

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 September 2012 (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 2012, 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 Management 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.



1 November 2012
Manama, Kingdom of Bahrain

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

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2012 (Unaudited)

	(Unaudited) 30 September 2012 US\$'000	Audited 31 December 2011 US\$'000
ASSETS		
Cash and balances with banks	96,338	49,293
Deposits with banks and other financial institutions	517,367	654,766
Investment held for trading	24	22
Non trading investments	23,925	13,819
Loans and advances	467,259	264,637
Property, equipment and software	13,805	11,592
Interest receivable	6,563	5,114
Other assets	616	866
TOTAL ASSETS	1,125,897	1,000,109
LIABILITIES AND EQUITY		
Liabilities		
Deposits from banks and other financial institutions	148,754	470,302
Due to banks and other financial institutions	350,571	276,482
Due to customers	25,557	8,367
Interest payable	160	218
Other liabilities	5,357	4,158
Total liabilities	330,399	759,527
Equity		
Share capital	250,000	200,000
Statutory reserve	6,888	6,888
Retained earnings	38,610	13,694
Proposed dividend	-	20,000
Total equity	295,498	240,582
TOTAL LIABILITIES AND EQUITY	1,125,897	1,000,109



Mr Sulieman Esa Al Azzabi
Deputy Chairman



Mr Ali Makhzum Ben Hamza
Director

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 COMPREHENSIVE INCOME

For the nine months ended 30 September 2012 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	US\$'000	US\$'000	US\$'000	US\$'000
Interest income	7,301	5,344	19,112	14,678
Interest expense	(608)	(556)	(2,036)	(1,718)
Net interest income	6,693	4,788	17,076	12,960
Fees and commissions income	3,518	3,422	12,406	10,378
Changes in fair value of investment held for trading	-	-	2	(3)
Foreign exchange gain	26	64	224	274
Other income	20	-	20	-
Operating income	10,257	8,274	29,728	23,609
Provision for loan losses	-	-	-	(338)
Net operating income	10,257	8,274	29,728	23,271
Staff costs	1,225	996	3,310	2,696
Depreciation	35	87	270	259
Other operating expenses	386	287	1,232	1,028
Operating expenses	1,696	1,370	4,812	3,983
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,561	6,904	24,916	19,288



Mr Sulieman Issa Al Azzabi
Deputy Chairman



Mr Ali Makhzum Ben Hamza
Director

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

For the nine months ended 30 September 2012 (Unaudited)

		<i>(Unaudited)</i>	
		<i>Nine months ended</i>	
		<i>30 September</i>	
	<i>Note</i>	2012	2011
		US\$'000	US\$'000
OPERATING ACTIVITIES			
Net profit for the period		24,916	19,288
Adjustments for:			
Depreciation		270	259
Changes in fair value of investment held for trading		(2)	3
Provision for loan losses		-	338
Amortisation of assets classified as "Loans and advances" from trading investments		(382)	(351)
Operating profit before changes in operating assets and liabilities		<u>24,802</u>	<u>19,537</u>
Changes in operating assets and liabilities:			
Deposits with banks and other financial institutions		-	3,270
Loans and advances		(202,240)	(126,946)
Interest receivable and other assets		(1,199)	(252)
Deposits from banks and other financial institutions		(21,548)	(219,817)
Due to banks and other financial institutions		74,089	113,217
Due to customers		17,190	(3,841)
Interest payable and other liabilities		1,141	668
Net cash used in operating activities		<u>(107,765)</u>	<u>(214,164)</u>
INVESTING ACTIVITIES			
Purchase of property, equipment and software		(2,483)	(1,736)
Redemption of non trading investment		2,887	-
Purchase of non trading investments		(12,993)	-
Net cash used in investing activities		<u>(12,589)</u>	<u>(1,736)</u>
FINANCING ACTIVITIES			
Issue of share capital	7	50,000	-
Dividend paid		(20,000)	(62)
Net cash from (used in) financing activities		<u>30,000</u>	<u>(62)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(90,354)	(215,962)
Cash and cash equivalents at beginning of the period		<u>704,059</u>	<u>892,694</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<u>613,705</u>	<u>676,732</u>
Cash and cash equivalents comprise:			
Cash in hand		5	34
Balances with banks			
with original maturity of ninety days or less		613,700	676,698
		<u>613,705</u>	<u>676,732</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

For the nine months ended 30 September 2012 (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 2012	200,000	6,888	13,694	20,000	240,582
Increase in share capital (note 7)	50,000	-	-	-	50,000
Dividend paid for 2011 (note 7)	-	-	-	(20,000)	(20,000)
Total comprehensive income for the period	-	-	24,916	-	24,916
At 30 September 2012	250,000	6,888	38,610	-	295,498
Balance as at 1 January 2011	200,000	4,262	10,319	10,000	224,581
Approved dividend	-	-	-	(10,000)	(10,000)
Total comprehensive income for the period	-	-	19,288	-	19,288
At 30 September 2011	200,000	4,262	29,607	-	233,869

The attached notes 1 to 8 form part of these interim condensed financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

At 30 September 2012 (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 (the "CBB") under the new integrated licensing framework. The Bank's registered office is at the Wind Tower Building, 2nd Floor, Diplomatic Area, PO Box 11529, Manama, Kingdom of Bahrain.

