

FIRST LEASING BANK B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

FIRST LEASING BANK B.S.C. (c)

**Interim condensed consolidated financial information
For the nine month period ended 30 September 2011**

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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 2011 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine months then ended. The Directors are 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'.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 2 to the interim condensed consolidated financial information which indicates that the Bank may cease to exist as a legal entity as a result of the proposed change in its ownership structure. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern.



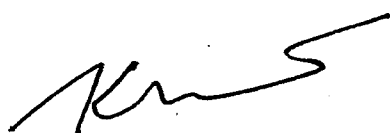
10 November 2011
Manama, Kingdom of Bahrain

First Leasing Bank B.S.C. (c)**Interim condensed consolidated statement of financial position**

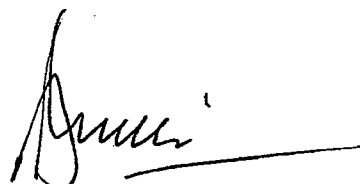
(All amounts expressed in United States Dollars unless otherwise stated)

	Note	As at	
		30 September 2011 (Reviewed)	31 December 2010 (Audited)
ASSETS			
Cash and balances with banks		5,850,165	8,150,460
Placements with banks		33,389,835	27,664,758
Finance lease receivables	5	68,940,860	86,941,431
Investment securities available-for-sale		20,546,950	20,796,950
Property and equipment		746,238	2,607,043
Other assets		1,089,931	1,303,150
		<u>130,563,979</u>	<u>147,463,792</u>
Assets of disposal group classified as held for sale	6	-	71,434
Total assets		<u>130,563,979</u>	<u>147,535,226</u>
LIABILITIES			
Due to banks		24,361,383	27,585,394
Due to related parties		7,832,137	18,080,410
Accounts payable and other liabilities		554,070	664,333
		<u>32,747,590</u>	<u>46,330,137</u>
Liabilities of disposal group classified as held for sale	6	-	538,178
Total liabilities		<u>32,747,590</u>	<u>46,868,315</u>
EQUITY			
Share capital		100,000,000	100,000,000
Statutory reserve		788,534	788,534
Accumulated losses		(2,972,145)	(121,623)
Total equity		<u>97,816,389</u>	<u>100,666,911</u>
Total liabilities and equity		<u>130,563,979</u>	<u>147,535,226</u>

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 3 November 2011 and signed on its behalf by:



Khalid Mohamed Kanoo
Chairman



Mohamed Abdulrahman Hussain
Director



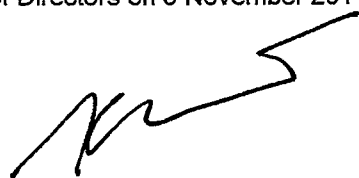
Yusuf Saleh Khalaf
Chairman of Audit & Risk Committee

The notes on pages 7 to 13 form an integral part of the interim condensed consolidated financial information.

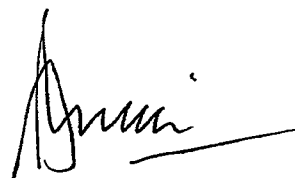
First Leasing Bank B.S.C. (c)
Interim condensed consolidated statement of comprehensive income
 (All amounts expressed in United States Dollars unless otherwise stated)

	Nine month period ended		Three month period ended	
	30 September 2011 (Reviewed)	30 September 2010 (Reviewed)	30 September 2011 (Reviewed)	30 September 2010 (Reviewed)
Income from financing activities and similar income	3,879,325	5,774,204	1,147,918	1,496,439
Profit on placements with banks	1,085,679	671,172	470,822	332,837
Finance cost and similar charges	(1,835,039)	(2,719,030)	(529,291)	(916,871)
	<u>3,129,965</u>	<u>3,726,346</u>	<u>1,089,449</u>	<u>912,405</u>
Fee and commission income	241,883	295,320	73,407	100,570
Income from investment activities	99,003	497,693	-	450,000
Other income	225,091	229,653	48,037	106,424
Total operating income	<u>3,695,942</u>	<u>4,749,012</u>	<u>1,210,893</u>	<u>1,569,399</u>
Staff costs	(1,454,636)	(2,428,188)	(463,342)	(972,201)
Other operating expenses	(1,182,369)	(1,450,373)	(395,223)	(565,082)
Provision for impairment				
Finance lease receivables	(3,533,151)	(1,778,431)	(2,063,265)	(1,047,799)
Property and equipment	(376,308)	-	-	-
Total operating expenses	<u>(6,546,464)</u>	<u>(5,656,992)</u>	<u>(2,921,830)</u>	<u>(2,585,082)</u>
Loss for the period	<u>(2,850,522)</u>	<u>(907,980)</u>	<u>(1,710,937)</u>	<u>(1,015,683)</u>
Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u>(2,850,522)</u>	<u>(907,980)</u>	<u>(1,710,937)</u>	<u>(1,015,683)</u>

