

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2010 (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 September 2010, comprising the interim statement of financial position and the related interim statements of comprehensive income, cash flows and changes in equity for the nine-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.

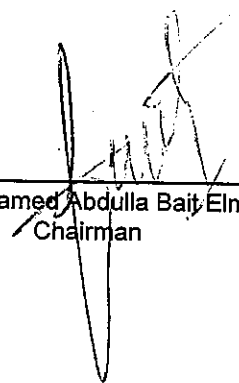


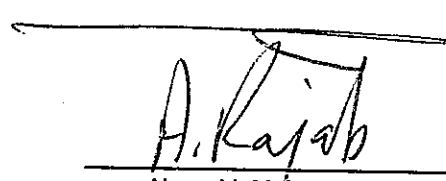
26 October 2010
Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)
INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2010 (Unaudited)

	30 September 2010 US\$'000	<i>Audited</i> 31 December 2009 US\$'000
ASSETS		
Cash, balances with banks and the Central Bank of Bahrain	34,146	30,522
Deposits with banks and other financial institutions	865,279	587,225
Investment held for trading	27	36
Loans and advances	168,642	106,262
Property and equipment	8,316	6,310
Interest receivable	2,683	2,190
Other assets	364	202
TOTAL ASSETS	1,079,457	732,747
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions	496,626	425,541
Due to banks and other financial institutions	354,409	194,184
Due to customers	2,654	-
Interest payable	211	145
Other liabilities	3,262	2,176
TOTAL LIABILITIES	857,162	622,046
EQUITY		
Share capital	200,000	100,000
Statutory reserve	2,649	2,649
Retained earnings	19,646	6,552
Proposed dividend	-	1,500
TOTAL EQUITY	222,295	110,701
TOTAL LIABILITIES AND EQUITY	1,079,457	732,747


 Dr. Mohamed Abdulla Bait Elmal
 Chairman


 Ahmed I. Mohamed Rajab
 General Manager

The attached notes 1 to 8 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2010 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
REVENUE				
Interest income	3,544	1,817	8,703	6,244
Interest expense	(556)	(250)	(1,243)	(1,486)
Net interest income	2,988	1,567	7,460	4,758
Fees and commissions income	3,290	1,440	9,194	2,931
Changes in fair value of investment held for trading	(3)	4	(9)	(13)
Foreign exchange gain	172	35	736	142
Other income	4	-	4	-
OPERATING INCOME	6,451	3,046	17,385	7,818
Provision for loan losses	-	-	(725)	(400)
NET OPERATING INCOME	6,451	3,046	16,660	7,418
EXPENSES				
Staff costs	834	536	2,271	1,403
Depreciation	90	33	199	81
Other operating expenses	350	319	1,096	870
OPERATING EXPENSES	1,274	888	3,566	2,354
COMPREHENSIVE INCOME FOR THE PERIOD	5,177	2,158	13,094	5,064

The attached notes 1 to 8 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2010 (Unaudited)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2010	2009
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Comprehensive income for the period	13,094	5,064
Adjustments for:		
Depreciation	199	81
Changes in fair value of investment held for trading	9	13
Provision for loan losses	725	400
Amortisation of assets classified as loans and advances from trading investments	(322)	(95)
Operating profit before changes in operating assets and liabilities	13,705	5,463
Changes in operating assets and liabilities:		
Loans and advances	(62,783)	6,571
Deposits with banks and other financial institutions	-	(13,000)
Interest receivable and other assets	(655)	2,565
Deposits from banks and other financial institutions	71,085	(40,834)
Due to banks and other financial institutions	160,225	134,756
Due to customers	2,654	-
Interest payable and other liabilities	1,152	(2,837)
Net cash flow from operating activities	185,383	92,684
INVESTING ACTIVITY		
Addition to property and equipment	(2,205)	(1,104)
Net cash flow used in investing activity	(2,205)	(1,104)
FINANCING ACTIVITIES		
Issue of share capital	100,000	-
Dividend paid	(1,500)	-
Net cash flow from financing activities	98,500	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	281,678	91,580
Cash and cash equivalent at the beginning of the period	617,694	422,798
Cash and cash equivalent at the end of the period (Note 4)	899,372	514,378

The attached notes 1 to 8 form part of these interim condensed financial statements.

