



المصرف المتحد
للتجارة والاستثمار
United Bank
For Commerce & Investment



Annual report 2012



Opening New Horizons ...





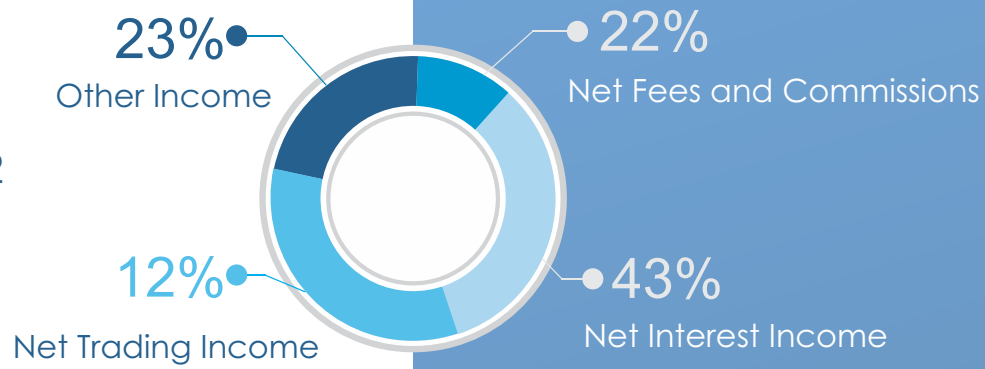
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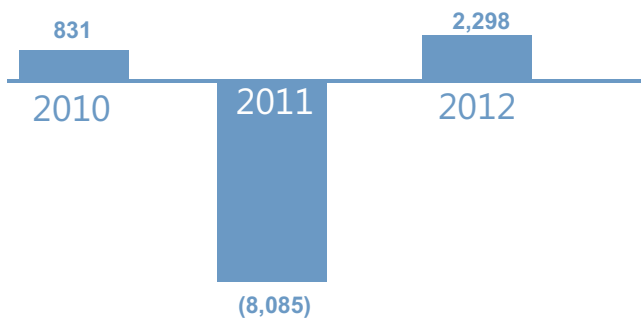




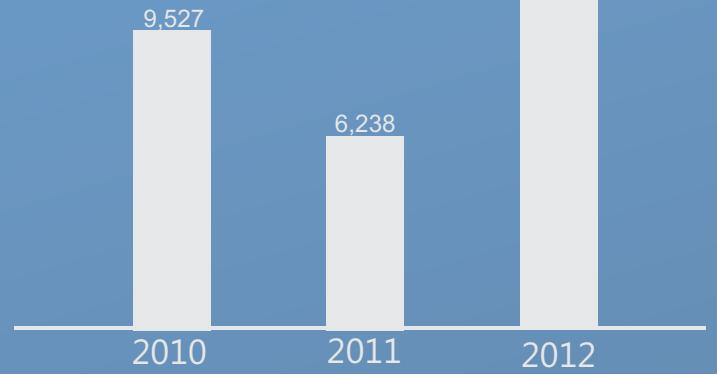
Revenue Mix 2012



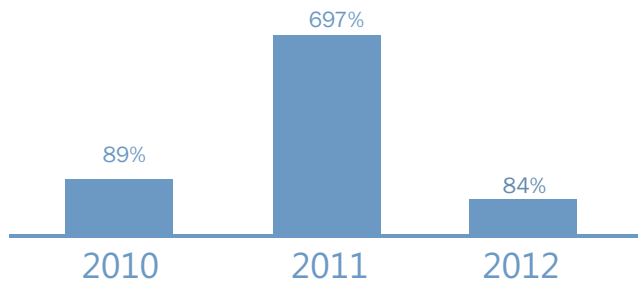
NET PROFIT
(LYD '000)



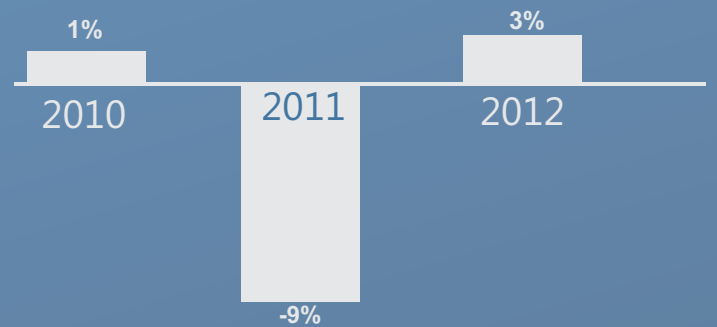
TOTAL OPERATING INCOME
(LYD '000)

