

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

**INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**31 MARCH 2016 (Reviewed)**

## **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 2016, comprising the interim statement of financial position and the related interim statements of profit or loss, 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 International Accounting Standard 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.



17 April 2016

Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
 At 31 March 2016 (Reviewed)

		<i>(Reviewed)</i> <b>31 March</b> <b>2016</b> <b>US\$'000</b>	<i>(Audited)</i> <b>31 December</b> <b>2015</b> <b>US\$'000</b>
<b>ASSETS</b>			
Cash and balances with Central banks and other banks		<b>286,017</b>	488,526
Deposits with banks and other financial institutions		<b>618,821</b>	408,117
Investments held for trading	3	<b>22,653</b>	21,477
Non-trading investments	4	<b>230,294</b>	144,289
Loans and advances	5	<b>317,918</b>	360,176
Property, equipment and software		<b>11,691</b>	11,893
Interest receivable		<b>5,490</b>	6,581
Other assets		<b>5,313</b>	1,948
<b>TOTAL ASSETS</b>		<b>1,498,197</b>	<b>1,443,007</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from banks and other financial institutions		<b>925,867</b>	870,401
Due to banks and other financial institutions		<b>194,409</b>	202,359
Due to customers		<b>34,412</b>	31,572
Interest payable		<b>2,323</b>	1,302
Other liabilities		<b>7,520</b>	7,603
<b>Total liabilities</b>		<b>1,164,531</b>	<b>1,113,237</b>
<b>Equity</b>			
Share capital		<b>250,000</b>	250,000
Statutory reserve		<b>20,174</b>	20,174
Retained earnings		<b>66,614</b>	62,837
Fair value reserve		<b>(3,122)</b>	(3,241)
<b>Total equity</b>		<b>333,666</b>	<b>329,770</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,498,197</b>	<b>1,443,007</b>



Hasan Khalifa Abulhasan  
 Chief Executive Officer



Talal Al Zain  
 Director



Moraja G. Solaiman  
 Chairman



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

## INTERIM STATEMENT OF PROFIT OR LOSS

Three months ended 31 March 2016

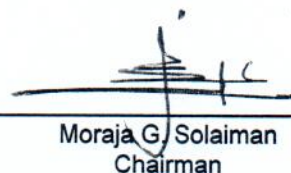
	Note	(Reviewed)	
		Three months ended	
		31 March	
		2016	2015
		US\$'000	US\$'000
Interest and similar income		9,487	10,061
Interest expense		(2,205)	(376)
<b>Net interest income</b>		<b>7,282</b>	<b>9,685</b>
Fee and commission income		1,175	3,992
Trading income - net		(48)	(114)
Gain on non-trading investments - net		-	129
Foreign exchange gain - net		303	(57)
Other income		7	-
<b>Operating income</b>		<b>8,719</b>	<b>13,635</b>
Provision for impairment of held to maturity investments	4	-	(131)
(Provision for credit losses)/recoveries - net	5	(2,074)	204
<b>Net operating income</b>		<b>6,645</b>	<b>13,708</b>
Staff costs		2,018	1,848
Depreciation		250	312
Other operating expenses		600	688
<b>Operating expenses</b>		<b>2,868</b>	<b>2,848</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>3,777</b>	<b>10,860</b>



Hasan Khalifa Abulhasan  
Chief Executive Officer



Talal Al Zain  
Director



Moraja G. Solaiman  
Chairman

The attached notes 1 to 10 form part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

Three months ended 31 March 2016

	<i>(Reviewed)</i> Three months ended 31 March	
	<b>2016</b>	<b>2015</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>3,777</b>	10,860
<b>Other comprehensive income:</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Unrealised fair value gain on available-for-sale investments	<b>119</b>	(360)
<b>Other comprehensive income for the period</b>	<b>119</b>	(360)
<b>Total comprehensive income for the period</b>	<b>3,896</b>	10,500

The attached notes 1 to 10 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 2016

