements.

(b) Standards, amendments and interpretations effective and not relevant to the Group's operations.

- IFRIC 17, 'Distributions of non-cash assets to owners' (effective for periods commencing 1 July 2009);
- IFRIC 18, 'Transfers of assets from customers' (effective for periods commencing 1 July 2009);
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) (effective for periods commencing 1 July 2009; and
- Improvements to IFRS

(c) Standards, amendments and interpretations not effective and not early adopted by the Group.

The following is the standard issued but not effective and the Group has not early adopted.

- IFRS 9, 'Financial instruments part 1: Classification and measurement' (effective for periods commencing 1 January 2013). Management is considering the implications of the standard, its impact on the Group and the timing of its application by the Group.

4 Transactions and balances with related parties

The Group carries out transactions in the normal course of business with related parties, defined as shareholders and directors of the Bank and its subsidiaries, and businesses in which shareholders and directors, individually or combined, have control or significant influence. Related parties also include key management personnel.

TAIB Bank B.S.C. (c)

Notes to the interim condensed consolidated financial information for the nine months ended 30 September 2010 (continued)

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

4 Transactions with related parties (continued)

Significant balances and transactions are provided below:

	30 September 2010	31 December 2009
	(Unaudited)	(Audited)
Balance sheet :		
<u>Acacia Real Estate Limited BVI</u> (associated company)		
- Deposits/current account in favour of Acacia Real Estate Limited BSC (c)	10,361	10,095
- Deposits/current account in favour of Acacia Real Estate Limited BVI	90,145	70,388
<u>Loans and advances</u>		
- Loans and advances extended to directors and their related parties	-	626
<u>Customer deposits</u>		
- Deposits received from directors and their related parties	17,637	23,205
	30 September 2010	30 September 2009
	(Unaudited)	(Unaudited)
Income statement :		
<u>Acacia Real Estate Limited BVI</u> (associated company)		
- Interest expense	2,730	2,178
- Fee and commission income	-	1,000
<u>Acacia Real Estate Limited BSC (c)</u> (associated company)		
- Interest expense	346	289
<u>Dubai First PJSC</u> (associated company)		
- Interest income on placements with Dubai First PJSC	-	1,082
<u>Customer deposits</u>		
- Interest expense on deposits received from directors and their related parties	139	131
<u>Loans and advances</u>		
- Interest income on loans and advances extended to directors and related parties	-	20
<u>Key management compensation</u>		
	30 September 2010	30 September 2009
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	523	698
End of service benefits	14	14
	<hr/> 537	<hr/> 712
Directors expenses paid	<hr/> 245	<hr/> 244

TAIB Bank B.S.C. (c)**Notes to the interim condensed consolidated financial information for the nine months ended 30 September 2010 (continued)**

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

5. Segment information

The chief operating decision-maker has been identified as the senior management committee. This committee reviews the Group's internal reporting in order to assess the performance and allocate resources. Management has determined the operating segments based on these reports. The committee considers the business from the following product perspective.

Asset management:	Incorporating full financial advisory services, funds and portfolio management and proprietary trading activities.
Private banking:	Incorporating real estate acquisitions, divestments, joint venture and specialized private equity deals and trust services.
Brokerage:	Offering full brokerage services within the Group's selected markets.

The Group does not have inter – segment transactions.

The senior management committee assesses the performance of the above operating segments based on a measure of earnings.

	Nine month period ended 30 September 2010 (Unaudited)			
	Asset management	Private banking	Brokerage	Total
<u>Segment income</u>				
Operating income	1,495	3,186	1,940	6,621
<u>Segment result</u>				
Loss before taxation	(180)	(27,033)	(862)	(28,075)
Overseas taxation				(62)
Loss after taxation				(28,137)
Non-controlling interests				135
Loss for the period attributable to equity holders of the Bank				(28,002)
	As at 30 September 2010 (Unaudited)			
<u>Other information</u>				
Segment assets	123,765	185,915	17,787	327,467
	Nine month period ended 30 September 2009 (Unaudited)			
	Asset management	Private banking	Brokerage	Total
<u>Segment income</u>				
Operating income	968	6,645	2,843	10,456
<u>Segment result</u>				
Loss before taxation	(711)	(8,766)	57	(9,420)
Overseas taxation				(52)
Loss after taxation				(9,472)
Non-controlling interests				(19)
Loss for the period attributable to equity holders of the Bank				(9,491)

TAIB Bank B.S.C. (c)

Notes to the interim condensed consolidated financial information for the nine months ended 30 September 2010 (continued)

(All amounts expressed in thousands of United States Dollars unless otherwise stated)

5. Segment information (continued)

	As at 31 December 2009 (Unaudited)			
	Asset management	Private banking	Brokerage	Total
<u>Other information</u>				
Segment assets	142,005	195,384	10,717	348,106

6. Other provisions

During 2005 the Bank acted as an agent in an investment transaction related to the acquisition of a parcel of land in Mecca, Saudi Arabia. Due to delays in regularising the title to the parcel of land by the promoter this investment transaction was not completed within the expected time frame to enable exit from this investment. The investors requested the Bank to intervene and in December 2009 the Bank, through its nominee in Saudi Arabia, instituted legal proceedings against the promoter whereby the promoter declared in the Court that he is willing to pay back the funds received from the nominee acting on behalf of the Bank and requested time to be in a position to do so.

Although the Bank, as agent, was not legally responsible for any losses that may have been incurred by the investors on such transaction, on 24 February 2010 the Bank's Board of Directors directed the management of the Bank to undertake to repay the capital invested by the investors on this investment venture through the Bank along with any profit that may be awarded by the court in Saudi Arabia in the case instituted against the promoter in the event the investors do not receive such amounts directly from the promoter by 15 March 2011. As of the date of approval of this condensed consolidated financial information the court case against the promoter is ongoing. However, based on legal advice, the Bank's management is confident that the case will be concluded in the Bank's favour by the end of 2010.

In view of the inherent uncertainties surrounding this transaction management has estimated the potential loss the Bank may incur with respect to its undertaking to repay the investors' amounts using the expected value methodology as per International Accounting Standard (IAS) 37 - Provisions, contingent liabilities and contingent assets. This evaluation takes into account a range of possible outcomes and related cash flows along with the probability of such scenarios materialising. Based on the factors and assumptions that management considers reasonable under the given circumstances and known facts to date, management at 30 June 2010 had estimated the provision required to settle the obligation at USD 11 million. At 30 September 2010, management has reassessed the factors and assumptions and provided additional provision of US\$ 3.7 million that may be required to settle the obligation.

Estimates and assumptions relating to this matter will be continually reviewed which may result in the final provision amount to be significantly different from management's best estimate to date. Had estimates and assumptions with respect to the probability of occurrence of the scenarios of possible outcomes as well as the timing and magnitude of cash flows arising therefrom differ significantly from management's initial estimates, the amount of the provision may need to be revised to reach a maximum of USD 18.7 million.

8. Capital adequacy requirement

At 30 September 2010, the Bank's capital adequacy ratio (CAR) on a consolidated basis was 7.86% which is below the minimum requirement of 12% as specified by the Central Bank of Bahrain. The Bank is in discussion with the Central Bank of Bahrain regarding a plan to address this shortfall.