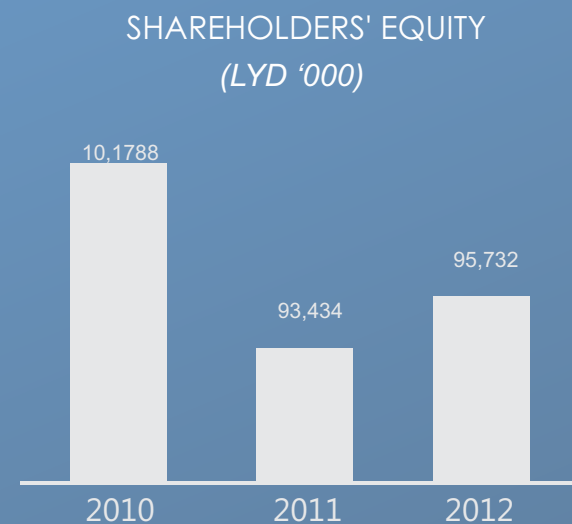
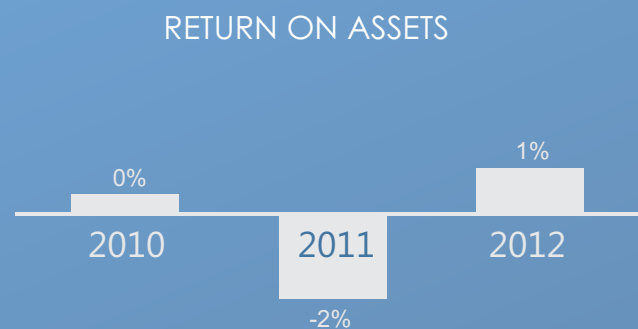
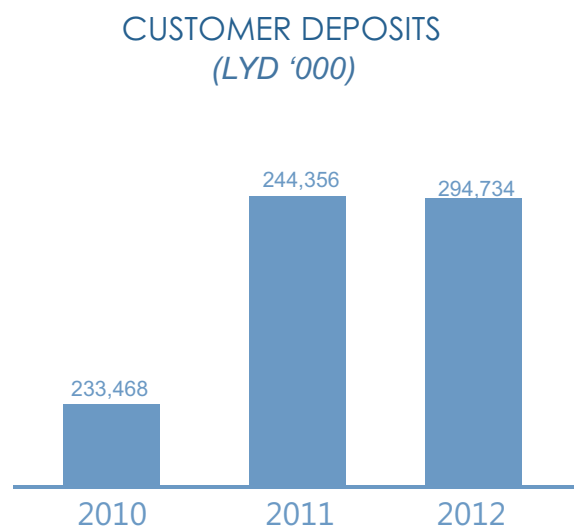
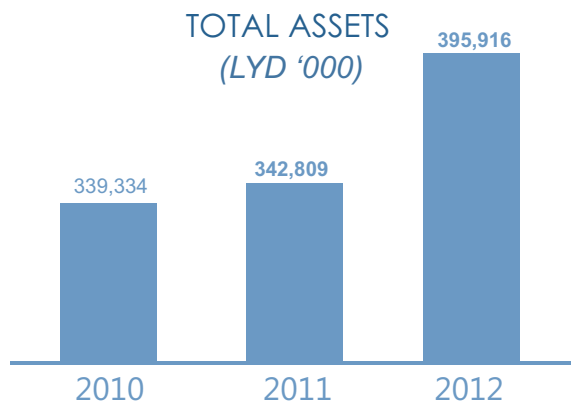


COST TO INCOME



RETURN ON EQUITY





	2012	2011	2010
	LYD '000s	LYD '000s	LYD '000s
TOTAL OPERATING INCOME	10,717	6,238	9,527
LOANS AND ADVANCES	70,255	43,331	49,890
NET PROFIT	2,298	(8,085)	831
TOTAL ASSETS	395,931	342,808	339,334
SHAREHOLDERS' EQUITY	95,732	93,434	101,754
COST TO INCOME	84%	697%	89%
RETURN ON ASSETS	1%	-2%	0%
RETURN ON EQUITY	3%	-9%	1%
NON PERFORMING LOANS	12,742	18,372	8057
PROVISIONS FOR DOUBTFUL DEBTS	8,998	12,225	5,665
CUSTOMER DEPOSITS	294,734	244,356	233,468

United Bank for Commerce and Investment

United Bank for Commerce and Investment “UBCI” was established following the merger of three local banks. The bank's operation was limited in certain urban areas of the country until the year 2009 when major investors and insurance companies acquired stakes in the bank. The bank started to develop gradually and the branch network expanded to include the capital Tripoli and other commercial centers.

The shareholders saw the need to improve the infrastructure of the bank in order to compete in Libya's booming industry and agreed to identify foreign banks to enter into strategic partnership agreement that will guarantee improving the bank infrastructure & resources during the upcoming years. After three years from its establishment, the bank's stakeholders signed a strategic partnership agreement with Ahli United Bank, one of the leading banking groups based in the Kingdom of Bahrain with strong presence in the Middle East and North Africa regions. The capital was divided as 60% for the Libyan shareholders and 40% stakes controlled by the Ahli United Bank Group. The bank's capital has been increased from 33 million Libyan Dinars to 80 million Libyan Dinars. On March 8, 2010, a technical management services agreement was put into effect where Ahli United bank Group become responsible for managing the technical aspects of the Bank, and is responsible for providing all technical services, required to develop activities and services for the Bank. Currently, the bank has eleven branches spread across western cities of Libya.

During 2012 the bank witnessed the completion of the rollout of the new banking system “Mysis Equation” across head office and branches, which contributed to the enhancement of customer service and internal control activities. Banking operations are now centralized in head office and customers can access their accounts from any branch.

Ahli United Bank Group

Ahli United Bank is an integrated banking and investment group working across the Middle East and North Africa region; it provides wealth management services, commercial banking business, services for individuals, treasury business, offshore activities and private banking services.

With total Group assets reaching USD 30 Billion in 2012 and net profits reaching USD 336 Million, this reflects the Group's success in developing the size of business despite tough competitive banking environment, not to mention the huge international and regional changes and challenges.

Since its inception in 2000, AUB Group has succeeded and competed internationally as the bank confines to be ranked as the first Arabic bank with a consensus approval to win three international awards: The Banker, Global Finance, and Euro money; it has also received the title of "the best bank in the Middle East" during 2006.

Our vision »

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United Bank
For Commerce & Investment



- Upgrading services and products to meet customers' expectations
- Ensuring an appropriate environment for developing the professional capacities of its employees
- Achieve excellent returns for shareholders, and ensuring the worthiness and eligibility of being

the best private bank in Libya.