The interim condensed financial statements of the Bank for the nine month period ended 30 September 2012 were authorised for issue in accordance with the resolution of the Board of Directors on 1 November 2012.

2 BASIS OF PREPARATION

The interim condensed financial statements of the Bank for the nine month period ended 30 September 2012 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 2011.

In addition, results for the nine month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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 2011.

4 RECLASSIFICATION OF FINANCIAL ASSETS

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

	<i>(Unaudited)</i> 30 September 2012 US\$'000	<i>Audited</i> 31 December 2011 US\$'000
Carrying value	41,957	41,576
Fair value	51,150	45,177

Additional fair value gain that would have been recognised in the interim statement of comprehensive income for the nine month period ended 30 September 2012 had the trading investment not been reclassified amounts to US\$ 5.97 million (30 September 2011: loss of US\$ 5.22 million).

5 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Unaudited)</i> 30 September 2012 US\$'000	<i>Audited</i> 31 December 2011 US\$'000
Letters of guarantee	1,890	1,539
Letters of credit	205,745	451,769
Forward foreign exchange contract	19,775	12,957
	<u>227,410</u>	<u>466,265</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

At 30 September 2012 (Unaudited)

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.

Transactions with related parties included in the interim statement of financial position and interim statement of comprehensive income are as follows:

	<i>(Unaudited)</i> 30 September 2012 US\$ '000	<i>Audited</i> 31 December 2011 US\$ '000
Interim statement of financial position		
Assets		
Cash and balances with banks	9,012	10,075
Deposit with banks and other financial institutions	79,000	169,955
Interest receivable	66	82
Other assets	15	22
Liabilities		
Deposits from banks and other financial institutions	242,603	229,756
Due to banks and other financial institutions	16,254	51,098
Interest payable	85	94
Other liabilities - others	141	21
Contingent Liabilities-Letters of Credit (Fully secured by Deposit takings)	30,204	113,453
	<i>(Unaudited)</i>	
	30 September 2012 US\$ '000	30 September 2011 US\$ '000
Interim statement of comprehensive income		
Interest income	377	186
Interest expense	504	451
Fee and commission income	1,172	17
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	867	640
End of service benefits	72	44
	939	684

* Includes sitting fee of US\$ 120 thousand (30 September 2011: US\$ 75 thousand) and the reimbursement of travel and accommodation expenses paid to Board of Directors amounting to US\$ 90 thousand (30 September 2011: US\$ 28 thousand).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

At 30 September 2012 (Unaudited)

7 SHARE CAPITAL

The Bank has raised share capital of US\$50 million, on 2nd January 2012, by issue of 1,000,000 shares at a price of US\$ 50 per share. The share capital issue was approved by the shareholders in the Extraordinary General Meeting held on 6 June 2011. The full amount of the capital issue has been received in cash on 2 January 2012.

	<i>(Unaudited)</i> 30 September 2012 US\$ '000	<i>Audited</i> 31 December 2011 US\$ '000
Authorised :		
Ordinary shares 10,000,000 (2011: 4,000,000) of US\$ 50 each	500,000	200,000
Issued and fully paid up		
At beginning of the period/ year		
4,000,000 Ordinary shares of US\$ 50 each	200,000	200,000
Issued during the period/ year		
1,000,000 Ordinary shares of US\$ 50 each	50,000	-
At end of the period/ year		
5,000,000 (2011: 4,000,000) Ordinary shares of US\$ 50 each	250,000	200,000

Details of the Bank's shareholding is as follows:

	<i>After share capital increase</i>		<i>Before share capital increase</i>	
	<i>Percentage holding (%)</i>	<i>US\$ '000</i>	<i>Percentage holding (%)</i>	<i>US\$ '000</i>
Libyan Foreign Bank	99.50	248,751	99.38	198,751
Yemen Bank for Reconstruction and Development	0.22	561	0.28	561
National Bank of Yemen	0.28	688	0.34	688
	100.00	250,000	100.00	200,000

Following the approval of the dividend for 2011 by the Bank's shareholders at the Annual General Meeting held on 16 May 2012, a dividend of US\$ 5 per share totalling US\$ 20 million was paid.

8 COMPARATIVES

The comparative amount for loans and advances in the interim statement of financial position has been reclassified by US\$ 13,819 from US\$ 278,456 thousand to US\$ 264,637 thousand with a corresponding reclassification in non trading investments to conform to the presentation adopted in current period. Such reclassification did not affect previously reported net income or shareholders' equity.