

FIRST LEASING BANK BSC (c)

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

FIRST LEASING BANK BSC (c)

**Interim condensed consolidated financial information
For the nine month period ended 30 September 2010**

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REVIEW REPORT TO THE DIRECTORS OF
FIRST LEASING BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of First Leasing Bank B.S.C. (c) (the Bank) and its subsidiary (together, the Group) as at 30 September 2010 and the related interim condensed consolidated statements of 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 enquiries, 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

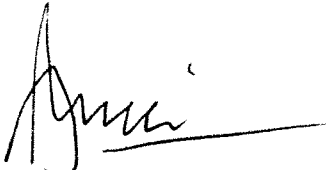
First Leasing Bank BSC (c)
Interim condensed consolidated statement of financial position
 (All amounts expressed in United States Dollars unless otherwise stated)

	Note	As at	
		30 September 2010 (Reviewed)	31 December 2009 (Audited)
ASSETS			
Cash and balances with banks		6,091,970	1,230,514
Placements with banks		29,600,000	15,823,962
Finance lease receivables	4	94,232,204	116,606,303
Investment securities available-for-sale		20,796,950	20,121,950
Property and equipment		1,357,178	1,252,776
Other assets		1,847,295	552,368
Total assets		153,925,597	155,587,873
LIABILITIES			
Accounts payable and other liabilities		709,504	801,628
Due to banks		30,144,300	20,918,097
Due to related parties	6	19,805,202	29,693,577
Total liabilities		50,659,006	51,413,302
EQUITY			
Share capital		100,000,000	100,000,000
Statutory reserve		788,534	788,534
Retained earnings		2,478,057	3,386,037
Total equity		103,266,591	104,174,571
Total liabilities and equity		153,925,597	155,587,873

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 10 November 2010 and signed on its behalf by:



 Khalid Mohamed Kanoo
 Chairman



 Mohamed Hussain
 Director

The notes on pages 7 to 12 form an integral part of the interim condensed consolidated financial information.

First Leasing Bank BSC (c)
Interim condensed consolidated statement of comprehensive income
 (All amounts expressed in United States Dollars unless otherwise stated)

	Nine month period ended		Three month period ended	
	30 September 2010 (Reviewed)	30 September 2009 (Reviewed)	30 September 2010 (Reviewed)	30 September 2009 (Reviewed)
Income from financing activities and similar income	5,774,204	7,904,354	1,496,439	2,944,548
Profit on placements with banks	671,172	737,624	332,837	236,459
Finance cost and similar charges	(2,719,030)	(3,462,977)	(916,871)	(1,139,072)
	<u>3,726,346</u>	<u>5,179,001</u>	<u>912,405</u>	<u>2,041,935</u>
Fee and commission income	295,320	311,172	100,570	107,292
Income from investment activities	497,693	659,934	450,000	283,291
Other income	229,653	252,580	106,424	84,164
Total operating income	<u>4,749,012</u>	<u>6,402,687</u>	<u>1,569,399</u>	<u>2,516,682</u>
Staff costs	(2,428,188)	(2,178,205)	(972,201)	(733,845)
Other operating expenses	(1,450,373)	(1,252,973)	(565,082)	(436,905)
Loss on investment securities available-for-sale	-	(65,328)	-	-
Provision for impairment	(1,778,431)	(123,000)	(1,047,799)	-
Total operating expenses	<u>(5,656,992)</u>	<u>(3,619,506)</u>	<u>(2,585,082)</u>	<u>(1,170,750)</u>
(Loss)/profit for the period	<u>(907,980)</u>	<u>2,783,181</u>	<u>(1,015,683)</u>	<u>1,345,932</u>
Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the period	<u>(907,980)</u>	<u>2,783,181</u>	<u>(1,015,683)</u>	<u>1,345,932</u>

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 10 November 2010 and signed on its behalf by:



Khalid Mohamed Kanoo
Chairman



Mohamed Hussain
Director

The notes on pages 7 to 12 form an integral part of the interim condensed consolidated financial information.

First Leasing Bank BSC (c)**Interim condensed consolidated statement of changes in equity**

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

	Share capital	Retained earnings	Statutory reserve	Total
At 1 January 2009	100,000,000	3,055,267	751,782	103,807,049
Total comprehensive income for the period	-	2,783,181	-	2,783,181
At 30 September 2009 (Reviewed)	100,000,000	5,838,448	751,782	106,590,230
At 1 January 2010	100,000,000	3,386,037	788,534	104,174,571
Total comprehensive loss for the period	-	(907,980)	-	(907,980)
At 30 September 2010 (Reviewed)	100,000,000	2,478,057	788,534	103,266,591

The notes on pages 7 to 12 form an integral part of the interim condensed consolidated financial information.