United Bank
For Commerce and Investment

Board OF Directory





Abdullah A. Alsoudi
Chairman



Adel A. EL -Labban
Deputy Chairman



Abdul Latif Alkib
Director

Abdullah A. Alsoudi



Holds a diploma in trade as well as several specialized certification in accounting, Business management and finance from inside and outside Libya. His banking career started in 1958 with the Central Bank of Libya Until 1972, when he was assigned the task of establishing the Libyan Arab Foreign Bank as President and General Manager until 1980 when he moved to Bahrain to establish The Arab Banking Corporation (ABC) until 1994. During his term of employment, he managed to make ABC the largest Arab Bank during the second half of the eighties. ABC expanded internationally and in present (ABC) operates in more than 30 countries. In addition he chaired Banks in Italy, Germany, Spain, Peru, and Switzerland.

Honors and Awards including:

- The Grand Cross for Civil Merits from the king of Spain in 1977
- Gold Medal from the President of Italy in 1977
- The first awarded "Man of Arab Banks" in 1993
- Honored at Georgetown University / Washington in 1980 for being selected one of the most innovative five Bankers in the world
- Best Banker Award for 1991 by the American Association of Arab Banks in New York
- The Arab Integrity Award in 2012 by the Arab Union for combating
- The Guard Medal Republic of Tunisia in 1993

Adel A. EL -Labban



Group Chief Executive Officer and Managing Director of Ahli United Bank since 30 July 2000, holds a Masters in Economics from the American University, Cairo, 1980, Bachelor in Economics from American University, Cairo, 1977 and a General Certificate of Education GCE from London University, 1973. Director, Ahli United Bank PLC, (UK); Director, Ahli United Bank K.S.C., (Kuwait); Director, Ahli United Bank (Egypt) S.A.E., Director, Ahli Bank S.A.O.G., (Oman); Director, Commercial Bank of Iraq P.S.C., (Iraq); Director, United Bank for Commerce & Investment S.A.C., (Libya); Director, Bahrain Association of Banks, (Bahrain); Formerly: Chief Executive Officer and Director of the United Bank of Kuwait PLC, UK; Managing Director, Commercial International Bank of Egypt; Chairman, Commercial International Investment Company, Egypt; Vice President, Corporate Finance, Morgan Stanley, USA; Assistant Vice President, Arab Banking Corporation, Bahrain; Director, Bahrain Stock Exchange, Bahrain; Director, Kuwait & Middle East Financial Investment Co, Kuwait; Director, Middle East Financial Investment Co, Saudi Arabia. (Total years of experience: 34 years)

Abdul Latif Alkib



Former Deputy Chairman of Libyan Foreign Bank. Holds a Bachelor in Commerce and Business Accounting (University of Benghazi 1964). 2008 Chairman of the Board of Sahara Bank, 2004 Chairman of Sahara Insurance Co Libya, 1977 Managing Director AIB - Cairo, Chairman of UBAE Arab Italian Bank (Rome), former Director in UBAE London - Paris - Bahrain. Board member in the Arab Bank of Spain - Madrid, Bank Chairman North Africa - Beirut, Chairman Bank of Commerce and Finance Damascus - Syria.



Abdul Fattah Ghaffar
Director



Omar Fakhri Aneizi
Director



Ahmed Mohamed Zulficar
Director



Moataz EL Rafie
Director

Abdul Fattah Ghaffar

A master degree in accounting in 1996 from the academy of postgraduate studies. Chairman of the Board of ALUBAF Bank Tunisia. Chairman of the board of the Libya Banks association .Former chief executive officer of Goumhria Bank in 2012 and previously AL-Umma Bank in 2008. Director in Al-Umma Bank in 2005 .



Omar Fakhri Aneizi

BSc. Economics from Faculty of Economics Cairo University June 1966 .

Executive Functions:

Joined the Libyan National Bank currently Central Bank of Libya) October 1966, Libya Insurance Company May 1968, C T Bowring Insurance Ltd. London April 1970, Rejoined Libya Insurance Company as Deputy General Manager January 1972, Became Chairman & General Manager of Libya Insurance Company September 1973, Appointed Deputy Chairman & General Manager of The Mediterranean Reinsurance Co. London October 1978 to date.

Non-Executive Functions:

Director Sahara Bank Tripoli 1970 – 1979, Director Social Security Tripoli 1973 – 1975, Director Arab Reinsurance Company Beirut 1973 – 1979, Lecturer at Gharyounis University Benghazi. 1975 – 1976, Director Libyan Arab Airlines Co. Tripoli 1976 – 1979, Director Arab Insurance Group (Arig) Manama 1981 – 1986.



Ahmed Mohamed Zulficar

Deputy Chief Executive - Ahli United Bank - Kuwait holds a Bachelor of Commerce - Cairo University 1976, Deputy Chief Executive Experience for more than 30 years in the following institutions: Chase National Bank (Chase Manhattan Bank)JP Morgan Chase, National Bank of Kuwait, Courses obtained: Chase Manhattan Bank(JP Morgan Chase), credit course, executive management, Treasury and Private Banking and Islamic.



Moataz EL Rafie

Advisor to Chairman - Managing Director, Ahli United Bank (Kuwait), holds a B.SC Business Administration Cairo University 1976, 2012 General Manager of Corporate Banking & Treasury - Boubyan Bank, 2008 General Manager –strategic planning &Business Development –National Bank of Kuwait, 1992 Deputy General Manager –Corporate Banking Group – Career Developed from Senior Manager at Corporate Banking Group to Executive Manager & Division Head , over 30 years of well rounded Banking and Management experience with extensive emphasis on Credit & Corporate Banking.





Board Of Directors Report

To the Shareholders of United Bank for Commerce & Investment

On behalf of the Board of Directors, I am pleased to present the Board of Directors' report for the financial year ended 31st December 2012.

As you are aware, new Board members representing the Libyan side have joined the Board after being elected in March 2012. The new Board members enjoy a wide and diverse range of experience across various financial and banking organizations in the pan-Arab and international markets – these board members are determined to make tangible contributions once the necessary local environment elements are available to the bank to enable it to achieve its objectives and goals. Most importantly, considerations for country security and stability, as well as, having a clear vision through a well-defined plan of actions to be drawn up by the temporary government taking into account current priorities to achieve the country's future economic policies.

