

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

**INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**30 JUNE 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 30 June 2011, comprising the interim statement of financial position and the related interim statements of comprehensive income, cash flows and changes in equity for the six-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*

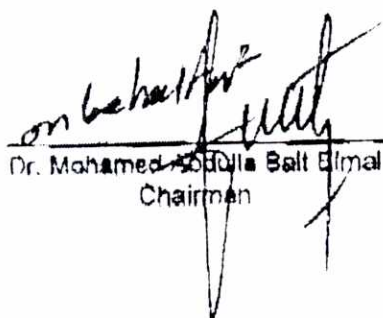
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

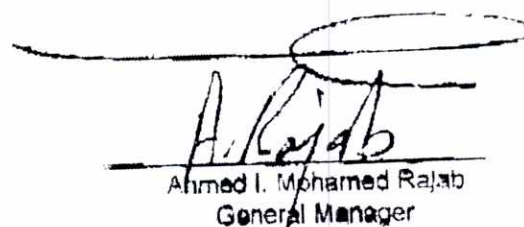


28 July 2011  
Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
 At 30 June 2011 (Unaudited)

	<b>30 June 2011 US\$'000</b>	<i>Audited</i> <b>31 December 2010 US\$'000</b>
<b>ASSETS</b>		
Cash and balances with banks	<b>31,855</b>	21,664
Deposits with banks and other financial institutions	<b>728,480</b>	886,030
Investment held for trading	<b>24</b>	27
Loans and advances	<b>269,423</b>	157,789
Property, equipment and software	<b>10,659</b>	9,489
Interest receivable	<b>4,255</b>	3,750
Other assets	<b>625</b>	374
<b>TOTAL ASSETS</b>	<b>1,045,321</b>	1,079,123
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Deposits from banks and other financial institutions	<b>501,450</b>	551,502
Due to banks and other financial institutions	<b>300,022</b>	292,433
Due to customers	<b>1,273</b>	4,749
Interest payable	<b>149</b>	281
Other liabilities	<b>15,462</b>	5,577
<b>Total liabilities</b>	<b>818,356</b>	854,542
<b>Equity</b>		
Share capital	<b>200,000</b>	200,000
Statutory reserve	<b>4,262</b>	4,262
Retained earnings	<b>22,703</b>	10,319
Proposed dividend	<b>-</b>	10,000
<b>Total equity</b>	<b>226,965</b>	224,581
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,045,321</b>	1,079,123

  
 Dr. Mohamed Abdulla Salt Elmal  
 Chairman

  
 Ahmed I. Mohamed Rajab  
 General Manager

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

## INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 (Unaudited)

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Interest income	<b>5,063</b>	2,816	<b>9,334</b>	5,159
Interest expense	<b>(536)</b>	(402)	<b>(1,162)</b>	(687)
<b>Net interest income</b>	<b>4,527</b>	2,414	<b>8,172</b>	4,472
Fees and commissions income	<b>2,896</b>	3,186	<b>6,956</b>	5,905
Changes in fair value of investment held for trading	<b>(6)</b>	(2)	<b>(3)</b>	(6)
Foreign exchange gain	<b>126</b>	176	<b>210</b>	548
<b>Operating income</b>	<b>7,543</b>	5,774	<b>15,335</b>	10,919
Provision for loan losses	<b>(338)</b>	(725)	<b>(338)</b>	(725)
<b>Net operating income</b>	<b>7,205</b>	5,049	<b>14,997</b>	10,194
Staff costs	<b>853</b>	799	<b>1,700</b>	1,437
Depreciation	<b>87</b>	71	<b>172</b>	109
Other operating expenses	<b>444</b>	422	<b>741</b>	747
<b>Operating expenses</b>	<b>1,384</b>	1,292	<b>2,613</b>	2,293
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5,821</b>	3,757	<b>12,384</b>	7,901

The attached notes 1 to 6 form part of these interim condensed financial statements.