First Leasing Bank BSC (c)**Interim condensed consolidated statement of cash flows**

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

	Nine month period ended	
	30 September 2010	30 September 2009
	(Reviewed)	(Reviewed)
Operating activities		
(Loss)/profit for the period	(907,980)	2,783,181
<u>Adjustments for:</u>		
Depreciation	213,296	131,564
Provision for impairment	1,778,431	123,000
Income from investments available-for-sale	(497,693)	(283,291)
(Loss)/gain on disposal of property and equipment	(198)	2,515
Loss on investment securities available-for-sale	-	65,328
	<u>585,856</u>	<u>2,822,297</u>
<u>Changes in operating assets and liabilities:</u>		
Decrease/(increase) in finance lease receivables	20,595,668	(8,325,932)
Increase in other assets	(1,166,753)	(54,782)
Decrease in accounts payable and other liabilities	(152,822)	(482,995)
Increase in amounts due to banks	406,634	1,222,809
Increase in amounts due to related parties	74,717	52,960
	<u>20,343,300</u>	<u>(4,765,643)</u>
Net cash provided by/(used in) operating activities		
Investing activities		
Purchase of property and equipment	(154,877)	(342,694)
Proceeds from the sale of property and equipment	200	1,070
Purchase of available-for-sale investments	(675,000)	-
Acquisition of subsidiary	(230,300)	-
Proceeds from investment	497,693	283,291
	<u>497,693</u>	<u>283,291</u>
Net cash used in investing activities	(562,284)	(58,333)
Financing activities		
Proceeds from borrowed funds	40,000,000	7,957,500
Repayments of borrowed funds	(41,143,523)	(14,329,545)
Decrease in placements with bank maturing after three months	(7,363,968)	(14,769,009)
	<u>(8,507,491)</u>	<u>(21,141,054)</u>
Net cash used in financing activities		
Net increase/(decrease) in cash and cash equivalents	<u>11,273,525</u>	<u>(25,965,030)</u>
Cash and cash equivalents at the beginning of the period	6,818,445	34,967,112
Cash and cash equivalents at the end of the period	<u>18,091,970</u>	<u>9,002,082</u>
Cash and cash equivalents comprise:		
Cash and balances with banks	6,091,970	1,884,071
Placements with banks	29,600,000	21,887,020
	<u>35,691,970</u>	<u>23,771,091</u>
Less: Placements with banks maturing after three months	(17,600,000)	(14,769,009)
	<u>18,091,970</u>	<u>9,002,082</u>

The notes on pages 7 to 12 form an integral part of the interim condensed consolidated financial information.

First Leasing Bank BSC (c)

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

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

1. Incorporation and principal activity

First Leasing Bank B.S.C. (c) (the Bank) was incorporated in the Kingdom of Bahrain as a closed Bahraini shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain under Commercial Registration number 54236 on 2 August 2004. The Bank operates under a Wholesale Banking License issued by the Central Bank of Bahrain. The registered office of the Bank and its principal place of business is located at Addax Tower, at Al Seef District, Kingdom of Bahrain.

On 31 May 2010 the Bank acquired 100% controlling stake of INTL Capital Limited (the subsidiary or INTL). INTL is a financial services company based in Dubai. The reviewed assets and liabilities of the Subsidiary as at 30 September 2010 and the results of its operations for the month ended 30 September 2010 have been included in this interim condensed consolidated financial information.

The Bank and its subsidiary (collectively "the Group") are principally engaged in the provision of finance and operating equipment leases (Ijara), asset management and trade finance activities throughout the Gulf Co-operation Council countries and other countries.

2. Basis of preparation

This condensed consolidated interim financial information for the nine months ended 30 September 2010 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards.

3. Significant accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2009, except as described below.

Consolidation

Subsidiaries are those companies controlled, directly or indirectly, by the Bank, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. This control is normally evidenced when the Bank owns, either directly or indirectly, more than 50% of the voting rights or currently exercisable potential voting rights of an entity's share capital. Special Purpose Entities are consolidated where the substance of the relationship is that the Special Purpose Entity is controlled by the Group. Companies acquired during the year are consolidated from the date on which control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes from the Group. Inter-company balances, transactions and resulting unrealised income are eliminated in full. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and if they do not result in a loss of control.

(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' 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.

First Leasing Bank BSC (c)

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

(All amounts expressed in 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)

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. There has been no impact of the revised standard on the current period as the Bank owns 100% equity shares of the subsidiary.

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

(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 International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

First Leasing Bank BSC (c)
Notes to the interim condensed consolidated financial information for the nine month
period ended 30 September 2010 (continued)
 (All amounts expressed in United States Dollars unless otherwise stated)

4. Finance lease receivables

	30 September 2010	31 December 2009
	(Reviewed)	(Audited)
<u>Gross investment in finance lease receivables:</u>		
Not later than 1 year	62,585,830	62,186,694
Later than 1 year and not later than 5 years	51,397,072	80,475,727
	<hr/> 113,982,902	<hr/> 142,662,421
Unearned future finance income on finance leases	(17,972,268)	(23,878,671)
Provision for impairment	(1,778,430)	(2,177,447)
	<hr/> 94,232,204	<hr/> 116,606,303
The maturity of the net investment in finance leases is analysed as follows:		
Not later than 1 year	47,045,043	45,363,431
Later than 1 year and not later than 5 years	47,187,161	71,242,872
	<hr/> 94,232,204	<hr/> 116,606,303