In the absence of such environment and the fact that 2012 followed 2011's extraordinary events, and was a year absent of plans and programs required for current economic and business challenges, thus can be described as an exceptional time. It was a period during which the people of Libya, of all factions, devoted their efforts to put an end to the rule of the tyrant Moamer Al Gaddafi. Their efforts were successful and ultimately they triumphed. Although the loss of revenue in figures was a sum of LB8 million (Libyan Dinars eight million), the victory against injustice and achieving the country's freedom was the greatest reward on the road to democracy and rebuilding new Libya. This victory is much greater in value than any profits regardless of their amounts.

Moreover we have witnessed that the second half of 2012 saw a breakthrough in all the economic sectors especially in the wake of the remarkable success of the election of the General National Conference which was a prelude to regaining security, stability and mapping out the country's priorities in terms of providing the necessary services continuously required by the Libyan people, though the government's preoccupation of many urgent issues delayed the recovery of many economic sectors. This development had negative repercussions that undermined our optimistic expectations and forecasts.

Notwithstanding the above, the Board of Directors in conjunction with the executive management drew up a business plan primarily designed to reduce costs through the restructuring of certain departments and evaluation of performance of various units on the levels of branches and key departments at the head office. This resulted in achieving positive figures. UBCI closed the 2012 financial year by positing profits in excess of LD2 million compared to a loss of around LD8 million in 2011. As shown in the attached financial statements, most of the balance sheet items registered a significant growth compared with the figures registered at the end of 2011. Total assets grew at the rate of 15.5% to reach LD395.9 million and the customer accounts grew at the rate of 21% to reach a sum of LD295 million. It should be noted that after several attempts which continued for two years, the Bank's building situated in Ghout Al Shaal, which was taken over by a group of revolutionaries, was recovered and it is currently being fitted out to become an Islamic banking branch.





Board Of Directors Report - Cont.

In July 2012 the Bank's General Manager Mr. Ashraf Suwailam resigned for personal reasons and a new General Manager (Mr. Ayman Al Jamal) was appointed upon the nomination of the strategic partner. Certain departments were restructured and some senior positions were filled by a number of Libyan nationals.

In spite of the unstable security situation, we hope that during 2013 the government would be able to restore security and to draw up a well considered budget for the transitional period to overcome the shortcomings that are of major concern to the Libyan citizens. This will ultimately contribute to the restoration of security. In this context, the banking sector can in co-ordination with the private sector to play a principal role in boosting economic activities when there is a clear vision and where the suitable environment is created.

In early 2013 the Board of Directors started the process of restructuring through the introduction of the corporate governance policy that would bring about a qualitative improvement in the standard of service provided to the Libyan citizens and protection of the shareholders' and depositors' rights in compliance with the prevailing standards and guidelines in the international financial markets.

In keeping with the amendments stipulated by CBL Law No.46 issued in 2012, certain provisions of the Bank's Articles of Association that include, inter alia, provisions related to providing Islamic banking services and increasing the number of Board members from 7 to 10 Directors. All these amendments are submitted to you for approval as part of the Extraordinary General Meeting's agenda.

Believing in the significance of enhancing shareholder value, the Board of Directors decided to recommend to you the distribution of bonus shares at the rate of 10% by debiting the issue premium accounts so as to increase the paid up capital from LD80 million to LD88 million - the matter is referred to you for approval.

We wish to seize this opportunity to express our thanks to the shareholders for their continuous support, we also wish to thank the regulatory authorities led by the Central Bank of Libya for their understanding of the challenges and difficulties faced by the banks and their strong support to the banking sector in general.

Finally, I would like to express my thanks to all the employees who will continue the future achievements of the Bank.

Abdulla Ammar Saudi,
Chairman

28.04.2013



Executive Report



2012 was an exceptional year for UBCI during which significant achievements were made in spite of the challenging country. We are also proud of the sincere efforts made by the Bank's staff on various levels to raise the levels of performance with firm and confident steps.

The year's results reflect the continuation of steady growth as the Bank achieved the highest level of net profits in its history totaling around LD2 million compared with net losses amounting to LD8 million in 2011 and net profits of LD831,000 in 2010. Return on the shareholders' equity registered growth at the rate of 2.8% in 2012 compared with -7% in 2011. The return on assets grew by 0.5% while such returns in 2011 were around -2%, registering a growth rate of 1.5%.

However, this level of growth remains below our expectations and does not rise to the level of overcoming the challenges experienced in 2011 and its reflections on 2012 which made the banking sector faced with a situation of caution and prospects of fluctuations that could affect stability. We will continue to exert more efforts to raise growth levels and to carry out the Bank's long term plans.

The Bank's 2012 results showed varied levels of growth as the total earnings jumped by 72% or a sum of LD4 million as the commissions received rose by 90% against last year's figures. The Bank was able to overcome the challenge of foreign exchange difference losses achieving a net currency trading profits of LD2 million or a growth rate of 390% over the previous year. The balance of interest received during the year was around LD6 million showing a growth rate of 40% over the previous year. Trade finance revenues registered an increase owing to the enhancement in customer service levels and making use of Ahli United Bank's (Strategic partner) network of correspondents which covers various parts of the world which contributed to the record growth in the volume of documentary credits opened during the

year with a value of around LD132 million or an increase of LD92 million against 2011 figures. Issued overseas drafts registered an increase during year to LD134 million against LD25 million in 2011.



For the assets and liabilities management, the Bank increased the level of employment of its available funds within a reasonable risk level. The credit portfolio witnessed a growth of 85% or an increase of LD72 million which was in parallel with the growth of deposits at the rate of 21% which signaled an increase in the customers' confidence in UBCI and the banking sector in spite of the prevailing economic and security difficulties earlier in the year.

