

TAIB BANK B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION FOR THE THREE
MONTHS ENDED 31 MARCH 2011**

TAIB BANK B.S.C. (c)

Interim condensed consolidated financial information for the three months ended 31 March 2011

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF 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 ("the Group") as at 31 March 2011, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in shareholders' equity, the interim consolidated statement of cash flows for the three months then ended and selected explanatory notes. The Group's Board of Directors 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 condensed 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 condensed consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2011, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with International Accounting Standard 34 - "*Interim Financial Reporting*".

Manama, Kingdom of Bahrain
11 May 2011

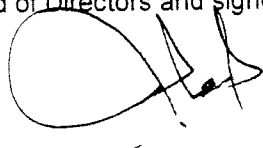
TAIB Bank B.S.C. (c)

Interim condensed consolidated statement of financial position

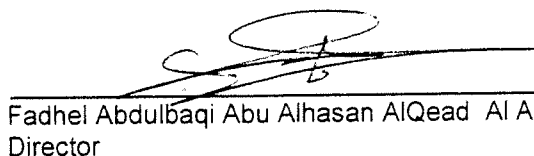
(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	31 March 2011 (Unaudited)	31 December 2010 (Audited)
ASSETS		
Cash and balances with central banks	61,893	72,560
Placements with banks	74,841	42,240
Financial assets at fair value through profit or loss	8,039	5,278
Loans and advances	14,153	16,169
Available-for-sale financial assets	28,538	66,305
Investment in an associate	19,163	19,334
Investment properties	24,077	24,065
Property and equipment	14,414	14,768
Intangible assets	729	989
Goodwill	3,616	3,607
Other assets	6,743	5,376
Total assets	256,206	270,691
LIABILITIES		
Deposits from banks	20,179	20,778
Deposits from customers	158,837	154,438
Securities sold under agreements to repurchase	4,853	-
Other liabilities	9,236	29,162
Long-term debt	7,390	7,407
	200,495	211,785
Non-controlling interests - Funds	31	434
Total liabilities	200,526	212,219
EQUITY		
Capital and reserves attributable to equity holders of the Bank		
Share capital	112,362	112,362
Less: Treasury shares	(5,504)	(5,504)
Reserves	(51,777)	(49,001)
	55,081	57,857
Non-controlling interests in equity	599	615
Total equity	55,680	58,472
Total equity and liabilities	256,206	270,691

The interim condensed consolidated financial information has been approved for issue by the Board of Directors and signed on its behalf on 11 May 2011 by:



Abdulrazaq Mohammed Abdulla Ali Al Jassim
Chairman



Fadhel Abdulbaqi Abu Alhasan AlQead Al Ali
Director

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 income

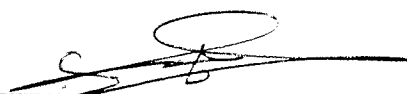
(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	Three months ended 31 March	
	2011 (Unaudited)	2010 (Unaudited)
Interest and similar income	929	1,049
Interest expense	(1,058)	(1,799)
	(129)	(750)
Fees and commission income	475	1,212
Net trading (losses)/gains	(150)	443
Gains on disposal of available-for-sale financial assets	946	104
Foreign exchange income	55	756
Finance income	6	-
Other operating income	746	1,159
Total operating income	1,949	2,924
Staff costs	(2,185)	(2,592)
Other operating costs	(2,703)	(2,824)
Finance costs	-	(82)
Provisions for impairment of loans, investments and other assets	(147)	(496)
Other provisions	-	(6,727)
Share of loss from investment in an associate	-	(520)
Loss before taxation	(3,086)	(10,317)
Overseas income tax expense	7	(24)
Loss for the period	(3,079)	(10,341)
Attributable to:		
Equity holders of the Bank	(3,063)	(10,281)
Non-controlling interests in equity	(16)	(60)
	(3,079)	(10,341)
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)	\$(0.03)	\$(0.10)

The interim condensed consolidated financial information has been approved for issue by the Board of Directors and signed on its behalf on 11 May 2011 by:



Abdulrazaq Mohammed Abdulla Ali Al Jassim
Chairman



Fadhel Abdülbaqi Abu Alhasan AlQead Al Ali
Director

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 comprehensive income**

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

	Three months ended 31 March	
	2011	2010
	(Unaudited)	(Unaudited)
Loss for the period	(3,079)	(10,341)
Other comprehensive income/(loss):		
Exchange difference on translating foreign operations	275	13
Exchange difference on retained earnings and other reserves	(24)	128
Share of other comprehensive profit from associate	-	156
Movement in fair value of available-for-sale financial assets	36	575
Other comprehensive gains/(losses) for the period	287	872
Total comprehensive loss for the period	(2,792)	(9,469)
Attributable to:		
Equity holders of the Bank	(2,776)	(9,419)
Non-controlling interests in equity	(16)	(50)
	(2,792)	(9,469)

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 shareholders' equity for the three months ended 31 March 2011
(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				
							Transiation of foreign operations	Fair value reserve	Retained earnings	Total	
At 1 January 2011	112,362	(5,504)	1,510	22,908	6,951	4,232	(14,396)	1,337	(71,543)	615	58,472
Total comprehensive loss for the period	-	-	-	4	24	-	275	36	(3,115)	(16)	(2,792)
At 31 March 2011 (unaudited)	112,362	(5,504)	1,510	22,912	6,975	4,232	(14,121)	1,373	(74,658)	599	55,680

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 shareholders' equity for the three months ended 31 March 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			Fair value reserve	Retained earnings
At 1 January 2010	112,362	(4,530)	3,197	22,904	6,977	9,098	(14,103)	502	(33,391)	1,038	104,054
Total comprehensive loss for the period	-	-	-	4	(42)	1	13	731	(10,126)	(50)	(9,469)
At 31 March 2010 (unaudited)	112,362	(4,530)	3,197	22,908	6,935	9,099	(14,090)	1,233	(43,517)	988	94,585

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)

	Three months period ended	
	31 March 2011 (Unaudited)	31 March 2010 (Unaudited)
Cash flows from operating activities		
Loss for the period before taxation and minority interest		
	(3,086)	(10,317)
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in fair value of investments held for trading	(21)	27
Changes in fair value of derivative financial instruments	40	286
Provision for impairment of loans, investments and other assets	147	7,223
Depreciation and amortisation	678	470
Share of loss from investment in an associate	-	520
Cash flows from operating profits before changes in operating assets and liabilities	<u>(2,242)</u>	<u>(1,791)</u>
Movements in operating assets and liabilities		
Financial assets at fair value through profit or loss	(2,740)	(7,769)
Loans and advances	1,869	(1,564)
Other assets	(1,407)	(3,569)
Deposits from banks	(599)	(2,187)
Deposits from customers	4,399	4,671
Other liabilities	(20,322)	(2,833)
Securities sold under agreements to repurchase	4,853	6,507
Currency translation adjustment	251	128
Net cash used in operating activities	<u>(15,938)</u>	<u>(8,407)</u>
Cash flows from investing activities		
Net movement in available-for-sale financial assets	37,803	(2,874)
Net movement in Investment in an associate	171	-
Net movement in investment properties	(12)	(30)
Net movement in property and equipment	(73)	232
Net cash provided by/(used in) investing activities	<u>37,889</u>	<u>(2,672)</u>
Cash flows from financing activities		
Net movement in long-term debt	(17)	(26)
Net cash used in financing activities	<u>(17)</u>	<u>(26)</u>
Net increase/(decrease) in cash and cash equivalents	21,934	(11,105)
Cash and cash equivalents at the beginning of the period	<u>114,800</u>	<u>160,854</u>
Cash and cash equivalents at the end of the period	<u>136,734</u>	<u>149,749</u>

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 three months ended 31 March 2011

(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 three months ended 31 March 2011 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 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 Significant accounting policies

Except as described below, 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 2010, as described in those annual financial statements.

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

The following amendments and interpretations to existing standards are mandatory for the first time for the Group's accounting periods and relevant to the operations of the Group.

- IFRS 3, 'Business Combinations' relating to measurement of non-controlling interest (effective for periods commencing 1 July 2010);
- IFRS 7, 'Financial Instruments: Disclosures' – clarification relating to disclosure requirements (effective for periods beginning on or after 1 January 2011);
- IAS 1, 'Presentation of Financial Statements', presentation of changes in equity (effective for periods commencing 1 January 2011);
- IAS 24, 'Related Party Disclosures'(revised) (effective for periods beginning on or after 1 January 2011);
- IAS 27, 'Consolidated and Separate Financial Statements'- Consequential amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' and IAS 28,'Investment in Associates'; (effective for periods commencing on or after 1 July 2010);
- IAS 34, 'Interim Financial Reporting', Content of an interim financial report- significant events and transactions (effective for periods beginning on or after 1 January 2011).