Reconciliation of finance lease receivables

	30 September 2010	31 December 2009
	(Reviewed)	(Audited)
At 1 January	116,606,303	121,966,313
Finance leases issued	1,750,000	23,022,517
Finance lease income receivable	(479,093)	(22,666)
Principal repayment received	(21,866,576)	(26,182,414)
Provision made for impairment	(1,778,430)	(2,177,447)
	<hr/> 94,232,204	<hr/> 116,606,303

First Leasing Bank BSC (c)

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

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

5. Business combinations

On 31 May 2010, the Bank acquired 100% of the share capital of INTL Capital Limited, a financial services company located in the Dubai International Finance Centre and regulated by the Dubai Financial Services Authority. Renamed as FLB Capital Limited, the Company specializes in asset management and trade finance. As a result of the acquisition the Bank expects to generate fee-based revenue, diversify its income sources, enhance its vendor / supplier leasing capabilities and develop secondary markets to accelerate portfolio turnover and income.

The initial consideration paid was USD 752,646. As at 30 September 2010, the Bank's management assessed the fair value of the subsidiary's tangible and intangible assets, liabilities and contingent liabilities as required by International Financial Reporting Standard 3-Business Combinations (IFRS 3). Management has treated the carrying amount of assets and liabilities as per the subsidiary's financial statements to represent their respective value at the date of acquisition.

The fair value of assets and liabilities acquired are as follows:

	USD
Cash and balances with bank	522,346
Property and equipment	162,823
Other assets	128,174
Accounts payable and other liabilities	<u>(60,697)</u>
Total identifiable net assets	<u>752,646</u>

(a) Acquisition – related costs

Acquisition related costs of USD 25,298 are included in the other operation expenses in the statement of comprehensive income for the period ended 30 September 2010.

(b) Revenue and profit contribution

The subsidiary contributed revenues of USD 24,924 and net loss of USD 338,839 to the Group for the period from 1 June 2010 to 30 September 2010.

Had the acquisition taken place on 1 January 2010, the consolidated statement of comprehensive income for the nine months ended 30 September 2010 would show revenue of USD 4,261,684 and loss of USD 834,805.

First Leasing Bank BSC (c)

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

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

6. Transactions and balances with related parties

Related parties include the shareholders, businesses in which shareholders (individually or combined), have control or significant influence, directors, key management personnel and companies whose ownership and management are common with that of the Bank. The Bank carries out transactions in the normal course of business with related parties.

Statement of comprehensive income

The statement of comprehensive income reflects the following items in respect of transactions with related parties during the period:

	Nine month period ended	
	30 September 2010	30 September 2009
	(Reviewed)	(Reviewed)
<u>Ithmaar Bank B.S.C.</u> – (a shareholder)		
- Profit from placements with banks	480,083	639,507
- Finance cost	1,039,402	1,861,271
- Other operating expenses	54,288	22,500
<u>Solidarity Group Holding B.S.C. (c)</u> - (a company under common control)		
- Commission from funds under management	7,230	7,230
- Other operating expenses	74,929	51,342
<u>Overland Capital Group</u> – (a shareholder)		
- Management fee	-	243,750
- Other operating expenses	-	1,000
<u>Faisal Islamic Bank</u> – (a shareholder)		
- Finance cost	232,897	442,683
<u>Others</u>		
- Board sitting fees and other expenses	96,308	93,929

First Leasing Bank BSC (c)**Notes to the interim condensed consolidated financial information for the nine month period ended 30 September 2010** (continued)

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

6. Transactions and balances with related parties (continued)*Statement of financial position*

At 30 September 2010 the Bank had the following balances with related parties. The effective rate of interest earned on placements with banks is approximately 3.88% per annum (31 December 2009: 3.81%). There was no impairment on these balances.

	30 September 2010	31 December 2009
	(Reviewed)	(Audited)
<u>Cash and balances with banks</u>		
Ithmaar Bank B.S.C. – (a shareholder)	1,060,540	688,887
<u>Placements with banks</u>		
Ithmaar Bank B.S.C – (a shareholder)	27,600,000	15,823,962
<u>Due to related parties:</u>		
Ithmaar Bank B.S.C.– (a shareholder)	19,730,273	19,527,179
- Faisal Islamic Bank of Egypt – (a shareholder)	-	10,141,898
- Solidarity Group Holding B.S.C. (c) - (company under common control)	74,929	23,500
- Others	-	1,000
	<u>19,805,202</u>	<u>29,693,577</u>

7. Off balance sheet items*Participations*

For the purposes of finance lease transactions, the Bank has entered into syndicated finance leases with participants, the participants' facility balance amounting to USD 3,820,960 as at 30 September 2010 (31 December 2009: USD 4,961,838). The Bank's obligation is limited to making payment to the participant and is conditional upon receiving the corresponding payment rental from lessees and the participants shall have no recourse to the Bank in the event of any failure by the lessee to make any such payments.

8. Subsequent Events

On 6 October 2010, the Board of Directors approved the disposal of FLB Capital Limited. Regulatory approvals are yet to be obtained.