During 2012 UBCI was able to resume its projects for development of the IT infrastructure by upgrading the existing systems and software and through the purchase of new hardware and licenses. This process enabled the Bank to link up all branches to the banking system enabling customers to process their banking business through any branch or agency. A number of ATM machines were supplied and installed in the branches and agencies and such ATMs were linked up to the Visa system as a prelude to launch Debit cards.

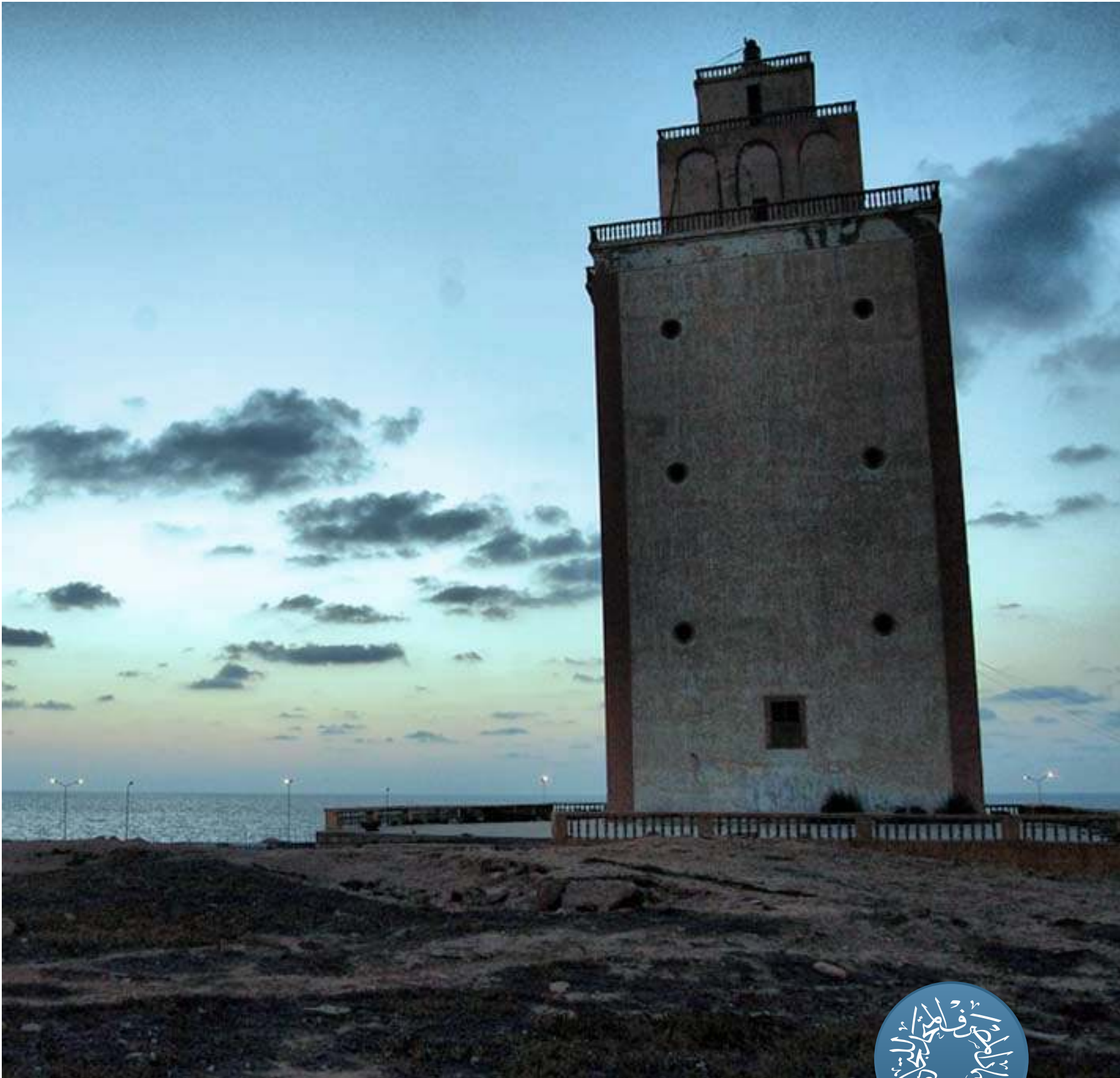
As part of our efforts aimed at the continued enhancement of business and service quality based upon the development human resources, the management consolidated the Bank's staff by the recruitment of 70 employees during the year and increased the staff salaries at different levels to provide the appropriate staff motivation. The

management also sought to promote modern banking culture and Islamic banking and enrolled 68 employees in training workshops, courses and programs in various banking sectors within Libya and internationally.

UBCI aims through its business plan which was approved by the Board of Directors to see further levels of growth in 2013 through the launch of new and modern services, such SMS and Islamic banking services to meet the requirements of the Bank's customers. The Bank also seeks to develop new business horizons to keep pace with the country's economic development.

Finally, I would like to express my sincere thanks to the Chairman and members of the Board of United Bank for their support and guidance throughout the year. I would also like to express our sincere thanks and appreciation to Central Bank of Libya for the support and encouragement during the year and for the continuous efforts for development of the banking sector.

Ayman El Gammal
Chief Executive Officer



Expanding geographically



Retail Banking



A big part of UBCI a strategic goal is to develop the retail banking sector because of its importance in increasing the bank customer base and to reduce possible risks resulting from single Banking area concentration. In order to develop the retail portfolio, the bank management has been focusing on improving the quality of service provided and building a selling concept for the bank staff, in addition to the geographical expansion by increasing the number of branches in different regions. During 2012 the bank achieved an increase in deposits (213 million - 263 million libyan dinars) with growth rate of 123% compared to 2011. The Bank achieved an increase in the portfolio of retail loans (8 million - 27 million libyan dinars) with growth rate of 337% compared to 2011. Also the bank achieved an increase of total numbers accounts for individuals 10%, bringing the total number to 53600 clients. Under competition taking place in the Libyan banking sector, the Bank seeks to increase the products and services offered, by introducing debit and credit cards, in addition to SMS Banking service and other products aimed to increase the bank's market share.

