

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 2010 (Unaudited)

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

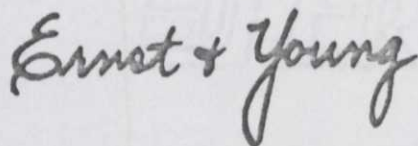
We have reviewed the accompanying interim condensed financial statements of ALUBAF Arab International Bank B.S.C. (c) (the "Bank") as at 31 March 2010, comprising the interim statement of financial position and the related interim statements of income, comprehensive income, cash flows and changes in equity for the three-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.

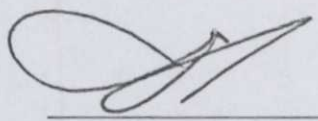
Conclusion

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.

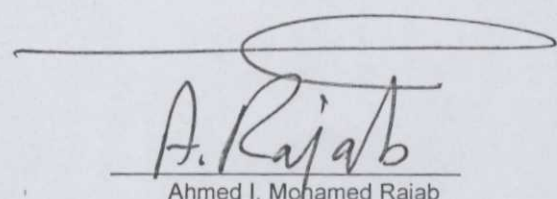
 ERNST & YOUNG11 May 2010
Manama, Kingdom of Bahrain

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

	31 March	<i>Audited</i> 31 December
	2010	2009
	US\$'000	US\$'000
ASSETS		
Cash, balances with banks and the Central Bank of Bahrain	39,417	30,522
Deposits with banks and other financial institutions	576,681	587,225
Investments held for trading	32	36
Loans and advances	118,549	106,262
Land, fixed assets and capital work in progress	7,109	6,310
Interest receivable	1,550	2,190
Other assets	232	202
TOTAL ASSETS	743,570	732,747
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions	389,553	425,541
Due to banks	238,447	194,184
Interest payable	68	145
Other liabilities	2,158	2,176
TOTAL LIABILITIES	630,226	622,046
EQUITY		
Share capital	100,000	100,000
Statutory reserve	2,649	2,649
Retained earnings	10,695	6,552
Proposed dividend	-	1,500
TOTAL EQUITY	113,344	110,701
TOTAL LIABILITIES AND EQUITY	743,570	732,747



Dr. Mohamed A. Bait Elmal
Chairman



Ahmed I. Mohamed Rajab
General Manager

The attached notes 1 to 7 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INCOME

Three months ended 31 March 2010 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>US\$'000</i>	<i>US\$'000</i>
REVENUE		
Interest income	2,007	2,561
Interest expense	(285)	(936)
Net interest income	1,722	1,625
Fees and commissions income	3,055	506
Change in fair value of investments held for trading	(4)	-
Foreign exchange gain	372	69
OPERATING INCOME	5,145	2,200
EXPENSES		
Staff costs	639	389
Depreciation	38	23
Other operating expenses	325	305
OPERATING EXPENSES	1,002	717
NET PROFIT FOR THE PERIOD	4,143	1,483

The attached notes 1 to 7 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF CASH FLOWS

Three months ended 31 March 2010 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2010	2009
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Profit for the period	4,143	1,483
Adjustments for:		
Depreciation	38	23
Changes in fair value of investments held for trading	4	-
Operating profit before changes in operating assets and liabilities	<u>4,185</u>	<u>1,506</u>
Changes in operating assets and liabilities:		
Loans and advances	(12,287)	4,354
Deposits with banks and other financial institutions	10,544	29,844
Interest receivable and other assets	610	1,806
Deposits from banks and other financial institutions	(35,988)	(123,025)
Due to banks	44,263	98,601
Interest payable and other liabilities	(122)	(2,801)
Net cash flow from operating activities	<u>11,205</u>	<u>10,285</u>
INVESTING ACTIVITY		
Purchase of fixed assets and capital work in progress	(837)	-
Net cash flow used in investing activity	<u>(837)</u>	<u>-</u>
FINANCING ACTIVITY		
Dividend paid	(1,473)	-
Net cash flow used in financing activity	<u>(1,473)</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	8,895	10,285
At the beginning of the period	<u>30,469</u>	<u>3,817</u>
At the end of the period	<u><u>39,364</u></u>	<u><u>14,102</u></u>
Cash and cash equivalents comprise:		
Cash in hand	7	10
Balances with banks and Central Bank of Bahrain (CBB) (excluding mandatory deposit with CBB) with original maturity of ninety days or less	<u>39,357</u>	<u>14,092</u>
	<u><u>39,364</u></u>	<u><u>14,102</u></u>

The attached notes 1 to 7 form part of these interim condensed financial statements.

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

Three months ended 31 March 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 and payable	-	-	-	(1,500)	(1,500)
Profit for the period	-	-	4,143	-	4,143
At 31 March 2010	100,000	2,649	10,695	-	113,344
Balance as at 1 January 2009	100,000	1,830	682	-	102,512
Profit for the period	-	-	1,483	-	1,483
At 31 March 2009	100,000	1,830	2,165	-	103,995

The attached notes 1 to 7 form part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 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 three months ended 31 March 2010 were authorised for issue in accordance with the resolution of Directors on 11 May 2010.

2 BASIS OF PREPARATION

The interim condensed financial statements of the Bank for the three month period ended 31 March 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 three month ended 31 March 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 except for the adoption of new standards and interpretations as of 1 January 2010. These did not have any impact on the accounting policies, financial position or performance of the Bank.

The interim statement of comprehensive income has not been presented as there are no non-owner changes in equity during the three month period ended 31 March 2010 and 31 March 2009.

4 RECLASSIFICATION OF FINANCIAL ASSETS

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

	<i>31 March</i> <i>2010</i> <i>US\$'000</i>	<i>Audited</i> <i>31 December</i> <i>2009</i> <i>US\$'000</i>
Carrying value	40,787	40,679
Fair value	44,215	41,700

Additional fair value gain that would have been recognised in the interim statement of income for the three month period ended 31 March 2010 had the trading investment not been reclassified amounts to US\$ 2.52 million. (31 March 2009: loss of US\$ 12.6 million).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2010 (Unaudited)

5 CONTINGENT LIABILITIES

	31 March 2010 US\$'000	<i>Audited</i> 31 December 2009 US\$'000
Letters of guarantee	7,370	7,701
Letters of credit	302,542	234,723
	<u>309,912</u>	<u>242,424</u>

6 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.

	31 March 2010 US\$ '000	31 March 2009 US\$ '000
Interim statement of income		
Interest income	-	4
Interest expense	107	120

	31 March 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	964	578
Deposits from banks and other financial institutions	126,491	125,656

	31 March 2010 US\$ '000	31 March 2009 US\$ '000
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	204	176
End of term benefits	9	10
	<u>213</u>	<u>186</u>

* Includes fee paid to Board of Directors during the three month period ended 31 March 2010 US\$ 59 thousand (2009: US\$ 121 thousand).

31 March 2010 (Unaudited)

7 SUBSEQUENT EVENTS

Pursuant to the approval in the Annual General Meeting of the Bank held on 22 March 2010 and 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 paid up share capital increase 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>