The interim condensed consolidated financial information has been approved for issue by the Board of Directors on 3 November 2011 and signed on its behalf by:



Khalid Mohamed Kanoo
Chairman



Mohamed Abdulrahman Hussain
Director



Yusuf Saleh Khalaf
Chairman of Audit & Risk Committee

The notes on pages 7 to 13 form an integral part of the interim condensed consolidated financial information.

First Leasing Bank B.S.C. (c)
Interim condensed consolidated statement of changes in equity
 (All amounts expressed in United States Dollars unless otherwise stated)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Statutory reserve</u>	<u>Total</u>
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)	<u>100,000,000</u>	<u>2,478,057</u>	<u>788,534</u>	<u>103,266,591</u>
At 1 January 2011	100,000,000	(121,623)	788,534	100,666,911
Total comprehensive loss for the period	-	(2,850,522)	-	(2,850,522)
At 30 September 2011 (Reviewed)	<u>100,000,000</u>	<u>(2,972,145)</u>	<u>788,534</u>	<u>97,816,389</u>

The notes on pages 7 to 13 form an integral part of the interim condensed consolidated financial information.

First Leasing Bank B.S.C. (c)
Interim condensed consolidated statement of cash flows
(All amounts expressed in United States Dollars unless otherwise stated)

	Nine month period ended	
	30 September 2011 (Reviewed)	30 September 2010 (Reviewed)
Operating activities		
Loss for the period	(2,850,522)	(907,980)
Adjustments for:		
Depreciation	363,505	213,296
Provision for impairment	3,909,459	1,778,431
Gain from sale of investments available-for-sale	(3,620)	-
(Loss)/gain on disposal of property and equipment	102,043	(198)
	<u>1,520,865</u>	<u>1,083,549</u>
Changes in operating assets and liabilities:		
Decrease in finance lease receivables	15,436,366	20,595,668
Decrease/(increase) in other assets	213,221	(1,166,753)
Decrease in accounts payable and other liabilities	(110,263)	(152,822)
Increase in other amounts due to banks	260,365	406,634
Increase in other amounts due to related parties	59,169	74,717
	<u>17,379,723</u>	<u>20,840,993</u>
Net cash provided by operating activities		
Investing activities		
Purchase of property and equipment	-	(154,877)
Proceeds from the sale of property and equipment	50,000	200
Purchase of available-for-sale investments	-	(675,000)
Proceeds from sale of available-for-sale investments	253,620	-
Disposal of held-for-sale investments	(473,151)	-
Acquisition of subsidiary	-	(230,300)
	<u>(169,531)</u>	<u>(1,059,977)</u>
Net cash used in investing activities		
Financing activities		
Proceeds from borrowed funds	5,000,000	40,000,000
Repayments of borrowed funds	(18,791,818)	(41,143,523)
Decrease in placements with bank maturing after three months	(467,391)	(7,363,968)
	<u>(14,259,209)</u>	<u>(8,507,491)</u>
Net cash used in financing activities		
Net increase in cash and cash equivalents	2,950,983	11,273,525
Cash and cash equivalents at the beginning of the period	18,148,952	6,818,445
Cash and cash equivalents at the end of the period	<u>21,099,935</u>	<u>18,091,970</u>
Cash and cash equivalents comprise:		
Cash and balances with banks	5,850,165	6,091,970
Placements with banks	33,389,835	29,600,000
	<u>39,240,000</u>	<u>35,691,970</u>
Less: Placements with banks maturing after three months	(18,140,065)	(17,600,000)
	<u>21,099,935</u>	<u>18,091,970</u>

The notes on pages 7 to 13 form an integral part of the interim condensed consolidated financial information.