Modern Banking through Modern products

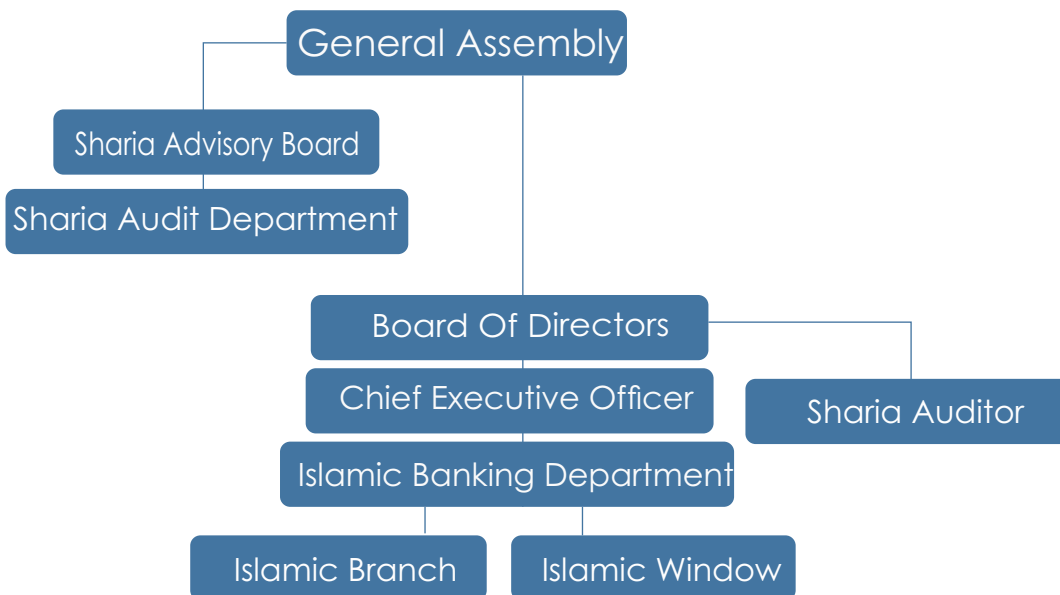


Islamic banking



As per UBCI strategy in Islamic banking importance and its rapid growth in Libya, especially after law N 46 of 2012 that dictates Islamic Banking directives. A strategy was put into effect to launch Islamic banking activities to provide Islamic Banking services by the second half of 2013. These steps include amendments of the Bank's article of association to include Islamic Banking activities, the appointment of Sharia Board committee and Islamic Banking Consultants, the implementation of Islamic Banking Unit to oversee Islamic Branches and windows, as well as, the Implementation of a steering committee subdivided to four subcommittees in charge of products, policies and procedures, Finance, IT systems, and Human Resources.

In the past few months, the Islamic Banking unit coordinated organizing training programs for staff at different levels to ensure increasing the awareness of the new banking system across various bank staff. Training programs included Islamic banking principals, Islamic Funding, Finance aspects of Islamic Banking, and Islamic Banking Risk.





Islamic Banking services with an edge





Corporate Banking »

During 2012, the department focused on improving relationship management in the private sector by cultivating quality of service culture which led to an increase in market share within this segment. The economy is import-driven which makes trade finance the core of Corporate Banking operations in Libya; the expansion into Islamic banking corporate products would entice new customer into banking as the demand for Islamic Banking in Libya is on the rise. In 2013 the department will target government projects and infrastructure project that will contribute to the reconstruction of the country, which is expected to start soon and will have a large share of government spending. Also to obtain a share soon and will have a sector, that represent the main revenue for the Libya.



Treasury »

In 2012 and as a result of the political and economic challenges that took place in the previous year, the Libyan economy is still experiencing a slowdown in stabilization and growth. This challenge is related to the persistence of certain legislations imposed by the Central Bank and other regulatory bodies such as restrictions on foreign currency and money transfers to individuals and companies, notwithstanding the above, the bank succeeded to achieve high revenues in foreign exchange trading. 2012 figures showed a growth of 775% in comparison with 2011, in addition, to profits on revaluation of foreign currency which came as a result of prudent management of foreign currency positions against the prices of special drawing rights (SDR). Furthermore, the department is responsible for the inventory of all surplus funds and utilizes the best local and international interest rates through available financial instruments.



Banking Operations »

The Central Banking Operations of the bank saw dynamic shift during 2012 as it went through a significant organization restructure from traditional banking to utilization of the new banking systems implemented during mid-2012. The department underwent organizational changes to enable it to grow as the bank introduces new banking products. There was focus on streamlining the Trade Finance business cycle to enable customers' faster turn-around process, as well as, reengineering of new processes to speed up several internal steps in the money transfer section. Additionally the department deployed new electronic payment systems such as RTGS, ACH, and ACP – all these systems are interconnected to Central Bank of Libya and other Libyan banks to enable faster payment cycle within Libya. Central Operations also underwent an upgrade to its existing SWIFT infrastructure providing a more secure and robust international payment system. During 2013, the department will focus on deployment of the Credit Card Center in coordination with a newly introduced Call Center.

Information Technology »

The Information Technology department provides the bank's technological business strategies by delivering customer centric, innovative and industry-benchmarked secure solutions, and finally meeting customers' banking needs on an operationally robust basis and through its target application systems and infrastructure architecture. During 2012, the strategy continued to focus on stabilizing of Technology services and especially after 17th of February revolution the department focused on completing the migration to a new banking system across all branches. Post migration, the bank is able to produce a daily consolidated balance & income statement. The new system also enabled customers to perform their banking needs from any branch across the Bank network. During 2013, the department will be focused on deployment of new Visa Debit Cards, SMS Banking, and implementation of new Human Resources (Staffing & Payroll) system. Information Technology will also focus on deployment of a new Islamic Banking System in order to facilitate new banking direction in Libya enabling the bank to introduce new Islamic banking products and convert the bank systems to sharia-compliant Islamic banking systems.