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

## INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011 (Unaudited)

	Six months ended 30 June	
	2011 US\$'000	2010 US\$'000
<b>OPERATING ACTIVITIES</b>		
Comprehensive income for the period	12,384	7,901
Adjustments for:		
Depreciation	172	109
Changes in fair value of investment held for trading	3	6
Provision for loan losses	338	725
Amortisation of assets classified as "Loans and advances" from trading investments	(234)	(215)
Operating income before changes in operating assets and liabilities	12,663	8,526
Changes in operating assets and liabilities:		
Deposits with banks and other financial institutions	7,000	-
Loans and advances	(111,738)	(45,107)
Interest receivable and other assets	(756)	(1,108)
Deposits from banks and other financial institutions	(50,052)	65,242
Due to banks and other financial institutions	7,589	110,219
Due to customers	(3,476)	-
Interest payable and other liabilities	(185)	44
Net cash flow (used in) / from operating activities	(138,955)	137,816
<b>INVESTING ACTIVITY</b>		
Additions to property, equipment and software	(1,342)	(1,628)
Net cash flow used in investing activity	(1,342)	(1,628)
<b>FINANCING ACTIVITIES</b>		
Issue of share capital	-	100,000
Dividend paid	(62)	(1,500)
Net cash flow (used in) / from financing activities	(62)	98,500
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(140,359)</b>	<b>234,688</b>
Cash and cash equivalent at the beginning of the period	892,694	617,694
Cash and cash equivalent at the end of the period	752,335	852,382
Cash and cash equivalents comprise:		
Cash in hand	5	10
Balances with banks with original maturity of ninety days or less	752,330	852,372
	752,335	852,382

The attached notes 1 to 6 form part of these interim condensed financial statements.

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

## INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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
Approved dividend	-	-	-	(10,000)	(10,000)
Comprehensive income for the period	-	-	12,384	-	12,384
<b>At 30 June 2011</b>	<b>200,000</b>	<b>4,262</b>	<b>22,703</b>	<b>-</b>	<b>226,965</b>
Balance as at 1 January 2010	100,000	2,649	6,552	1,500	110,701
Increase in share capital	100,000	-	-	-	100,000
Approved dividend	-	-	-	(1,500)	(1,500)
Comprehensive income for the period	-	-	7,901	-	7,901
<b>At 30 June 2010</b>	<b>200,000</b>	<b>2,649</b>	<b>14,453</b>	<b>-</b>	<b>217,102</b>

The attached notes 1 to 6 form part of these interim condensed financial statements.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 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 six month period ended 30 June 2011 were authorised for issue in accordance with the resolution of Directors on 28 July 2011.

**2 BASIS OF PREPARATION**

The interim condensed financial statements of the Bank for the six month period ended 30 June 2011 are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**Recent developments in the MENA region**

During the period ended 30 June 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 six month period ended 30 June 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.

**4 RECLASSIFICATION OF FINANCIAL ASSETS**

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

	<b>30 June 2011 US\$'000</b>	<i>Audited 31 December 2010 US\$'000</i>
Carrying value	<b>41,342</b>	41,108
Fair value	<b>49,983</b>	50,532

Additional fair value loss that would have been recognised in the interim statement of income for the six month period ended 30 June 2011 had the trading investment not been reclassified amounts to US\$ 549 thousand (30 June 2010: gain US\$ 2.52 million).



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2011 (Unaudited)

## 5 CONTINGENT LIABILITIES

	30 June 2011 US\$'000	Audited 31 December 2010 US\$'000
Letters of guarantee	666	500
Letters of credit	422,835	469,699
Forward foreign exchange contract	1,852	-
	<b>425,353</b>	<b>470,199</b>

## 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.

	30 June 2011 US\$ '000	Audited 31 December 2010 US\$ '000
<b>Statement of financial position</b>		
<b>Assets</b>		
Cash and balances with banks	3,563	2,800
Deposit with banks and other financial institutions	113,000	30,000
Loans and advances	118	-
Interest Receivable	11	3
Other assets	27	31
<b>Liabilities</b>		
Deposits from banks and other financial institutions	237,532	219,348
Due to banks and other financial institutions	2,024	-
Interest payable	27	29
Other liabilities - payable on behalf of shareholders	-	1,486
Other liabilities - others	10,245	221
<b>Contingent Liabilities</b> -Letters of Credit (Fully secured by Deposit takings)	<b>47,327</b>	<b>24,584</b>
	<b>30 June 2011 US\$ '000</b>	<b>30 June 2010 US\$ '000</b>
<b>Interim statement of comprehensive income</b>		
Interest income	135	-
Interest expense	339	269
Fee and commission income	17	-
<b>Compensation paid to the Board of Directors and key management personnel</b>		
Short term benefits*	432	486
End of term benefits	34	18
	<b>466</b>	<b>504</b>

\* Includes fee paid to Board of Directors during the six month period ended 30 June 2011 US\$ 103 thousand (30 June 2010: US\$ 143 thousand).