	Note	(Reviewed)	
		Three months ended	
		31 March	
		2016	2015
		US\$'000	US\$'000
<b>OPERATING ACTIVITIES</b>			
Net profit for the period		3,777	10,860
Adjustments for:			
Provision for impairment of held to maturity investments		-	131
Provision for loan losses (net)	5	2,074	-
Depreciation		250	312
Amortisation of non-trading investments		135	196
Unrealised loss on held for trading securities		80	39
Gain on non-trading investments - net		-	(129)
Amortisation of assets reclassified as "loans and advances" from trading investments		(179)	(164)
Operating profit before changes in operating assets and liabilities		6,137	11,245
Changes in operating assets and liabilities:			
Deposits with banks and other financial institutions		73,336	67,662
Loans and advances		40,363	84
Investments held for trading		(1,256)	(4,860)
Interest receivable and other assets		(2,274)	709
Deposits from banks and other financial institutions		55,466	(86,174)
Due to banks and other financial institutions		(7,950)	6,652
Due to customers		2,840	(2,266)
Interest payable and other liabilities		938	(3,313)
Net cash from (used in) operating activities		167,600	(10,261)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, equipment and software		(48)	(114)
Purchase of non-trading investments		(86,021)	(13,090)
Proceeds from disposal/redemption of non-trading investments		-	9,649
Net cash used in investing activities		(86,069)	(3,555)
<b>FINANCING ACTIVITY</b>			
Refund of advance towards capital increase		-	(140)
Net cash used in financing activity		-	(140)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>81,531</b>	<b>(13,956)</b>
Cash and cash equivalents at beginning of the period		699,092	388,257
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>780,623</b>	<b>374,301</b>
Cash and cash equivalents comprise:			
Cash and balances with Central Bank and banks		286,017	39,738
Deposits with banks and other financial institutions with original maturity of ninety days or less		494,606	334,563
		<b>780,623</b>	<b>374,301</b>

The attached notes 1 to 10 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 2016

	(Reviewed)					
	<i>Share capital US\$'000</i>	<i>Advance towards capital increase US\$ '000</i>	<i>Statutory reserve US\$'000</i>	<i>Retained earnings US\$'000</i>	<i>Fair value reserve US\$'000</i>	<i>Total US\$'000</i>
Balance as at 1 January 2016	250,000	-	20,174	62,837	(3,241)	329,770
Total comprehensive income for the period	-	-	-	3,777	119	3,896
<b>At 31 March 2016</b>	<b>250,000</b>	<b>-</b>	<b>20,174</b>	<b>66,614</b>	<b>(3,122)</b>	<b>333,666</b>
Balance as at 1 January 2015	250,000	140	17,667	65,272	(1,167)	331,912
Return of advance towards capital increase (note 7)	-	(140)	-	-	-	(140)
Total comprehensive income for the period	-	-	-	10,860	(360)	10,500
At 31 March 2015	250,000	-	17,667	76,132	(1,527)	342,272

The attached notes 1 to 10 form part of these interim condensed financial statements.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

**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 (the "CBB") under the new integrated licensing framework. The Bank's registered office is Building 854, Road 3618, Avenue 436, Alubaf Tower, Al-Seef District, PO Box 11529, Manama, Kingdom of Bahrain.

The interim condensed financial statements of the Bank for the three-month period ended 31 March 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 17 April 2016.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

The interim condensed financial statements of the Bank for the three month period ended 31 March 2016 are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2015. In addition, results for the three-month period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

**New standards, interpretations and amendments adopted by the Bank**

The interim condensed financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

The below new standards and amendments were effective for annual financial periods commencing 1 January 2016 and therefore apply for the first time in 2016. However, they had no impact on the Bank's accounting policies, financial position or performance.

- IFRS 14 Regulatory Deferral Accounts
- IFRS 7 Financial Instruments: Disclosures
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Instruments
- Amendments to IAS 1: Disclosure Initiative

The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**3 INVESTMENTS HELD FOR TRADING**

	(Reviewed) 31 March 2016 US\$'000	(Audited) 31 December 2015 US\$'000
Quoted:		
- Debt	22,274	21,455
- Equity	379	22
	<u>22,653</u>	<u>21,477</u>



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

**4 NON-TRADING INVESTMENTS**

	<i>(Reviewed)</i> <b>31 March</b> <b>2016</b> <b>US\$'000</b>	<i>(Audited)</i> <b>31 December</b> <b>2015</b> <b>US\$'000</b>
<b>Held-to-maturity:</b>		
Debt securities		
- Sovereign	<b>45,888</b>	45,958
- Banks and Corporate	<b>152,112</b>	66,156
Wakala units	<b>3,000</b>	3,000
<b>Total held-to-maturity</b>	<b>201,000</b>	115,114
<b>Available-for-sale:</b>		
Debt securities		
- Sovereign	<b>20,580</b>	20,582
- Banks and Corporate	<b>8,714</b>	8,593
<b>Total available-for-sale</b>	<b>29,294</b>	29,175
<b>Total non-trading investments</b>	<b>230,294</b>	144,289

Held-to-maturity investments are stated net of provision for impairment Nil (2015: US\$ 263 thousand) recognised during the period in respect of a sovereign debt security.