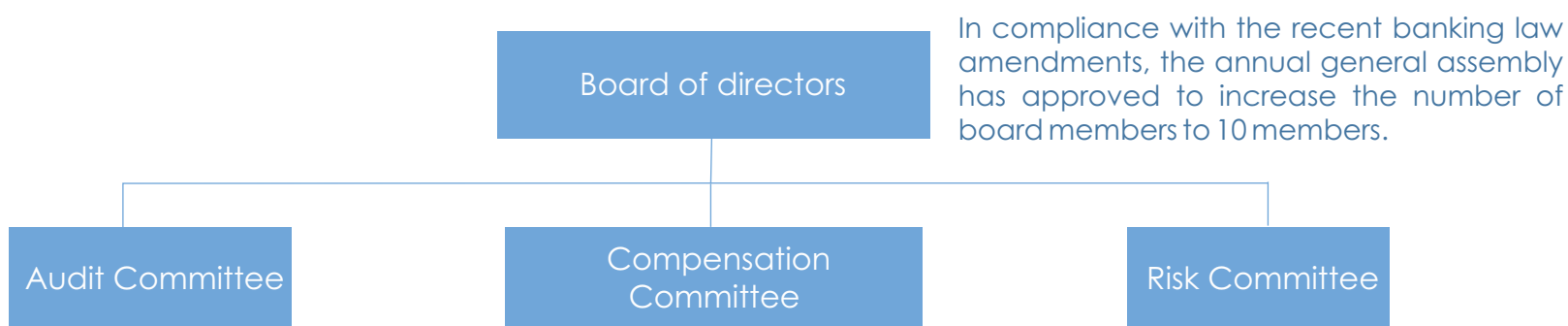
Human Resources »

The focus for Human Resources in 2012 saw a significant change in the HR landscape to include replacement of international staff heading various senior positions with new staff in Risk Management, Corporate Banking, Retail, Treasury and Premises. Additionally, there were also increased training cycles for staff in Libya and across the Ahli United Banking Group in Egypt and Bahrain. Among notable achievements were deployment of new access control system at head office and implementation of an attendance system across the banks' branches network. 2012 also witnessed the development and implementation of comprehensive assessment process for performance of the bank's staff. During 2013, the department is planning to launch a new HR MIS solution (OHR system) and related component modules, enabling the secure use of a shared staff information database and shared services that support the centralization of HR functions in Tripoli. Additionally the bank will focus on an important structural improvement as the bank's commitment to upgrade training and development practices across all branches further underlined with the reconfiguration of the department training and development function which will oversee and coordinate all development related activities across the bank. Going forward, strategic focus will prioritize the development and execution of international branded training programs which will enhance bank's ability to attract, retain and develop new talent across the Libya.



Corporate Governance

United Bank for Commerce and Investment pays great attention to optimizing corporate governance practices; the bank's board of directors is responsible for supervising the implementation of all policies and regulations that ensure achieving the best returns for shareholders, customers, employees and more generally the society. These policies and procedures include the laws and regulations issued by the Central Bank of Libya, and Basel Committee's directives. The bank periodically reviews governance policies and improve when necessary.



Board of Directors' Committees

The board of directors has formed several committees for special purposes, to assist in supervising the bank and to enhance the applied governance procedures. These committees are assigned with specific responsibilities and they report periodically to the board of directors. Following each AGM meeting, the board of directors forms its board committees and appoints members. These committees are considered to be the link between the bank's management and the board of directors.

Corporate Governance



Audit Committee



The committee holds its meetings periodically and at the request of its president. The committee reviews the internal auditing program and considers the main notes mentioned in the internal auditor's report and the management's responses on them, and maintains the coordination among internal and external auditors.

Compensation Committee



The committee holds its meetings periodically and at the request of its president. Its main duties comprise evaluation and provision of advice to the board of directors about all aspects related to the appointment and compensation of members of the board and members of the executive management. Furthermore, it develops clear policies for the compensation and salaries of the executive management and all employees.

