

TAIB BANK B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED 31 MARCH 2010**

TAIB BANK B.S.C. (c)

**Interim condensed consolidated financial information for the three months ended 31
March 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 31 March 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period 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'.



13 May 2010
Manama, Kingdom of Bahrain


TAIB Bank B.S.C. (c)

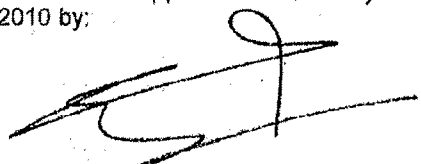
Interim condensed consolidated statement of financial position

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

	31 March 2010	31 December 2009
	(Unaudited)	(Audited)
ASSETS		
Cash and balances with central banks	71,041	68,225
Placements with banks	78,708	92,629
Financial assets at fair value through profit or loss	13,177	5,435
Loans and advances	26,313	25,245
Available-for-sale financial assets	81,220	77,771
Investment in associate	19,841	20,205
Investment property	26,307	26,277
Property and equipment	20,787	21,360
Intangible assets	1,454	1,514
Goodwill	3,661	3,730
Other assets	8,998	5,715
Total assets	351,507	348,106
LIABILITIES		
Deposits from banks	28,845	24,525
Deposits from customers	198,578	193,907
Other liabilities (Note 6)	21,136	17,313
Long-term debt	7,490	7,516
	256,049	243,261
Non-controlling interests - Funds	873	791
Total liabilities	256,922	244,052
EQUITY		
Capital and reserves attributable to equity holders of the Bank		
Share capital	112,362	112,362
Less: Treasury shares	(4,530)	(4,530)
Reserves	(14,236)	(4,816)
	93,597	103,016
Non-controlling interests in equity	988	1,038
Total equity	94,585	104,054
Total equity and liabilities	351,507	348,106

The Interim condensed consolidated financial information has been approved for issue by the Board of Directors and signed on its behalf on 12 May 2010 by:


 Abdulrazaq Mohammed Abdulla Ali Al Jassim
 Director


 Mohamed Ali Saleh Abbas
 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

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

	Three months ended 31 March	
	2010 (Unaudited)	2009 (Unaudited)
Interest and similar income	1,049	1,661
Interest expense	(1,799)	(1,351)
	(750)	310
Fees and commission income	1,212	1,311
Net trading gain/(loss)	443	(481)
Gain/(loss) on disposal of available-for-sale financial assets	104	(75)
Foreign exchange income	756	399
Finance income	-	88
Other operating income	1,159	1,176
Total operating income	2,924	2,728
Staff costs	(2,592)	(3,580)
Other operating costs	(2,824)	(2,764)
Finance cost	(82)	-
Provisions for impairment of loans, investments and other assets	(496)	(220)
Other provisions (Note 6)	(6,727)	-
Share of loss from an associate	(520)	-
Loss before taxation	(10,317)	(3,836)
Overseas income tax expense	(24)	(33)
Loss for the period	(10,341)	(3,869)
Attributable to:		
Equity holders of the Bank	(10,281)	(3,813)
Non-controlling interests in equity	(60)	(56)
	(10,341)	(3,869)
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)	\$(0.10)	\$(0.04)

The interim condensed consolidated financial information has been approved for issue by the Board of Directors and signed on its behalf on 12 May 2010 by:


 Abdulrazq Mohammed Abdulla Ali Al Jassim
 Director


 Mohamed Ali Salah Abbas
 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	
	2010	2009
	(Unaudited)	(Unaudited)
Loss for the period	(10,341)	(3,869)
Other comprehensive income/(loss):		
Exchange difference on translating foreign operations	13	(4,974)
Exchange difference on retained earnings and other reserves	128	(256)
Share of other comprehensive profit from associate	156	-
Movement in fair value of available-for-sale financial assets	575	(592)
Other comprehensive gain/(loss) for the period	872	(5,822)
Total comprehensive loss for the period	(9,469)	(9,691)
Attributable to:		
Equity holders of the Bank	(9,419)	(9,622)
Non-controlling interests in equity	(50)	(69)
	(9,469)	(9,691)

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 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	Translation of foreign operations			Fair value reserve	Retained earnings	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
Total comprehensive loss for the period	-	-	-	4	(42)	1	13	731	(10,126)	(9,419)	(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)	(14,235)	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 changes in equity for the three months ended 31 March 2009

(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
	Reserves											
	Share capital	Treasury shares	Share premium	Capital and statutory reserve	General reserve	Revaluation reserve	Translation of foreign operations	Fair value reserve	Retained earnings	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	-	-	-	(88)	(43)	(9)	(4,974)	(583)	(3,925)	(9,622)	(69)	(9,691)
At 31 March 2009 (unaudited)	112,362	(4,530)	3,197	22,897	6,843	9,958	(16,510)	(1,237)	(10,529)	14,619	905	123,356