First Leasing Bank B.S.C. (c)

Notes to the interim condensed consolidated financial information for the nine month period ended 30 September 2011

(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, Al Seef District, Kingdom of Bahrain.

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. Significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the nine months ended 30 September 2011 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 2010, which have been prepared in accordance with International Financial Reporting Standards.

During October 2010, the Board of Directors resolved to proceed with a proposal from a financial institution to acquire the Bank's business, assets and liabilities in exchange for issuing shares to the existing shareholders of the Bank. During December 2010, the Bank obtained an "in principle no objection" from the Central Bank of Bahrain to proceed with the proposed transaction subject to approval of the shareholders and completion of various regulatory steps. However, a potential consequence of the transaction is that the Bank may cease to exist as a legal entity. Although, there is a material uncertainty that may cast doubt on the entity's ability to continue as a going concern, this interim condensed consolidated financial information has been prepared on a going concern basis as the transaction process is still at an early stage.

The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2010, except as described below.

(a) New and amended standards and interpretations effective for the Bank's accounting period beginning on 1 January 2011

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- The following new standard and amendments to existing standards have been published and are effective for the Bank's accounting periods beginning on 1 January 2011.

Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2012
- Amendment to IFRIC 14, IAS 19 – The limit on defined benefit assets, minimum funding requirements and their interaction. The amendment to periods beginning 1 January 2011.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011.

First Leasing Bank B.S.C. (c)
Notes to the interim condensed consolidated financial information for the Nine month period ended 30 September 2011 (continued)
(All amounts expressed in United States Dollars unless otherwise stated)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Management has assessed the impact of the above new standard and amendments to published standards on the Bank's financial statements and has concluded that the effect on the Bank's financial statements is not material.

(b) Standards issued and amendments to the published standards which are not yet effective and have not been early adopted by the Bank:

The following applicable new standards and amendments to the published standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Bank:

- IFRS 9, 'Financial instruments', the Bank will apply this standard for the financial reporting period beginning on or after 1 January 2015.
- Amendments to IFRS 7, " Financial instruments: Disclosures " – Disclosure on transfers of financial assets (effective 1 July 2011 and early adoption is permitted)
- IFRS 13 – 'Fair value measurement'. This standard is applicable beginning on or after 1 January 2013. Early application is permitted
- Amendment to IAS 19, 'Employee benefits'. This standard is applicable beginning on or after 1 January 2013. Early application is permitted
- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective 1 July 2012 and early adoption is permitted)

Management is still assessing the impact the above new standard will have on the Bank's financial statements in the year of initial application.

2.2 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.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

First Leasing Bank B.S.C. (c)
Notes to the interim condensed consolidated financial information for the Nine month period ended 30 September 2011 (continued)
(All amounts expressed in United States Dollars unless otherwise stated)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

3.2 Liquidity risk

There was no material change in the contractual undiscounted cash out flows for financial liabilities compared to the prior year end.

3.3 Fair value estimation

The estimated fair value of the Group's other assets and liabilities are not significantly different from their respective carrying values. The fair value of available-for-sale investments could not be reliably estimated and these investments are held at cost less impairment.

In 2011 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

In 2011 there were no reclassifications of financial assets.

4. Estimates

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

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

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

5. Finance lease receivables

	30 September 2011	31 December 2010
	(Reviewed)	(Audited)
<u>Gross investment in finance lease receivables:</u>		
Not later than 1 year	62,989,164	63,778,407
Later than 1 year and not later than 5 years	29,114,700	44,683,113
	<u>92,103,864</u>	<u>108,461,520</u>
Unearned future finance income on finance leases	(13,702,194)	(15,592,430)
Provision for impairment	(9,460,810)	(5,927,659)
	<u>68,940,860</u>	<u>86,941,431</u>
Net investment in finance leases		
	<u>68,940,860</u>	<u>86,941,431</u>
The maturity of the net investment in finance leases is analysed as follows:		
Not later than 1 year	50,499,279	58,540,674
Later than 1 year and not later than 5 years	18,441,581	28,400,757
	<u>68,940,860</u>	<u>86,941,431</u>

