

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 SEPTEMBER 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 September 2011, 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.




6 October 2011
Manama, Kingdom of Bahrain

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

	30 September 2011 US\$'000	<i>Audited</i> 31 December 2010 US\$'000
ASSETS		
Cash and balances with banks	58,823	21,664
Deposits with banks and other financial institutions	629,639	886,030
Investment held for trading	24	27
Loans and advances	284,748	157,789
Property, equipment and software	10,966	9,489
Interest receivable	3,680	3,750
Other assets	696	374
TOTAL ASSETS	988,576	1,079,123
LIABILITIES AND EQUITY		
Liabilities		
Deposits from banks and other financial institutions	331,685	551,502
Due to banks and other financial institutions	405,650	292,433
Due to customers	908	4,749
Interest payable	197	281
Other liabilities	16,267	5,577
Total liabilities	754,707	854,542
Equity		
Share capital	200,000	200,000
Statutory reserve	4,262	4,262
Retained earnings	29,607	10,319
Proposed dividend		10,000
Total equity	233,869	224,581
TOTAL LIABILITIES AND EQUITY	988,576	1,079,123


 Dr. Mohamed Abdulla Bait Elmal
 Chairman


 Ahmed I. Mohamed Rajab
 General Manager

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 COMPREHENSIVE INCOME

For the nine months ended 30 September 2011 (Unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2011	2010	2011	2010
	US\$'000	US\$'000	US\$'000	US\$'000
Interest income	5,344	3,569	14,678	8,795
Interest expense	(556)	(556)	(1,718)	(1,243)
Net interest income	4,788	3,013	12,960	7,552
Fees and commissions income	3,422	3,265	10,378	9,102
Changes in fair value of investment held for trading	-	(3)	(3)	(9)
Foreign exchange gain	64	172	274	736
Other income	-	4	-	4
Operating income	8,274	6,451	23,609	17,385
Provision for loan losses	-	-	(338)	(725)
Net operating income	8,274	6,451	23,271	16,660
Staff costs	996	834	2,696	2,271
Depreciation	87	90	259	199
Other operating expenses	287	350	1,028	1,096
Operating expenses	1,370	1,274	3,983	3,566
COMPREHENSIVE INCOME FOR THE PERIOD	6,904	5,177	19,288	13,094

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 nine months ended 30 September 2011 (Unaudited)

	<i>Nine months ended 30 September</i>	
	2011	2010
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Comprehensive income for the period		
Adjustments for:	19,288	13,094
Depreciation	259	199
Changes in fair value of investment held for trading	3	9
Provision for loan losses	338	725
Amortisation of assets classified as "Loans and advances" from trading investments	(351)	(322)
Operating income before changes in operating assets and liabilities	19,537	13,705
Changes in operating assets and liabilities:		
Deposits with banks and other financial institutions	3,270	-
Loans and advances	(126,946)	(62,783)
Interest receivable and other assets	(252)	(655)
Deposits from banks and other financial institutions	(219,817)	71,085
Due to banks and other financial institutions	113,217	160,225
Due to customers	(3,841)	2,654
Interest payable and other liabilities	668	1,152
Net cash flow (used in) / from operating activities	(214,164)	185,383
INVESTING ACTIVITY		
Additions to property, equipment and software	(1,736)	(2,205)
Net cash flow used in investing activity	(1,736)	(2,205)
FINANCING ACTIVITIES		
Issue of share capital	-	100,000
Dividend paid	(62)	(1,500)
Net cash flow (used in) / from financing activities	(62)	98,500
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(215,962)	281,678
Cash and cash equivalent at the beginning of the period	892,694	617,694
Cash and cash equivalent at the end of the period	676,732	899,372
Cash and cash equivalents comprise:		
Cash in hand	34	3
Balances with banks with original maturity of ninety days or less	676,698	899,369
	676,732	899,372

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 nine months ended 30 September 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	-	-	19,288	-	19,288
At 30 September 2011	200,000	4,262	29,607	-	233,869
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	-	-	13,094	-	13,094
At 30 September 2010	200,000	2,649	19,646	-	222,295

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

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

For the nine months ended 30 September 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 nine month period ended 30 September 2011 were authorised for issue in accordance with the resolution of Directors on 6 October 2011.

2 BASIS OF PREPARATION

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

Recent developments in the MENA region

During the period ended 30 September 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 nine month period ended 30 September 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:

	(Unaudited) 30 September 2011 US\$'000	(Audited) 31 December 2010 US\$'000
Carrying value	41,459	41,108
Fair value	45,314	50,532

Additional fair value loss that would have been recognised in the interim statement of income for the nine month period ended 30 September 2011 had the trading investment not been reclassified amounts to US\$ 5.22 million (30 September 2010: gain US\$ 5.95 million).

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
For the nine months ended 30 September 2011 (Unaudited)

5 CONTINGENT LIABILITIES

	(Unaudited) 30 September 2011 US\$'000	(Audited) 31 December 2010 US\$'000
Letters of guarantee	5,416	500
Letters of credit	270,759	469,699
	276,175	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.

	(Unaudited) 30 September 2011 US\$ '000	(Audited) 31 December 2010 US\$ '000
Statement of financial position		
Assets		
Cash and balances with banks	11,777	2,800
Deposit with banks and other financial institutions	112,007	30,000
Interest Receivable	36	3
Other assets	30	31
Liabilities		
Deposits from banks and other financial institutions	224,835	219,348
Due to banks and other financial institutions	549	-
Interest payable	65	29
Other liabilities - payable on behalf of shareholders	-	1,486
Other liabilities - dividend payable	9,938	-
Other liabilities - others	298	221
Contingent Liabilities-Letters of Credit (Fully secured by Deposit takings)	45,870	24,584
	Nine months ended 30 September 2011 US\$ '000	Nine months ended 30 September 2010 US\$ '000
Interim statement of comprehensive income		
Interest income	186	-
Interest expense	451	303
Fee and commission income	17	169
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	640	712
End of term benefits	44	28
	684	740

* Includes fee paid to Board of Directors during the nine month period ended 30 September 2011 US\$ 103 thousand (30 September 2010: US\$ 187.4 thousand).