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 2010	31 March 2009
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss for the period before taxation and non-controlling interests	(10,317)	(3,836)
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in fair value of investments held for trading	27	39
Changes in fair value of derivative financial instruments	286	42
Provision for impairment	7,223	220
Depreciation and amortisation	470	461
Share of loss from associate	520	-
Cash flows from operating profits before changes in operating assets and liabilities	(1,791)	(3,074)
Movements in operating assets and liabilities		
Trading securities	(7,769)	(3,745)
Loans and advances	(1,564)	1,960
Other assets	(3,569)	(621)
Deposits from banks	(2,187)	(32,242)
Deposits from customers	4,671	(3,260)
Other liabilities	(2,833)	(9,037)
Securities sold under agreements to repurchase	6,507	3,501
Currency translation adjustment	128	(5,229)
Net cash used in operating activities	(8,407)	(51,747)
Cash flows from investing activities		
Net movement in available-for-sale financial assets	(2,874)	7,925
Net movement in investment property	(30)	(205)
Net movement in property and equipment	232	64
Net cash provided by investing activities	(2,672)	7,784
Cash flows from financing activities		
Long-term debt	(26)	(25)
Net cash used in financing activities	(26)	(25)
Net decrease in cash and cash equivalent	(11,105)	(43,988)
Cash and cash equivalent at the beginning of the period	160,854	165,281
Cash and cash equivalent at the end of the period	149,749	121,293

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 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 three months ended 31 March 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 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

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 2009, 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 beginning on or after 1 July 2009 or later periods, and relevant to the operations of the Group.

- IFRS 3, 'Business combinations'(effective for periods commencing 1 July 2009)
- IAS 27, 'Consolidated and separate financial statements' (effective for periods commencing 1 July 2009)

Management has assessed the impact of the above amendments and interpretations to the published standards on the consolidated financial statements and have 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.

The following standards, amendments and interpretations to existing standards are mandatory for the first time for the Group's accounting periods beginning on or after 1 July 2009 or later periods, but are not relevant for the Group's operations.

TAIB Bank B.S.C. (c)
Notes to the interim condensed consolidated financial information for the three months ended 31 March 2010 (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 (continued)

- IFRS 1 and IAS 27, 'Cost of an investment in a subsidiary, jointly-controlled entity or associate' (effective for periods commencing 1 July 2009)
- IFRIC 17, 'Distribution to non-cash to owners' (effective for periods commencing 1 July 2009)
- IFRIC 18, 'Transfers of assets from customers' (effective for periods commencing 1 July 2009)
- 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 above standard, its impact on the Group and the timing of its application by the Group.

4 Transactions 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 transaction are provided below:

	31 March 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)	10,398	10,095
- Deposits/current account in favour of Acacia Real Estate Limited BVI	71,634	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	19,567	23,205

TAIB Bank B.S.C. (c)

Notes to the interim condensed consolidated financial information for the three months ended 31 March 2010 (continued)

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

4 Transactions with related parties (continued)

	31 March 2010	31 March 2009
	(Unaudited)	(Unaudited)
Income statement :		
<u>Acacia Real Estate Limited BVI</u> (associated company)		
- Interest expense	915	690
- Fee and commission income	-	375
<u>Dubai First PJSC</u> (associated company)		
- Interest income on placements with Dubai First PJSC	-	350
<u>Customer deposits</u>		
- Interest expense on deposits received from directors and their related parties	20	44
<u>Loans and advances</u>		
- Interest income on loans and advances extended to directors and related parties	3	7
<u>Key management compensation</u>		
	31 March 2010	31 March 2009
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	175	222
End of service benefits	5	4
	<hr/>	<hr/>
	180	226
	<hr/>	<hr/>
Directors expenses paid	30	24
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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 specialized private equity deals and trust services.
Brokerage:	Offering full brokerage services within the Group's selected markets.

TAIB Bank B.S.C. (c)**Notes to the interim condensed consolidated financial information for the three months ended 31 March 2010 (continued)**

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

5. Segment information (continued)

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.

	Three month period 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)
Minority interest				60
Loss for the period attributable to equity holders of the Bank				(10,281)
<u>Other information</u>				
Segment assets	131,569	205,154	14,784	351,507
	Three month period ended 31 March 2009 (Unaudited)			
	Asset management	Private banking	Brokerage	Total
<u>Segment income</u>				
Operating (loss)/income	(392)	2,383	737	2,728
<u>Segment result</u>				
Loss before taxation	(993)	(2,395)	(448)	(3,836)
Overseas taxation				(33)
Loss after taxation				(3,869)
Minority interest				56
Loss for the period attributable to equity holders of the Bank				(3,813)
	Year ended 31 December 2009 (audited)			
	Asset management	Private banking	Brokerage	Total
<u>Other information</u>				
Segment assets	142,005	195,384	10,717	348,106

TAIB Bank B.S.C. (c)

Notes to the interim condensed consolidated financial information for the three months ended 31 March 2010 (continued)

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

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. The investors requested the Bank to intervene. In December 2009 the Bank, through its nominee in Saudi Arabia, instituted legal proceedings on behalf of the investors 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. 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. Based on the factors and assumptions that management considers reasonable under the given circumstances and known facts to date, they believe that the best estimate of the expenditure required to settle the present obligation at the balance sheet date amounts to USD 6.7 million which is included within "other liabilities" on the balance sheet.

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 cashflows arising therefrom differ significantly from management's initial estimates, the amount of the provision may need to be revised to reach a maximum potential liability to the Bank of USD 18.7 million.