

ALUBAF Arab International Bank B.S.C. (c)

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 2011 (Unaudited)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF ALUBAF ARAB INTERNATIONAL BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed financial statements of ALUBAF Arab International Bank B.S.C. (c) (the "Bank") as at 31 March 2011, comprising the interim statement of financial position and the related interim statements of comprehensive income, cash flows and changes in equity for the three-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting* ('IAS 34'). Our responsibility is to express a conclusion on these interim condensed financial statements 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 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 financial statements are not prepared, in all material respects, in accordance with IAS 34.




2 May 2011
Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)
INTERIM STATEMENT OF FINANCIAL POSITION
 At 31 March 2011 (Unaudited)

	31 March 2011 US\$'000	<i>Audited</i> 31 December 2010 US\$'000
ASSETS		
Cash, balances with banks and the Central Bank of Bahrain	105,643	21,717
Deposits with banks and other financial institutions	652,640	886,030
Investment held for trading	30	27
Loans and advances	232,024	157,789
Property, equipment and software	10,085	9,489
Interest receivable	3,690	3,750
Other assets	382	321
TOTAL ASSETS	<u>1,004,494</u>	<u>1,079,123</u>
LIABILITIES AND EQUITY		
Liabilities		
Deposits from banks and other financial institutions	390,117	551,502
Due to banks and other financial institutions	374,424	292,433
Due to customers	4,368	4,749
Interest payable	302	281
Other liabilities	4,139	5,577
Total liabilities	<u>773,350</u>	<u>854,542</u>
Equity		
Share capital	200,000	200,000
Statutory reserve	4,262	4,262
Retained earnings	16,882	10,319
Proposed dividend	10,000	10,000
Total equity	<u>231,144</u>	<u>224,581</u>
TOTAL LIABILITIES AND EQUITY	<u>1,004,494</u>	<u>1,079,123</u>


 Dr. Mohamed Abdulla Bait Elmal
 Chairman


 Ahmed I. Mohamed Rajab
 General Manager

ALUBAF Arab International Bank B.S.C. (c)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2011 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Interest income	4,270	2,066
Interest expense	(625)	(285)
Net interest income	3,645	1,781
Fees and commissions income	4,060	2,996
Changes in fair value of investment held for trading	3	(4)
Foreign exchange gain	84	372
Net operating income	7,792	5,145
Staff costs	847	639
Depreciation	85	38
Other operating expenses	297	325
Total operating expenses	1,229	1,002
COMPREHENSIVE INCOME FOR THE PERIOD	6,563	4,143

ALUBAF Arab International Bank B.S.C. (c)

INTERIM STATEMENT OF CASH FLOWS

For the three months ended 31 March 2011 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2011	2010
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Comprehensive income for the period	6,563	4,143
Adjustments for:		
Depreciation	85	38
Changes in fair value of investment held for trading	(3)	4
Amortisation of assets classified as "Loans and advances" from trading investments	(117)	(107)
Operating income before changes in operating assets and liabilities	6,528	4,078
Changes in operating assets and liabilities:		
Deposits with banks and other financial institutions	15,000	-
Loans and advances	(74,118)	(12,180)
Interest receivable and other assets	(1)	610
Deposits from banks and other financial institutions	(161,385)	(35,988)
Due to banks and other financial institutions	81,991	44,263
Due to customers	(381)	-
Interest payable and other liabilities	(1,417)	(122)
Net cash flow (used in) / from operating activities	(133,783)	661
INVESTING ACTIVITY		
Additions to property, equipment and software	(681)	(837)
Net cash flow used in investing activity	(681)	(837)
FINANCING ACTIVITY		
Dividend paid	-	(1,473)
Net cash flow used in financing activity	-	(1,473)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(134,464)	(1,649)
Cash and cash equivalent at the beginning of the period	892,694	617,694
Cash and cash equivalent at the end of the period	758,230	616,045
Cash and cash equivalents comprise:		
Cash in hand	4	7
Balances with banks and Central Bank of Bahrain (CBB) (excluding mandatory deposit with CBB) with original maturity of ninety days or less	758,226	616,038
	758,230	616,045

ALUBAF Arab International Bank B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2011 (Unaudited)