**5 LOANS AND ADVANCES**

Loans and advances are stated net of provision for loan losses.

	<i>(Reviewed)</i> <b>31 March</b> <b>2016</b> <b>US\$ 000</b>	<i>(Audited)</i> <b>31 December</b> <b>2015</b> <b>US\$ 000</b>
Sovereign loans	<b>119,700</b>	123,199
Commercial loans	<b>52,001</b>	55,263
Letters of credit - financing	<b>155,738</b>	185,795
Factoring	<b>24,946</b>	28,127
	<b>352,385</b>	392,384
Provision for impairment	<b>(34,467)</b>	(32,208)
	<b>317,918</b>	360,176

Movements in provision for impairment were as follows:

	<b>31 March 2016 (Reviewed)</b>		
	<b>Specific provision US\$ '000</b>	<b>General provision US\$ '000</b>	<b>Total US\$ '000</b>
At 1 January	28,443	3,765	32,208
Provided during the period	2,074	-	2,074
Recoveries during the period	-	-	-
Net charge for the period	2,074	-	2,074
Reallocated during the period	265	(265)	-
Exchange difference	185	-	185
At 31 March	<b>30,967</b>	<b>3,500</b>	<b>34,467</b>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

## 5 LOANS AND ADVANCES (continued)

	31 March 2015 (Reviewed)		
	Specific US\$ '000	General US\$ '000	Total US\$ '000
At 1 January	7,236	11,646	18,882
Provided during the period	-	-	-
Recoveries during the period	(204)	-	(204)
Net charge for the period	(204)	-	(204)
Reallocated during the period	2,120	(2,120)	-
Exchange difference	(80)	-	(80)
At 31 March	9,072	9,526	18,598

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

	(Reviewed) 31 March 2016 US\$'000	(Audited) 31 December 2015 US\$'000
Carrying value	44,078	43,899
Fair value	38,136	37,215

Additional fair value loss of US\$ 5,942 thousand for the three months ended 31 March 2016 (31 March 2015: gain of US\$ 2,648 thousand) would have been recognised in the interim statement of comprehensive income had the trading investment not been reclassified to loans and advances.

## 6 COMMITMENTS AND CONTINGENT LIABILITIES

	(Reviewed) 31 March 2016 US\$'000	(Audited) 31 December 2015 US\$'000
Letters of credit	68,635	150,677
Letters of guarantee	15,731	14,079
Undrawn loan commitments	36,111	34,617
	120,477	199,373
Other		
Forward foreign exchange contracts	104,577	147,524
	225,054	346,897

**Legal claim contingency**

The Bank is defendant in a legal proceeding that has arisen in the ordinary course of business. A counterparty is pursuing a claim of approximately US\$ 8 million including opportunity loss for future periods. The counterparty's claim is based on a document, which management believes does not commit the Bank. The Directors of the Bank, on reviewing the advice of professional legal advisers, are satisfied that the claim is not legally tenable and the outcome will not have any material effect on the financial position of the Bank.

## 7 SHARE CAPITAL

At the Extraordinary General Meeting held on 29 April 2014, the shareholders approved the increase of the share capital from US\$ 250 million to US\$ 300 million. During the period in 2015, US\$ 140 thousand of the advance received towards capital increase was refunded due to non-receipt of complete subscription from all the shareholders.



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

**8 DIVIDEND PROPOSED**

Directors have proposed dividend of US\$ 15 million i.e. US\$ 3 per share relating to 2015 (2014: US\$ 25 million i.e. US\$ 5 per share) subject to approval of the shareholders at the forthcoming annual general meeting being held on 19 April 2016.

