

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 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 31 March 2012, comprising the interim statement of financial position and the related interim statements of comprehensive income, cash flows and changes in equity for the three-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 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.



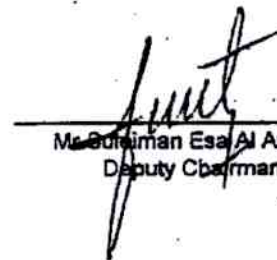
5 April 2012
Manama, Kingdom of Bahrain

ALUBAF Arab International Bank B.S.C. (c)
INTERIM STATEMENT OF FINANCIAL POSITION
 At 31 March 2012 (Unaudited)

	<i>(Unaudited)</i> 31 March 2012 US\$'000	<i>Audited</i> 31 December 2011 US\$'000
ASSETS		
Cash and balances with banks	57,352	49,293
Deposits with banks and other financial institutions	603,270	654,766
Investment held for trading	22	22
Loans and advances	252,703	278,456
Property, equipment and software	12,579	11,592
Interest receivable	3,750	5,114
Other assets	1,756	866
TOTAL ASSETS	931,432	1,000,109
LIABILITIES AND EQUITY		
Liabilities		
Deposits from banks and other financial institutions	304,602	470,302
Due to banks and other financial institutions	309,623	276,482
Due to customers	15,616	8,367
Interest payable	330	218
Other liabilities	2,786	4,158
Total liabilities	632,957	759,527
Equity		
Share capital	250,000	200,000
Statutory reserve	6,888	6,888
Retained earnings	21,587	13,694
Proposed dividend	20,000	20,000
Total equity	298,475	240,582
TOTAL LIABILITIES AND EQUITY	931,432	1,000,109



Dr. Mohamed Abdulla Bait Elmal
Chairman



Mr. Suhaiman 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 three months ended 31 March 2012 (Unaudited)

	<i>(Unaudited)</i>	
	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Interest income	5,798	4,270
Interest expense	(781)	(625)
Net interest income	5,017	3,645
Fee and commission income	4,373	4,060
Changes in fair value of investment held for trading	-	3
Foreign exchange gain	39	84
Net operating income	9,429	7,792
Staff costs	1,036	847
Depreciation	107	85
Other operating expenses	393	297
Operating expenses	1,536	1,229
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,893	6,563

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 three months ended 31 March 2012 (Unaudited)

	<i>(Unaudited)</i>	
	<i>Three months ended</i>	
	<i>31 March</i>	
	2012	2011
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Net profit for the period	7,893	6,563
Adjustments for:		
Depreciation	107	85
Changes in fair value of investment held for trading	-	(3)
Amortisation of assets classified as "Loans and advances" from trading investments	(127)	(117)
Operating income before changes in operating assets and liabilities	7,873	6,528
Changes in operating assets and liabilities:		
Deposits with banks and other financial institutions	-	15,000
Loans and advances	25,880	(74,118)
Interest receivable and other assets	474	(1)
Deposits from banks and other financial institutions	(165,700)	(161,385)
Due to banks and other financial institutions	33,141	81,991
Due to customers	7,249	(381)
Interest payable and other liabilities	(1,260)	(1,417)
Net cash used in operating activities	(92,343)	(133,783)
INVESTING ACTIVITY		
Purchase of property, equipment and software	(1,094)	(681)
Net cash used in investing activity	(1,094)	(681)
FINANCING ACTIVITY		
Issue of share capital	50,000	-
Net cash from financing activity	50,000	-
DECREASE IN CASH AND CASH EQUIVALENTS	(43,437)	(134,464)
Cash and cash equivalent at the beginning of the period	704,059	892,694
Cash and cash equivalent at the end of the period	660,622	758,230
Cash and cash equivalents comprise:		
Cash in hand	4	4
Balances with banks with original maturity of ninety days or less	660,618	758,226
	660,622	758,230

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 three months ended 31 March 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
Total comprehensive income for the period	-	-	7,893	-	7,893
At 31 March 2012	250,000	6,888	21,587	20,000	298,475
Balance as at 1 January 2011	200,000	4,262	10,319	10,000	224,581
Total comprehensive income for the period	-	-	6,563	-	6,563
At 31 March 2011	200,000	4,262	16,882	10,000	231,144

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
 31 March 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 three month period ended 31 March 2012 were authorised for issue in accordance with the resolution of Directors on 5 April 2012.

2 BASIS OF PREPARATION

The interim condensed financial statements of the Bank for the three month period ended 31 March 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 three month period ended 31 March 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> 31 March 2012 US\$'000	<i>Audited</i> 31 December 2011 US\$'000
Carrying value	41,703	41,576
Fair value	45,795	45,177

Additional fair value gain that would have been recognised in the interim statement of comprehensive income for the three month period ended 31 March 2012 had the trading investment not been reclassified amounts to US\$ 618 thousand (31 March 2011: US\$ 125 thousand).

5 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Unaudited)</i> 31 March 2012 US\$'000	<i>Audited</i> 31 December 2011 US\$'000
Letters of guarantee	1,498	1,539
Letters of credit	371,215	451,769
	372,713	453,308

ALUBAF Arab International Bank B.S.C. (c)
NOTES TO THE INTERIM FINANCIAL STATEMENTS

31 March 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> 31 March 2012 US\$ '000	<i>Audited</i> 31 December 2011 US\$ '000
Interim statement of financial position		
Assets		
Cash and balances with banks	5,592	10,075
Deposit with banks and other financial institutions	92,652	169,955
Interest Receivable	84	82
Other assets	19	22
Liabilities		
Deposits from banks and other financial institutions	92,683	229,756
Due to banks and other financial institutions	10,846	51,098
Interest payable	91	94
Other liabilities - others	24	21
Contingent Liabilities-Letters of Credit (Fully secured by Deposit takings)	65,170	113,453
	<i>(Unaudited)</i> 31 March 2012 US\$ '000	<i>(Unaudited)</i> 31 March 2011 US\$ '000
Interim statement of comprehensive income		
Interest income	152	90
Interest expense	153	193
Fee and commission income	978	20
Compensation paid to the Board of Directors and key management personnel		
Short term benefits*	230	188
End of term benefits	48	23
	278	211

* Includes fee paid to Board of Directors during the three month period ended 31 March 2012 US\$ 44 thousand (31 March 2011: US\$ 26 thousand).

ALUBAF Arab International Bank B.S.C. (c)
 NOTES TO THE INTERIM FINANCIAL STATEMENTS
 31 March 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> 31 March 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