

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

**INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**30 September 2009 (Unaudited)**

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

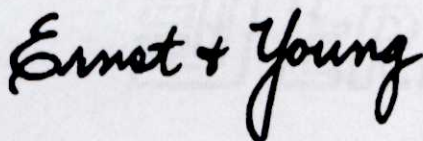
We have reviewed the accompanying interim condensed financial statements of ALUBAF Arab International Bank B.S.C. (c) (the "Bank") as at 30 September 2009, comprising the interim statement of financial position and the related interim statements of income, comprehensive income, cash flows and changes 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.

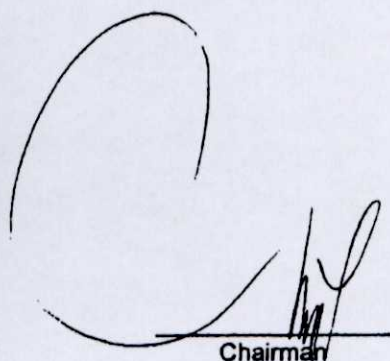
 ERNST & YOUNG

20 October 2009  
Manama, Kingdom of Bahrain

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

30 September 2009 (Unaudited)

	<b>30 September 2009 US\$'000</b>	<i>Audited</i> <b>31 December 2008 US\$'000</b>
<b>ASSETS</b>		
Cash, balances with banks and Central Bank of Bahrain	11,776	3,870
Deposits with banks and other financial institutions	515,655	418,981
Investments held for trading	36	49
Loans and advances	74,971	81,847
Land, fixed assets and capital work in progress	5,446	4,423
Interest receivable	1,190	3,929
Other assets	231	57
<b>TOTAL ASSETS</b>	<b>609,305</b>	<b>513,156</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Deposits from banks and other financial institutions	331,980	372,814
Due to banks	168,932	34,176
Interest payable	102	1,645
Other liabilities	715	2,009
<b>TOTAL LIABILITIES</b>	<b>501,729</b>	<b>410,644</b>
<b>EQUITY</b>		
Share capital	100,000	100,000
Statutory reserve	1,830	1,830
Retained earnings	5,746	682
<b>TOTAL EQUITY</b>	<b>107,576</b>	<b>102,512</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>609,305</b>	<b>513,156</b>



Chairman



General Manager

The attached notes 1 to 5 form part of these interim condensed financial statements.

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

## INTERIM STATEMENT OF INCOME

Nine months ended 30 September 2009 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>REVENUE</b>				
Interest income	<b>1,817</b>	2,862	<b>6,244</b>	5,145
Interest expense	<b>(250)</b>	(1,349)	<b>(1,486)</b>	(1,755)
<b>Net interest income</b>	<b>1,567</b>	1,513	<b>4,758</b>	3,390
Fees and commissions income	<b>1,440</b>	626	<b>2,931</b>	724
Change in fair value of investments carried at fair value through statement of income	<b>4</b>	(4,988)	<b>(13)</b>	(1,650)
Foreign exchange gain	<b>35</b>	2	<b>142</b>	2
Other income	-	-	-	25
Provision for impairment	-	-	<b>(400)</b>	-
<b>OPERATING INCOME (LOSS)</b>	<b>3,046</b>	(2,847)	<b>7,418</b>	2,491
<b>EXPENSES</b>				
Staff costs	<b>536</b>	274	<b>1,403</b>	481
Depreciation	<b>33</b>	24	<b>81</b>	62
Other operating expenses	<b>319</b>	131	<b>870</b>	437
<b>OPERATING EXPENSES</b>	<b>888</b>	429	<b>2,354</b>	980
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>2,158</b>	(3,276)	<b>5,064</b>	1,511

The attached notes 1 to 5 form part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF CASH FLOWS**

Nine months ended 30 September 2009 (Unaudited)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2009</b>	<b>2008</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	<b>5,064</b>	1,511
Adjustments for:		
Depreciation	<b>81</b>	62
Changes in fair value of investments carried at fair value through statement of income	<b>13</b>	1,650
Operating profit before changes in operating assets and liabilities	<b>5,158</b>	3,223
Changes in operating assets and liabilities:		
Loans and advances	<b>6,876</b>	(36,175)
Deposits with banks and other financial institutions	<b>(96,674)</b>	(325,507)
Interest receivable and other assets	<b>2,565</b>	(137)
Deposits from banks and other financial institutions	<b>(40,834)</b>	286,065
Due to banks	<b>134,756</b>	27,388
Interest payable and other liabilities	<b>(2,837)</b>	697
Net cash flow from (used in) operating activities	<b>9,010</b>	(44,446)
<b>INVESTING ACTIVITY</b>		
Purchase of fixed assets	<b>(130)</b>	(4,492)
Capital work in progress	<b>(974)</b>	-
Net cash flow used in investing activity	<b>(1,104)</b>	(4,492)
<b>FINANCING ACTIVITY</b>		
Issue of share capital	<b>-</b>	50,000
Net cash flow from financing activity	<b>-</b>	50,000
<b>INCREASE IN CASH, BALANCES WITH BANKS AND CENTRAL BANK OF BAHRAIN</b>	<b>7,906</b>	1,062
At the beginning of the period	<b>3,870</b>	365
At the end of the period	<b>11,776</b>	1,427

The attached notes 1 to 5 form part of these interim condensed financial statements.

