

TAIB BANK B.S.C. (c)

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

TAIB BANK B.S.C. (c)

**Interim condensed consolidated financial information for the nine months ended
30 September 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 Company") and its subsidiaries ("the Group") as at 30 September 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 nine months then ended and selected explanatory notes. The Company'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 30 September 2011, and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with International Accounting Standard 34 - "*Interim Financial Reporting*".

Manama, Kingdom of Bahrain
13 November 2011

TAIB Bank B.S.C. (c)**Interim condensed consolidated statement of financial position as at 30 September 2011**

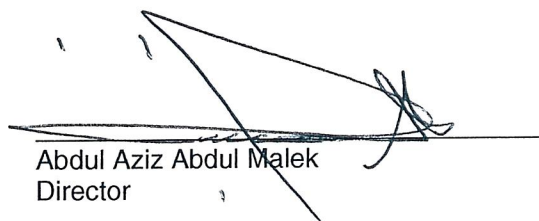
(All amounts expressed in thousands of United States Dollars unless otherwise stated)

	30 September 2011 (Unaudited)	31 December 2010 (Audited)
ASSETS		
Cash and balances with central banks	51,851	72,560
Placements with banks	55,698	42,240
Financial assets at fair value through profit or loss	10,808	5,278
Loans and advances	13,530	16,169
Available-for-sale financial assets	28,831	66,305
Investment in an associate	19,163	19,334
Investment properties	24,037	24,065
Property and equipment	12,883	14,768
Intangible assets	623	989
Goodwill	2,996	3,607
Other assets	7,499	5,376
Total assets	227,919	270,691
LIABILITIES		
Deposits from banks	15,099	20,778
Deposits from customers	146,578	154,438
Other liabilities	11,507	29,162
Long-term debt	7,340	7,407
	180,524	211,785
Non-controlling interests - Funds	30	434
Total liabilities	180,554	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	(60,022)	(49,001)
	46,836	57,857
Non-controlling interests in equity	529	615
Total equity	47,365	58,472
Total equity and liabilities	227,919	270,691

The interim condensed consolidated financial information has been approved for issue by the Board of Directors and signed on its behalf on 13 November 2011 by:



Abdulrahman Hareb Rashed Al Hareb
Chairman



Abdul Aziz Abdul Malek
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 income statement for the quarter and nine months ended 30 September 2011**


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

	Nine months ended 30 September		Three months ended 30 September	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
Interest and similar income	4,574	2,905	1,325	824
Interest expense	(2,948)	(5,577)	(840)	(1,836)
Net interest income / (expense)	1,626	(2,672)	485	(1,012)
Fees and commission income	1,526	4,236	477	2,399
Net trading (loss) / income	(549)	455	(360)	387
Gains on disposal of available-for-sale financial assets	1,521	355	-	8
Foreign exchange income	886	1,053	693	(45)
Finance income	7	-	-	-
Other operating income	4,170	3,194	1,035	1,016
Total operating income	9,187	6,621	2,330	2,753
Staff costs	(8,463)	(7,897)	(2,737)	(2,754)
Other operating costs	(9,468)	(8,325)	(2,903)	(2,750)
Provisions for impairment of loans, investments and other assets	629	(3,134)	798	(1,909)
Finance cost	-	(29)	-	(44)
Other provisions	-	(14,791)	-	(3,762)
Share of loss from investment in an associate	-	(520)	-	-
Loss before taxation	(8,115)	(28,075)	(2,512)	(8,466)
Overseas income tax expense	(292)	(62)	(189)	(15)
Net loss for the period	(8,407)	(28,137)	(2,701)	(8,481)
Attributable to:				
Equity holders of the Bank	(8,353)	(28,002)	(2,684)	(8,451)
Non-controlling interests	(54)	(135)	(17)	(30)
	(8,407)	(28,137)	(2,701)	(8,481)
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)	\$(0.08)	\$(0.26)	\$(0.03)	\$(0.08)

The interim condensed consolidated financial information has been approved for issue by the Board of Directors and signed on its behalf on 13 November 2011 by:



Abdulrahman Hareb Rashed Al Hareb
Chairman



Abdul Aziz Abdul Malek
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 for the quarter and nine months ended 30 September 2011**

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

	Nine months ended 30 September		Three months ended 30 September	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
Net loss for the period	(8,407)	(28,137)	(2,701)	(8,481)
Other comprehensive income/(loss):				
Exchange difference on translating foreign operations	(4,580)	819	(3,922)	1,627
Exchange difference on retained earnings and other reserves	1,929	(198)	1,349	(609)
Disposal of available-for-sale financial assets	-	42	-	42
Movement in fair value of available-for-sale financial assets	(50)	484	(46)	151
Fair value reserve recycled to income statement	-	106	-	106
Share of other comprehensive income from associate	-	156	-	-
Other comprehensive (loss) / income	1	-	3	(5)
Other comprehensive (loss) / income for the period	(2,700)	1,409	(2,616)	1,312
Total comprehensive loss for the period	(11,107)	(26,728)	(5,317)	(7,169)
Attributable to:				
Equity holders of the Bank	(11,021)	(26,597)	(5,269)	(7,155)
Non-controlling interests	(86)	(131)	(48)	(14)
	(11,107)	(26,728)	(5,317)	(7,169)