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

3 **Significant accounting policies (continued)**

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

The following standards, amendments and interpretations to existing standards are mandatory for the first time for the Group's accounting, but are not relevant to the Group's operations.

- IAS 32, 'Financial Instruments- Presentation', Classification of rights issue (amendment to the standard) (effective for periods beginning on or after 1 February 2010);
- IFRS 7 Financial Instruments: Disclosures- Transfer of Financial Assets (Amendments) (effective for periods commencing on or after 1 July 2011);
- IFRS 1, 'First Time Adoption of International Financial Reporting Standards', Limited exemption from comparatives IFRS 7 Disclosures for first-time adopters and Changes in accounting policies during an entity's year of adoption of IFRS (effective for periods beginning on or after 1 July 2010 and 1 January 2011 respectively);
- IFRIC 13, 'Customer Loyalty Programmes', (effective for periods beginning on or after 1 January 2011);
- IFRIC 14/ IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for periods commencing 1 January 2011);
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', (effective for periods beginning on or after 1 July 2010).

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

The following are the standards issued but not effective and which the Group has not early adopted.

- IFRS 9, 'Financial Instruments Part 1: Classification and measurement' and related amendments to the standard (effective for periods commencing 1 January 2013). Management is considering the implications of the above standard, its impact on the Group and the timing of its application by the Group;
- IAS 12, 'Income Taxes', Deferred tax; recovery of underlying assets (amendments to IAS 12) (effective for periods commencing on or after 1 January 2012).

TAIB Bank B.S.C. (c)**Notes to the interim condensed consolidated financial information for the three months ended 31 March 2011 (continued)**

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

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.

Significant balances and transactions are provided below:

	31 March 2011	31 December 2010
	(Unaudited)	(Audited)
Statement of financial position :		
<u>Acacia Real Estate Limited BVI</u> (associate)		
- Deposits/current account in favour of Acacia Real Estate Limited BSC (c)	84,377	59,020
 <u>Customer deposits</u>		
- Deposits received from directors and their related parties	20,314	24,277
	Three months ended 31 March 2011	Three months ended 31 March 2010
	(Unaudited)	(Unaudited)
Statement of income:		
<u>Acacia Real Estate Limited BVI</u> (associate)		
- Interest expense	597	915
 <u>Customer deposits</u>		
- Interest expense on deposits received from directors and their related parties	6	20
 <u>Loans and advances</u>		
- Interest income on loans and advances extended to directors and related parties	-	3

4 Transactions and balances with related parties (continued)

Key management compensation

	Three months ended 31 March 2011 (Unaudited)	Three months ended 31 March 2010 (Unaudited)
Salaries and other short-term employee benefits	172	175
End-of-service benefits	6	5
	<hr/>	<hr/>
	178	180
	<hr/>	<hr/>
Directors' expenses paid	16	30
	<hr/>	<hr/>

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 specialised 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.

TAIB Bank B.S.C. (c)

Notes to the interim condensed consolidated financial information for the three months ended 31 March 2011 (continued)

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

5. Segment information (continued)

	Three months ended 31 March 2011 (Unaudited)			
	Asset management	Private banking	Brokerage	Total
<u>Segment income</u>				
Operating (loss)/income	(103)	1,616	436	1,949
<u>Segment result</u>				
Loss before taxation	(571)	(2,484)	(31)	(3,086)
Overseas taxation				7
Loss after taxation				(3,079)
Non-controlling interests in equity				16
Loss for the period attributable to equity holders of the Bank				(3,063)
<u>Other information</u>				
Segment assets	96,709	135,618	23,879	256,206
	Three months ended 31 March 2010 (Unaudited)			
	Asset management	Private banking	Brokerage	Total
<u>Segment income</u>				
Operating (loss)/income	491	1,686	747	2,924
<u>Segment result</u>				
Loss before taxation	50	(10,112)	(255)	(10,317)
Overseas taxation				(24)
Loss after taxation				(10,341)
Non-controlling interests in equity				60
Loss for the period attributable to equity holders of the Bank				(10,281)
	Year ended 31 December 2010 (audited)			
	Asset management	Private banking	Brokerage	Total
<u>Other information</u>				
Segment assets	84,511	167,781	18,399	270,691