ALUBAF Arab International Bank B.S.C. (c)  
**INTERIM STATEMENT OF CHANGES IN EQUITY**  
 Nine months ended 30 September 2009 (Unaudited)

	<i>Share capital</i> US\$'000	<i>Statutory reserve</i> US\$'000	<i>Accumulated losses/ retained earnings</i> US\$'000	<i>Total equity</i> US\$'000
Balance as at 31 December 2008	100,000	1,830	682	102,512
Profit for the period	-	-	5,064	5,064
<b>At 30 September 2009</b>	<b>100,000</b>	<b>1,830</b>	<b>5,746</b>	<b>107,576</b>
Balance as at 31 December 2007	50,000	1,014	(6,662)	44,352
Increase in share capital	50,000	-	-	50,000
Profit for the period	-	-	1,511	1,511
At 30 September 2008	100,000	1,014	(5,151)	95,863

The attached notes 1 to 5 form part of these interim condensed financial statements.

30 September 2009 (Unaudited)

## 1 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements of ALUBAF Arab International Bank B.S.C. (c) (the "Bank") for the nine month period ended 30 September 2009 are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". 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.

## 2 BASIS OF PREPARATION

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 2008.

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 2008.

In addition, results for the nine months ended 30 September 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

During the period, the Bank has adopted the following standards effective for the annual periods beginning on or after 1 January 2009:

### *IAS 1 'Presentation of Financial Statements' (Revised):*

The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (ie. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

The statement of comprehensive income has not been presented as there are no non-owner changes in equity during the nine month period ended 30 September 2009.

## 3 RECLASSIFICATION OF FINANCIAL ASSET

In October 2008, the International Accounting Standards Board [IASB] issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" titled "Reclassification of Financial Assets". The amendments to IAS 39 permit reclassification of financial assets from the "trading investment" category to "loans and advances" category in certain circumstances.

The amendments to IFRS 7 introduce additional disclosure requirements if an entity has reclassified financial assets in accordance with the IAS 39 amendments. The amendments are effective retrospective from 1 July 2008.

Per the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets" The Bank has reclassified investments in Iraq note with a carrying value of US \$ 40.2 million, effective 1 July 2008 from 'trading investment' to 'loans and advances' pursuant to the amendment to IAS 39 and IFRS 7 issued by IASB in October 2008 and considering the current global financial crisis as a rare circumstance in the financial sector.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2009 (Unaudited)

**3 RECLASSIFICATION OF FINANCIAL ASSET (continued)**

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

	<b>30 September</b> <b>2009</b> <b>US\$'000</b>	<i>Audited</i> <b>31 December</b> <b>2008</b> <b>US\$'000</b>
Carrying value	40,581	40,285
Fair value	41,469	30,209

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

**4 CONTINGENT LIABILITIES**

	<b>30 September</b> <b>2009</b> <b>US\$'000</b>	<i>Audited</i> <b>31 December</b> <b>2008</b> <b>US\$'000</b>
Letter of credit	<u>279,801</u>	<u>51,009</u>

**5 TRANSACTIONS WITH RELATED PARTIES**

Related parties represent associated companies, shareholders, directors and key management personnel of the Bank, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Bank's management.

	<b>30 September</b> <b>2009</b> <b>US\$ '000</b>	<b>30 September</b> <b>2008</b> <b>US\$ '000</b>
<b>Statement of income</b>		
Interest income	13	99
Interest expense	306	614

	<b>30 September</b> <b>2009</b> <b>US\$ '000</b>	<i>Audited</i> <b>31 December</b> <b>2008</b> <b>US\$ '000</b>
<b>Statement of financial position</b>		
Cash, balances with banks and the Central Bank of Bahrain	777	60
Deposits from banks and other financial institutions	179,234	168,521

**Compensation paid to the Board of Directors and key management personnel:**

	<b>30 September</b> <b>2009</b> <b>US\$ '000</b>	<b>30 September</b> <b>2008</b> <b>US\$ '000</b>
Short term benefits*	513	251
End of term benefits	27	3
	<u>540</u>	<u>254</u>

\* Includes fee and bonus paid to Board of Directors during the nine month period ended 30 September 2009 US\$ 270 thousand (2008: US\$ 99 thousand).