**9 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.

Transactions with related parties included in the interim statement of financial position and interim statement of profit or loss are as follows:

	<i>(Reviewed)</i> <b>31 March</b> <b>2016</b> <b>US\$'000</b>	<i>(Audited)</i> <b>31 December</b> <b>2015</b> <b>US\$'000</b>
<b>Interim statement of financial position</b>		
<b>Assets</b>		
Cash and balances with banks	25,589	8,780
Deposits with banks and other financial institutions	24,053	10,000
Loans and advances	2,886	3,559
Interest receivable	12	11
Other assets	805	725
<b>Liabilities</b>		
Deposits from banks and other financial institutions	747,900	695,175
Due to banks and other financial institutions	13,137	14,754
Interest payable	2,284	1,258
Other liabilities	944	1,339
Assets under management	21,753	21,005
<b>Contingent liabilities</b>		
Letters of credit and guarantee	407	8,013
	<i>(Reviewed)</i>	
	<b>31 March</b>	<b>31 March</b>
	<b>2016</b>	<b>2015</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Interim statement of profit or loss</b>		
Interest and similar income	53	187
Interest expense	1,851	261
Fee and commission income	277	14
<b>Compensation paid to the Board of Directors and key management personnel</b>		
Short term benefits*	553	624
End of service benefits	40	33
	<b>593</b>	<b>657</b>

\* Includes sitting fee of US\$ 25 thousand (31 March 2015: US\$ 25 thousand) and reimbursement of travel, accommodation and other expenses paid to Board of Directors amounting to US\$ 34 thousand (31 March 2015: US\$ 28 thousand).



At 31 March 2016 (Reviewed)

**10 FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

**Fair value hierarchy**

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**Fair value hierarchy - financial instruments measured at fair value**

The following table provides the fair value measurement hierarchy of the Bank's financial instruments measured at fair value:

**At 31 March 2016 (Reviewed)**

	<b>Level 1</b> <b>US\$ '000</b>	<b>Level 2</b> <b>US\$ '000</b>	<b>Total</b> <b>US\$ '000</b>
Investments held for trading	22,653	-	22,653
Available-for-sale investments	29,294	-	29,294
Derivative financial instruments	-	2,996	2,996
	<b>51,947</b>	<b>2,996</b>	<b>54,943</b>

**At 31 December 2015 (Audited)**

	<b>Level 1</b> <b>US\$ '000</b>	<b>Level 2</b> <b>US\$ '000</b>	<b>Total</b> <b>US\$ '000</b>
Investments held for trading	21,477	-	21,477
Available-for-sale investments	29,175	-	29,175
Derivative financial instruments	-	(563)	(563)
	<b>50,652</b>	<b>(563)</b>	<b>50,089</b>

The Bank had no investments measured at fair value qualifying for level 3 of fair value hierarchy as at 31 March 2016 and as at 31 December 2015.

**Transfers between level 1, level 2 and level 3**

During the three-month period ended 31 March 2016 there were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurement (2015: nil).

**Fair value hierarchy - financial instruments not measured at fair value**

The following table provides the fair value measurement hierarchy of the Bank's financial instruments not measured at fair value:

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

**10 FINANCIAL INSTRUMENTS (continued)***At 31 March 2016 (Reviewed)*

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair Value</i>	<i>Carrying value</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Held-to-maturity investments	197,051	-	3,000	200,051	201,000
Loans and advances	38,136	-	-	38,136	44,078
	<u>235,187</u>	<u>-</u>	<u>3,000</u>	<u>238,187</u>	<u>245,078</u>

*At 31 December 2015 (Audited)*

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair Value</i>	<i>Carrying value</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Held-to-maturity investments	109,853	-	3,000	112,853	115,114
Loans and advances	37,215	-	-	37,215	43,899
	<u>147,068</u>	<u>-</u>	<u>3,000</u>	<u>150,068</u>	<u>159,013</u>

- Fair values of held-to-maturity investments are determined based on quoted prices in the active markets.
- Fair values of loans and advances falling under Level 1 are determined based on quoted prices in active markets.

Balances with banks, deposits with banks and other financial institutions, interest receivable, other assets, deposits from banks and other financial institutions, due to banks and other financial institutions, due to customers, interest payable and other liabilities are generally short term in nature. Management has assessed that the fair values of these approximate their carrying values as of 31 March 2016 and 31 December 2015.