

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

**INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**30 JUNE 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 June 2010, 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.

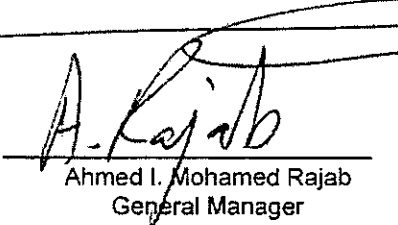


5 August 2010  
Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)  
 INTERIM STATEMENT OF FINANCIAL POSITION  
 30 June 2010 (Unaudited)

	<b>30 June</b>	<i>Audited</i> <b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>ASSETS</b>		
Cash, balances with banks and the Central Bank of Bahrain	42,238	30,522
Deposits with banks and other financial institutions	810,197	587,225
Investment held for trading	30	36
Loans and advances	150,859	106,262
Land, fixed assets and capital work in progress	7,829	6,310
Interest receivable	2,837	2,190
Other assets	663	202
<b>TOTAL ASSETS</b>	<b>1,014,653</b>	<b>732,747</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Deposits from banks and other financial institutions	490,783	425,541
Due to banks	304,403	194,184
Interest payable	160	145
Other liabilities	2,205	2,176
<b>TOTAL LIABILITIES</b>	<b>797,551</b>	<b>622,046</b>
<b>EQUITY</b>		
Share capital	200,000	100,000
Statutory reserve	2,649	2,649
Retained earnings	14,453	6,552
Proposed dividend	-	1,500
<b>TOTAL EQUITY</b>	<b>217,102</b>	<b>110,701</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,014,653</b>	<b>732,747</b>

  
 Dr. Mohammed Abdulla Bait Elmal  
 Chairman

  
 Ahmed I. Mohamed Rajab  
 General Manager

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

## INTERIM STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2010 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
<b>REVENUE</b>				
Interest income	2,816	1,865	5,159	4,427
Interest expense	(402)	(299)	(687)	(1,236)
<b>Net interest income</b>	<b>2,414</b>	<b>1,566</b>	<b>4,472</b>	<b>3,191</b>
Fees and commissions income	3,186	984	5,905	1,491
Changes in fair value of investment held for trading	(2)	(17)	(6)	(17)
Foreign exchange gain	176	38	548	107
<b>OPERATING INCOME</b>	<b>5,774</b>	<b>2,571</b>	<b>10,919</b>	<b>4,772</b>
Provision for loan losses	(725)	(400)	(725)	(400)
<b>NET OPERATING INCOME</b>	<b>5,049</b>	<b>2,171</b>	<b>10,194</b>	<b>4,372</b>
<b>EXPENSES</b>				
Staff costs	799	477	1,437	867
Depreciation	71	25	109	48
Other operating expenses	422	246	747	551
<b>OPERATING EXPENSES</b>	<b>1,292</b>	<b>748</b>	<b>2,293</b>	<b>1,466</b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>3,757</b>	<b>1,423</b>	<b>7,901</b>	<b>2,906</b>
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,757</b>	<b>1,423</b>	<b>7,901</b>	<b>2,906</b>

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

Six months ended 30 June 2010 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2010</b>	<b>2009</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	7,901	2,906
Adjustments for:		
Depreciation	109	48
Changes in fair value of investment held for trading	6	17
Provision for loan losses	725	400
Amortisation of assets classified as loans and advances from trading investments	(215)	(95)
	<u>8,526</u>	<u>3,276</u>
Operating profit before changes in operating assets and liabilities		
Changes in operating assets and liabilities:		
Loans and advances	(45,107)	6,046
Deposits with banks and other financial institutions	(222,972)	(6,169)
Interest receivable and other assets	(1,108)	1,641
Deposits from banks and other financial institutions	65,242	(118,448)
Due to banks	110,219	126,327
Interest payable and other liabilities	44	(3,111)
	<u>(85,156)</u>	<u>9,562</u>
Net cash flow (used in) from operating activities		
<b>INVESTING ACTIVITY</b>		
Addition to fixed assets and capital work in progress	(1,628)	(100)
	<u>(1,628)</u>	<u>(100)</u>
Net cash flow used in investing activity		
<b>FINANCING ACTIVITIES</b>		
Issue of share capital	100,000	-
Dividend paid	(1,500)	-
	<u>98,500</u>	<u>-</u>
Net cash flow from financing activities		
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>11,716</b>	<b>9,462</b>
At the beginning of the period	<u>30,469</u>	<u>3,817</u>
At the end of the period (note 4)	<u><u>42,185</u></u>	<u><u>13,279</u></u>

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

Six months ended 30 June 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	-	-	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>
Balance as at 1 January 2009	100,000	1,830	682	-	102,512
Comprehensive income for the period	-	-	2,906	-	2,906
At 30 June 2009	100,000	1,830	3,588	-	105,418

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 June 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 six month period ended 30 June 2010 were authorised for issue in accordance with the resolution of Directors on 5 August 2010.

**2 BASIS OF PREPARATION**

The interim condensed financial statements of the Bank for the six month period ended 30 June 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 six month period ended 30 June 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 June 2010 US\$ '000</i>	<i>30 June 2009 US\$ '000</i>
Cash in hand	10	2
Money at call and short notice	37,293	12,496
Balances with other banks	4,882	781
	<u>42,185</u>	<u>13,279</u>

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2010 (Unaudited)

**5 RECLASSIFICATION OF FINANCIAL ASSETS**

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

	<b>30 June 2010 US\$'000</b>	<i>Audited</i> <b>31 December 2009 US\$'000</b>
Carrying value	40,894	40,679
Fair value	44,215	41,700

Additional fair value gain that would have been recognised in the interim statement of comprehensive income for the six month period ended 30 June 2010 had the trading investment not been reclassified amounts to US\$ 2.52 million (30 June 2009: loss of US\$ 5.1 million).

**6 CONTINGENT LIABILITIES**

	<b>30 June 2010 US\$'000</b>	<i>Audited</i> <b>31 December 2009 US\$'000</b>
Letters of guarantee	7,078	7,701
Letters of credit	380,428	234,723
	<b>387,506</b>	<b>242,424</b>

**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.

	<b>30 June 2010 US\$ '000</b>	<b>30 June 2009 US\$ '000</b>
<b>Interim statement of comprehensive income</b>		
Interest income	-	13
Interest expense	269	222

	<b>30 June 2010 US\$ '000</b>	<i>Audited</i> <b>31 December 2009 US\$ '000</b>
<b>Interim statement of financial position</b>		
Cash, balances with banks and the Central Bank of Bahrain	723	578
Other assets	36	41
Deposits from banks and other financial institutions	143,564	125,656
Other liabilities	301	98



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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2010 (Unaudited)

7 TRANSACTIONS WITH RELATED PARTIES (continued)

	<i>30 June 2010 US\$ '000</i>	<i>30 June 2009 US\$ '000</i>
<b>Compensation paid to the Board of Directors and key management personnel</b>		
Short term benefits*	486	368
End of term benefits	18	18
	<u>504</u>	<u>386</u>

\* Includes fee paid to Board of Directors during the six month period ended 30 June 2010 US\$ 143 thousand (2009: US\$ 171 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.

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>	
	<i>Percentage holding (%)</i>	<i>US\$ '000</i>	<i>Percentage holding (%)</i>	<i>US\$ '000</i>
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>