	<i>Share capital US\$'000</i>	<i>Statutory reserve US\$'000</i>	<i>Retained earnings US\$'000</i>	<i>Proposed dividend US\$'000</i>	<i>Total US\$'000</i>
Balance as at 1 January 2011	200,000	4,262	10,319	10,000	224,581
Comprehensive income for the period	-	-	6,563	-	6,563
At 31 March 2011	200,000	4,262	16,882	10,000	231,144
Balance as at 1 January 2010	100,000	2,649	6,552	1,500	110,701
Dividend paid	-	-	-	(1,500)	(1,500)
Comprehensive income for the period	-	-	4,143	-	4,143
At 31 March 2010	100,000	2,649	10,695	-	113,344

NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 March 2011 (Unaudited)

1 CORPORATE INFORMATION

ALUBAF Arab International Bank B.S.C. (c) (the Bank) is a closed Bahraini joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 12819. The Bank operates under a wholesale banking license issued by the Central Bank of Bahrain under the new integrated licensing framework. The Bank's registered office is at the Wind Tower Building, 2nd Floor, Diplomatic Area, P O Box 11529, Manama, Kingdom of Bahrain.

The interim condensed financial statements of the Bank for the three month period ended 31 March 2011 were authorised for issue in accordance with the resolution of Directors on 2 May 2011.

The annual financial statements of the Bank were authorised for issue by the Board of Directors on 17 February 2011. The Annual General Meeting of the shareholders is expected to take place during the second quarter of 2011 to approve the financial statements for the year ended 31 December 2010.

2 BASIS OF PREPARATION

The interim condensed financial statements of the Bank for the three month period ended 31 March 2011 are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Recent developments in the MENA region

During the period ended 31 March 2011, as a result of events arising out of social and political unrest in Libya, the United Nations Security Council called upon member states to impose economic sanctions on a number of Libyan or Libyan related individuals and entities, including the Libyan Foreign Bank. The Libyan Foreign Bank owns 99.38% of the issued share capital of the Bank. Neither the United Nations Security Council nor any member state has called for any economic sanctions to be imposed against the Bank.

At the time of approval of these interim condensed financial statements, the management were satisfied that the liquidity position of the Bank remained satisfactory, and that the Bank had liquidity resources to enable it to meet its obligations for the foreseeable future, including its prospective flow of new business.

3 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Bank's annual financial statements as at 31 December 2010.

In addition, results for the three month period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2010.

ALUBAF Arab International Bank B.S.C. (c)
 NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 March 2011 (Unaudited)

4 RECLASSIFICATION OF FINANCIAL ASSETS

The carrying values and fair values of the assets reclassified are as follows:

	31 March 2011 US\$'000	<i>Audited</i> 31 December 2010 US\$'000
Carrying value	41,226	41,108
Fair value	50,657	50,532

Additional fair value gain that would have been recognised in the interim statement of income for the three month period ended 31 March 2011 had the trading investment not been reclassified amounts to US\$ 125 thousand (31 March 2010: US\$ 2.52 million).

5 CONTINGENT LIABILITIES

	31 March 2011 US\$'000	<i>Audited</i> 31 December 2010 US\$'000
Letters of guarantee	500	500
Letters of credit	469,636	469,699
Forward foreign exchange contract	7,114	-
	477,250	470,199

6 TRANSACTIONS WITH RELATED PARTIES

The Bank enters into transactions with related parties which represent associated companies, shareholders, directors and key management personnel of the Bank, and entities controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business at arm's length.

	31 March 2011 US\$ '000	<i>Audited</i> 31 December 2010 US\$ '000
Statement of financial position		
Assets		
Cash and balances with banks	12,695	2,800
Deposit with banks and other financial institutions	90,002	30,000
Interest Receivable	11	3
Other assets	29	31
Liabilities		
Deposits from banks and other financial institutions	244,943	219,348
Due to Banks	1,860	-
Interest payable	23	29
Other liabilities - payable on behalf of shareholders	-	1,486
Other liabilities - others	145	221
Contingent Liabilities -Letters of Credit (Fully secured by Deposit takings)	33,864	24,584

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 March 2011 (Unaudited)

6 TRANSACTIONS WITH RELATED PARTIES (continued)

	31 March 2011 US\$ '000	31 March 2010 US\$ '000
Interim statement of comprehensive income		
Interest income	90	-
Interest expense	193	107
Fee and commission income	20	-
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	188	204
End of term benefits	23	9
	<u>211</u>	<u>213</u>

* Includes fee paid to Board of Directors during the three month period ended 31 March 2011 US\$ 26 thousand (31 March 2010: US\$ 59 thousand).