Reconciliation of finance lease receivables

	30 September 2011	31 December 2010
	(Reviewed)	(Audited)
At 1 January	86,941,431	116,606,303
Finance leases issued	3,234,448	4,250,000
Finance lease income receivable	163,783	(371,219)
Principal repayment received	(17,865,651)	(29,613,603)
Provision made for impairment	(3,533,151)	(3,930,050)
	<u>68,940,860</u>	<u>86,941,431</u>

First Leasing Bank B.S.C. (c)

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

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

6. Non-current assets held for sale and discontinued operations

The assets and liabilities as at 31 December 2010 related to FLB Capital Limited (100% owned subsidiary located at DIFC, Dubai) which have been presented as held for sale following the approval of the Bank's Board of Directors on 6 October 2010 to liquidate FLB Capital Limited. The liquidation has been completed in May 2011 and subsequently the Bank has ceased control over FLB Capital Limited.

(a) Total cash flows of disposal group classified as held for sale:

	30 September 2011	31 December 2010
Operating activities	-	543,345
Investing activities	-	(5,206)
Financing activities	-	-
Total cash flows	<u>-</u>	<u>538,139</u>

(b) Assets of disposal group classified as held for sale:

	30 September 2011	31 December 2010
Cash and balances with bank	-	6,407
Fixed assets	-	2,718
Receivables and deposits	-	62,309
Total assets of disposal group	<u>-</u>	<u>71,434</u>

(c) Liabilities of disposal group classified as held for sale:

	30 September 2011	31 December 2010
Creditors being total liabilities of disposal group	-	<u>538,178</u>

(d) Loss from discontinued operations.

Analysis of the result of discontinued operations, and the result recognised on the measurement of assets or disposal group, is as follows:

	30 September 2011	31 December 2010
Revenue	-	266,592
Expenses	-	(1,485,982)
Loss from discontinued operations	<u>-</u>	<u>(1,219,390)</u>

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

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

7. Transactions and balances with related parties

Related parties include the shareholders, businesses in which shareholders, individually or combined, have control or significant influence over the Bank's operations, directors, key management personnel and companies whose ownership and management are common with that of the Bank's. The Bank carries out transactions in the normal course of business with related parties. There were no impaired financial assets with respect to related party exposures as of 30 September 2011 and 31 December 2010.

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 2011 (Reviewed)	30 September 2010 (Reviewed)
<u>Ithmaar Bank B.S.C. (a shareholder)</u>		
- Profit from placements with banks	1,021,269	480,083
- Finance cost	649,298	1,039,402
- Other operating expenses	24,288	54,288
<u>Solidarity Group Holding B.S.C. (c) - (company under common control)</u>		
- Commission from funds under management	7,230	7,230
- Other operating expenses	54,038	74,929
<u>Faisal Islamic Bank of Egypt – (a shareholder)</u>		
- Finance cost	-	232,897
<u>Others</u>		
- Board sitting fees and other expenses	51,675	96,308

Statement of financial position

At 30 September 2011, the Bank had the following balances with related parties. The effective rate of interest earned on placements with banks at 30 September 2011 is approximately 5.66% per annum (31 December 2010: 4.08%). There was no impairment charge on these balances.

	30 September 2011 (Reviewed)	31 December 2010 (Audited)
<u>Cash and balances with banks</u>		
Ithmaar Bank B.S.C. (a shareholder)	662,839	960,669
<u>Placements with banks</u>		
Ithmaar Bank B.S.C. (a shareholder)	27,292,403	27,664,758
<u>Due to related parties</u>		
Ithmaar Bank B.S.C. (a shareholder)	7,652,157	17,937,100
Overland Capital Group – (a previous shareholder)	-	10,119
Solidarity Group Holding B.S.C. (c) - (company under common control)	179,979	125,941
Others		7,250
	<u>7,832,136</u>	<u>18,080,410</u>

First Leasing Bank B.S.C. (c)

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

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

8. 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 2,180,954 as at 30 September 2011 (31 December 2010: USD 3,522,130). 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.