ALUBAF Arab International Bank B.S.C. (c)
INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2010 (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 equity US\$'000</i>
Balance as at 1 January 2010	100,000	2,649	6,552	1,500	110,701
Dividend paid	-	-	-	(1,500)	(1,500)
Increase in share capital (Note 8)	100,000	-	-	-	100,000
Comprehensive income for the period	-	-	13,094	-	13,094
At 30 September 2010	200,000	2,649	19,646	-	222,295
Balance as at 1 January 2009	100,000	1,830	682	-	102,512
Comprehensive income for the period	-	-	5,064	-	5,064
At 30 September 2009	100,000	1,830	5,746	-	107,576

The attached notes 1 to 8 form part of these interim condensed financial statements.

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

30 September 2010 (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 nine month period ended 30 September 2010 were authorised for issue in accordance with the resolution of Directors on 26 October 2010.

2 BASIS OF PREPARATION

The interim condensed financial statements of the Bank for the nine month period ended 30 September 2010 are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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 2009.

In addition, results for the nine month period ended 30 September 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

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 2009.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of interim statement of cash flows comprise of cash and balances with banks (excluding mandatory deposits with CBB).

	<i>30 September 2010 US\$ '000</i>	<i>30 September 2009 US\$ '000</i>
Cash in hand	3	3
Money at call and short notice	28,304	10,614
Balances with other banks	5,786	1,106
Mandatory reserve with the CBB	53	53
	<hr/>	<hr/>
	34,146	11,776
Placements and balances with banks	865,279	502,655
Mandatory reserve with the CBB	(53)	(53)
	<hr/>	<hr/>
Cash and cash equivalents	<u>899,372</u>	<u>514,378</u>

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
 30 September 2010 (Unaudited)

5 RECLASSIFICATION OF FINANCIAL ASSETS

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

	30 September 2010 US\$'000	<i>Audited</i> 31 December 2009 US\$'000
Carrying value	41,001	40,679
Fair value	47,648	41,700

Additional fair value gain that would have been recognised in the interim statement of comprehensive income for the nine month period ended 30 September 2010 had the trading investment not been reclassified amounts to US\$ 5.95 million (30 September 2009: US\$ 11.26 million).

6 CONTINGENT LIABILITIES

	30 September 2010 US\$'000	<i>Audited</i> 31 December 2009 US\$'000
Letters of guarantee	500	7,701
Letters of credit	459,923	234,723
	460,423	242,424

7 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 September 2010 US\$ '000	30 September 2009 US\$ '000
Interim statement of comprehensive income		
Interest income	-	13
Interest expense	303	306
Commission on letter of credit	169	-

	30 September 2010 US\$ '000	<i>Audited</i> 31 December 2009 US\$ '000
Interim statement of financial position		
Cash, balances with banks and the Central Bank of Bahrain	564	578
Other assets	34	41
Deposits from banks and other financial institutions	136,860	125,656
Other liabilities	370	98
Contingent Liabilities		
Letters of Credit (Fully secured by Deposit takings)	24,617	1,019

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

30 September 2010 (Unaudited)

7 TRANSACTIONS WITH RELATED PARTIES (continued)

	30 September 2010 US\$ '000	30 September 2009 US\$ '000
Compensation paid to the Board of Directors and key management personnel		
Short term benefits	712	513
End of term benefits	28	27
	<u>740</u>	<u>540</u>

Short term benefits includes fee paid to Board of Directors during the nine month period ended 30 September 2010 US\$ 187.4 thousand (2009: US\$ 270 thousand).

8 SHARE CAPITAL

Pursuant to the approval in the Annual General Meeting of the Bank and by the CBB, the Bank has increased its paid up share capital to US\$ 200 million on 29 April 2010, in order, to strengthen its capital base.

	30 September 2010 US\$ '000	Audited 31 December 2009 US\$ '000
Authorised :		
Ordinary shares 4,000,000 of US\$ 50 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid up		
At beginning of the period/ year		
2,000,000 Ordinary shares of US\$ 50 each	100,000	100,000
Issued during the period/ year		
2,000,000 Ordinary shares of US\$ 50 each	100,000	-
At end of the period/ year		
4,000,000 Ordinary shares of US\$ 50 each	<u>200,000</u>	<u>100,000</u>

Shareholders pattern after the increase in paid up share capital is as follows:

	<u>After share capital increase</u>		<u>Before share capital increase</u>	
	Percentage holding (%)	US\$ '000	Percentage holding (%)	US\$ '000
Libyan Foreign Bank	98.38	196,760	97.11	97,105
Central Bank of Egypt	0.72	1,429	1.43	1,429
Bank of Jordan Limited	0.28	561	0.56	561
Yemen Bank for Reconstruction and Development	0.28	561	0.56	561
National Bank of Yemen	0.34	689	0.34	344
	<u>100.00</u>	<u>200,000</u>	<u>100.00</u>	<u>100,000</u>