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 nine months ended 30 September 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	Translation of foreign operations	Fair value reserve	Accumulated losses	Total		
At 1 January 2011	112,362	(5,504)	1,510	22,908	6,951	4,232	(14,396)	1,337	(71,543)	(49,001)	615	58,472
Total comprehensive loss for the period	-	-	-	23	(28)	(2)	(4,580)	(51)	(6,383)	(11,021)	(86)	(11,107)
At 30 September 2011 (unaudited)	112,362	(5,504)	1,510	22,931	6,923	4,230	(18,976)	1,286	(77,926)	(60,022)	529	47,365

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 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	Reserves							Total
						Revaluation reserve	Translation of foreign operations	Fair value reserve	Accumulated losses				
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 cash flows for the nine months ended 30
September 2011

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

	Nine months period ended	
	30 September 2011 (Unaudited)	30 September 2010 (Unaudited)
Cash flows from operating activities		
Net loss for the period before taxation and non-controlling interests	(8,115)	(28,075)
Adjustments to reconcile net income to net cash provided by / used in operating activities:		
Changes in fair value of investments held for trading	(7)	(65)
Changes in fair value of derivative financial instruments	(199)	55
Provision for impairment	(629)	17,925
Depreciation and amortization	1,559	1,394
Share of loss from investment in an associate	-	520
	<hr/>	<hr/>
Cash flows from operating profits before changes in operating assets and liabilities	(7,391)	(8,246)
Movements in operating assets and liabilities		
Financial assets at fair value through profit or loss	(5,523)	(1,218)
Loans and advances	3,268	5,689
Other assets	(1,924)	(3,539)
Deposits from banks	(5,679)	(1,884)
Deposits from customers	(7,860)	2,880
Other liabilities	(18,350)	(7,624)
Currency translation adjustment	(2,651)	621
	<hr/>	<hr/>
Net cash provided by / used in operating activities	(46,110)	(13,321)
Cash flows from investing activities		
Net movement in available-for-sale financial assets	37,424	6,241
Net movement in investment in an associate	171	-
Net movement in investment properties	28	(374)
Net movement in property and equipment	1,303	(42)
	<hr/>	<hr/>
Net cash provided by investing activities	38,926	5,825
Cash flows from financing activities		
Purchase of treasury shares	-	(2,660)
Long-term debt	(67)	(76)
	<hr/>	<hr/>
Net cash used in financing activities	(67)	(2,736)
Net increase / decrease in cash and cash equivalents	(7,251)	(10,232)
Cash and cash equivalents at the beginning of the period	114,800	160,854
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Cash and cash equivalents at the end of the period	107,549	150,622
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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 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 nine months ended 30 September 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.

TAIB Bank B.S.C. (c)

Notes to the interim condensed consolidated financial information for the nine months ended 30 September 2011 (continued)

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

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).
- IFRS 10, 'Consolidated Financial statements' (effective for periods commencing 1 January 2013).
- IFRS 11, 'Joint arrangements' (effective for periods commencing 1 January 2013).
- IFRS 12, 'Disclosure of Interest in other Entities' (effective for periods commencing 1 January 2013)
- IFRS 13, 'Fair Value Measurement' (effective for periods commencing 1 January 2013).

Management is considering the implications of the above standards, 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 nine months ended 30 September 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 exercise significant influence. Related parties also include key management personnel.

Significant balances and transactions are provided below:

	30 September 2011 (Unaudited)	31 December 2010 (Audited)
Statement of financial position:		
<u>Acacia Real Estate Limited BSC</u> (c)(associated)		
- Deposits/current account in favour of Acacia Real Estate Limited BSC (c)	85,433	59,020
<u>Customer deposits</u>		
- Deposits received from directors and their related parties	19,070	24,277
	Nine months ended 30 September 2011 (Unaudited)	Nine months ended 30 September 2010 (Unaudited)
Statement of income:		
<u>Acacia Real Estate Limited BSC</u> (c) (associated)		
- Interest expense	1,751	3,076
<u>Customer deposits</u>		
- Interest expense on deposits received from directors and their related parties	6	139

TAIB Bank B.S.C. (c)**Notes to the interim condensed consolidated financial information for the nine months ended 30 September 2011 (continued)**

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

4 Transactions and balances with related parties (continued)Key management compensation

	Nine months ended 30 September 2011	Nine months ended 30 September 2010
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	521	523
End-of-service benefits	15	14
	<hr/>	<hr/>
	536	537
	<hr/>	<hr/>
Directors' expenses paid	166	123
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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 nine months ended 30 September 2011 (continued)**

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

5. Segment information (continued)

	Nine months period ended 30 September 2011			
	(Unaudited)			
	Asset management	Private banking	Brokerage	Total
<u>Segment income</u>				
Operating income	(308)	8,474	1,021	9,187
<u>Segment result</u>				
Loss before taxation	(2,272)	(5,237)	(606)	(8,115)
Overseas taxation				(292)
Loss after taxation				(8,407)
Non-controlling interests				54
Loss for the period attributable to equity holders of the Bank				(8,353)
<u>Other information</u>				
Segment assets	67,230	131,655	29,034	227,919

	Nine months 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)

	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