

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 June 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 June 2012, 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 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.



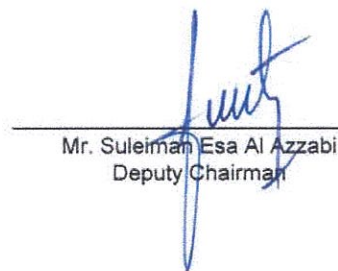
4 July 2012
Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)
 INTERIM STATEMENT OF FINANCIAL POSITION
 At 30 June 2012 (Unaudited)

	Note	(Unaudited) 30 June 2012 US\$'000	Audited 31 December 2011 US\$'000
ASSETS			
Cash and balances with banks		47,819	49,293
Deposits with banks and other financial institutions		658,059	654,766
Investment held for trading		24	22
Loans and advances		395,053	278,456
Property, equipment and software		13,169	11,592
Interest receivable		5,771	5,114
Other assets		5,041	866
TOTAL ASSETS		1,124,936	1,000,109
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks and other financial institutions		586,521	470,302
Due to banks and other financial institutions		237,833	276,482
Due to customers		7,693	8,367
Interest payable		236	218
Other liabilities		5,716	4,158
Total liabilities		837,999	759,527
Equity			
Share capital	7	250,000	200,000
Statutory reserve		6,888	6,888
Retained earnings		30,049	13,694
Proposed dividend		-	20,000
Total equity		286,937	240,582
TOTAL LIABILITIES AND EQUITY		1,124,936	1,000,109



Dr. Mohamed Abdulla Bait Elmal
Chairman



Mr. Suleiman Esa Al Azzabi
Deputy Chairman

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 COMPREHENSIVE INCOME

For the six months ended 30 June 2012 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2012	2011	2012	2011
	US\$'000	US\$'000	US\$'000	US\$'000
Interest income	6,013	5,063	11,811	9,334
Interest expense	(647)	(536)	(1,428)	(1,162)
Net interest income	5,366	4,527	10,383	8,172
Fees and commissions income	4,515	2,896	8,888	6,956
Changes in fair value of investment held for trading	2	(6)	2	(3)
Foreign exchange gain	159	126	198	210
Operating income	10,042	7,543	19,471	15,335
Provision for loan losses	-	(338)	-	(338)
Net operating income	10,042	7,205	19,471	14,997
Staff costs	1,049	853	2,085	1,700
Depreciation	78	87	185	172
Other operating expenses	453	444	846	741
Operating expenses	1,580	1,384	3,116	2,613
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,462	5,821	16,355	12,384

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

For the six months ended 30 June 2012 (Unaudited)

	<i>(Unaudited)</i>	
	<i>Six months ended</i>	
	<i>30 June</i>	
	2012	2011
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Net profit for the period	16,355	12,384
Adjustments for:		
Depreciation	185	172
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	(254)	(234)
Operating income before changes in operating assets and liabilities	16,284	12,663
Changes in operating assets and liabilities:		
Deposits with banks and other financial institutions	-	7,000
Loans and advances	(116,343)	(111,738)
Interest receivable and other assets	(4,832)	(756)
Deposits from banks and other financial institutions	116,219	(50,052)
Due to banks and other financial institutions	(38,649)	7,589
Due to customers	(674)	(3,476)
Interest payable and other liabilities	1,576	(185)
Net cash used in operating activities	(26,419)	(138,955)
INVESTING ACTIVITY		
Purchase of property, equipment and software	(1,762)	(1,342)
Net cash used in investing activity	(1,762)	(1,342)
FINANCING ACTIVITIES		
Issue of share capital	50,000	-
Dividend paid	(20,000)	(62)
Net cash from/(used in) financing activities	30,000	(62)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,819	(140,359)
Cash and cash equivalent at the beginning of the period	704,059	892,694
Cash and cash equivalent at the end of the period	705,878	752,335
Cash and cash equivalents comprise:		
Cash in hand	2	5
Balances with banks with original maturity of ninety days or less	705,876	752,330
	705,878	752,335

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

For the six months ended 30 June 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	-	-	-	(20,000)	(20,000)
Total comprehensive income for the period	-	-	16,355	-	16,355
At 30 June 2012	250,000	6,888	30,049	-	286,937
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	-	-	12,384	-	12,384
At 30 June 2011	200,000	4,262	22,703	-	226,965

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 FINANCIAL STATEMENTS
 30 June 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 six month period ended 30 June 2012 were authorised for issue in accordance with the resolution of Directors on 4 July 2012.

2 BASIS OF PREPARATION

The interim condensed financial statements of the Bank for the six month period ended 30 June 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 six month period ended 30 June 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 assets reclassified are as follows:

	<i>(Unaudited)</i> 30 June 2012 US\$'000	<i>Audited</i> 31 December 2011 US\$'000
Carrying value	41,830	41,576
Fair value	44,353	45,177

Additional fair value loss / (gain) that would have been recognised in the interim statement of comprehensive income for the six month period ended 30 June 2012 had the trading investment not been reclassified amounts to US\$ 824 thousand (30 June 2011: US\$ 549 thousand).

5 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Unaudited)</i> 30 June 2012 US\$'000	<i>Audited</i> 31 December 2011 US\$'000
Letters of guarantee	1,738	1,539
Letters of credit	304,164	451,769
Forward foreign exchange contract	18,085	12,957
	323,987	466,265

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 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 June 2012 US\$ '000	<i>Audited</i> 31 December 2011 US\$ '000
Interim statement of financial position		
Assets		
Cash and balances with banks	2,775	10,075
Deposit with banks and other financial institutions	120,000	169,955
Interest Receivable	3	82
Other assets	17	22
Liabilities		
Deposits from banks and other financial institutions	252,530	229,756
Due to banks and other financial institutions	18,669	51,098
Interest payable	91	94
Other liabilities - others	87	21
Contingent Liabilities-Letters of Credit (Fully secured by Deposit takings)	47,117	113,453
	<i>(Unaudited)</i> 30 June 2012 US\$ '000	<i>(Unaudited)</i> 30 June 2011 US\$ '000
Interim statement of comprehensive income		
Interest income	255	135
Interest expense	299	339
Fee and commission income	1,166	17
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	484	432
End of term benefits	60	34
	<u>544</u>	<u>466</u>

* Includes sitting fee of US\$ 75 thousand (30 June 2011: US\$ 75 thousand) and the reimbursement of travel and accommodation expenses paid to Board of Directors amounting to US\$ 58 thousand (30 June 2011: US\$ 28 thousand).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

7 SHARE CAPITAL

The Bank has raised share capital of US\$50 million, on 2nd January 2012, consisting 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 June 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

Shareholders pattern after the increase in paid up share capital 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