Risk Committee



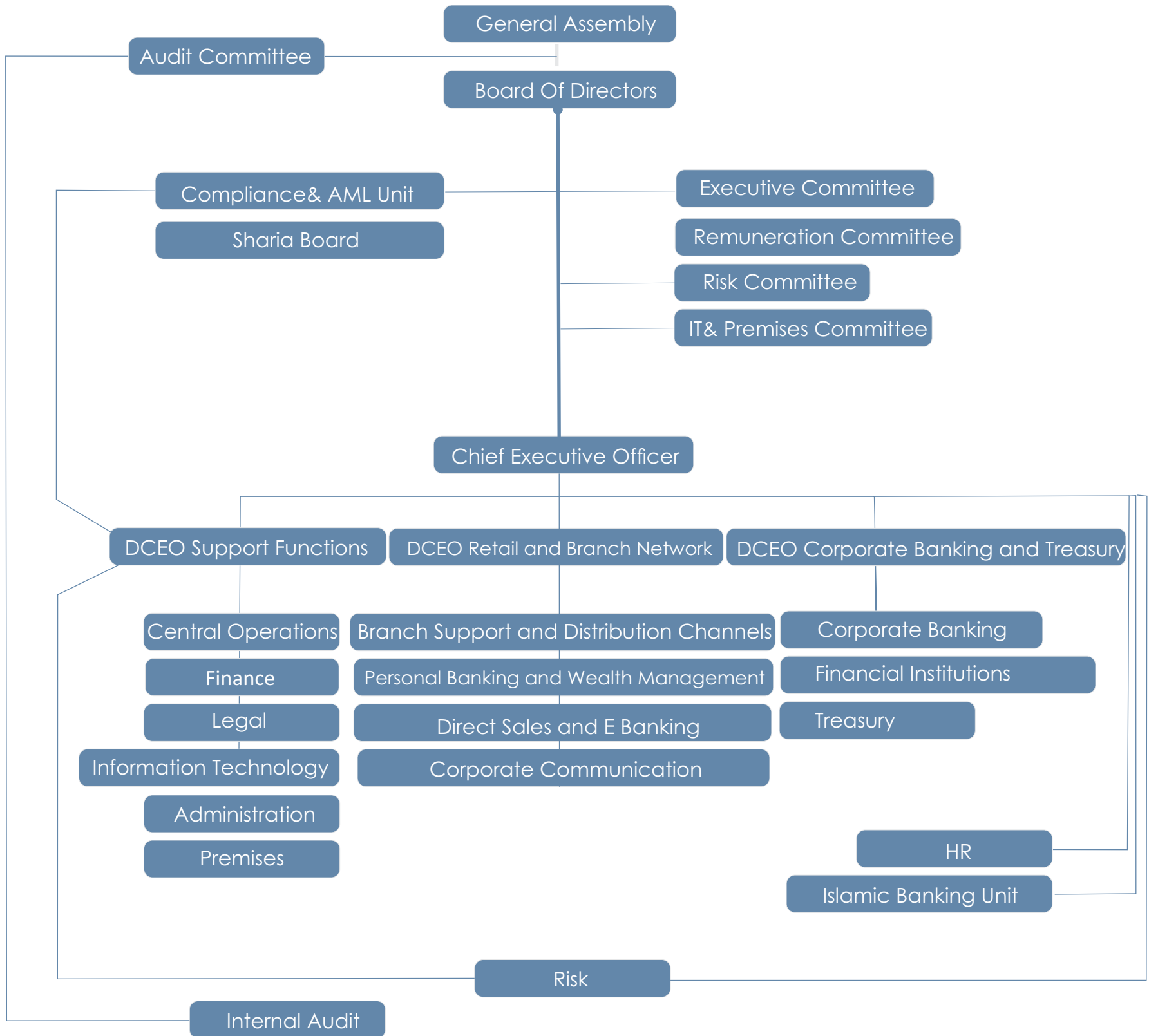
The committee reviews the policy of risk management periodically, besides reviewing the periodic risk management reports.

Anti-money Laundering

The bank has developed policies and procedures to optimize anti- money laundering process and to prevent financial fraud These policies include verification measures of customers, as well as procedures to identify and report suspected transactions.

The bank has also developed programs that aim to increase the level of awareness and record-keeping capabilities among staff. In addition, development of these programs will enhance the reporting system of the bank to meet the international requirements of the Office of Foreign Assets Control (OFAC) & Basel Committee.

Bank Organisation



Risk Management

United Bank aims to ensure complete abidance with the laws and legislations issued by the Central Bank of Libya (CBL) and at a very professional level by way of constant development of the risk management culture, conforming to the principles and standards of governance, with the objectives to implement the best practice of Basel II standards and to support the Bank's control systems.

The strategy entailed the following:

- Ensure activating Risk Management processes in its targeted operations which include market risk, operational risk and the continuous development of credit risk management tools within the bank.
- Ensure comprehensive setup of Assets and Liabilities Committee (ALCO) to mitigate risks on the Bank's assets.
- Set-up complete organization structure for the Risk Management Committee and define its roles and responsibilities.

Credit Risk:

This area is controlled and monitored through several specific and precise operations that guarantee the quality of the credit portfolio and its segments through an enhanced credit risk operation framework in accordance with specific policies and procedures approved by the Board of Directors.

Market Risk:

In 2012 the Risk Management Department undertook and applied a number of regulatory processes to mitigate the exposure of the Bank to the risks of unexpected changes in the currency rates, as well as, monitoring the changes of Libyan Stock Market listed company share prices provided by customers as collaterals. The Department also worked on coordinating efforts with the Treasury Department to create a precise process focused on monitoring of key reports issued by the Treasury Department to avoid any possible losses which could be resultant from market fluctuation and instant changes in foreign currency exchange rates against the Libyan Dinar.

Operation Risk:

The necessary plans have been placed to implement the highest standards of operational risk measures that would mitigate the expected and unexpected risks that the Bank would be exposed to. This is performed by strengthening

the department with qualified staff that is able to implement the targeted strategies which include the following:

- Setting up operation risk management framework to enable the achievement and accomplishment of its expected objectives.
- Creation of operation risk department tools which include carrying out Risk Control Self-Assessment (RCSA) methods.
- Placing all the relevant policies and agreements that ensure the most effective operation risk management in line with the approved policies supplied by the strategic partner and in line with the standards set by CBL.
- Creation of a historical database for risk events to ensure that the Bank abides by Basel II requirements and improves the Banks ability to implement an advanced method in measuring the operation risk over 3 years span.
- Placing a set of procedures to define the Key Risk Indicators (KRIs) as an early warning of risks that may happen or that the Bank may be exposed to in all its units and in any of its operations and to increase the efficiency of the Correction Action Plan (CAP) in place to reduce risks and reduce their direct effects on the Bank.

In addition to the above, and during 2012 Risk Department had worked on placing the bases that would enable the monitoring and mitigating risks in a way that corresponds with the level targeted by the bank which include:

- Placing the processes that enable the department to ensure that the policies relating to information security, emergency plans are available and in place.- Placing the specifics that would ensure the department's strategy during 2013 include all the relevant tools that would enable the implementation of the Business Continuity Plan (BCP) as well as outsourcing policy, anti-Fraud policy and products development policy.



Independent Auditor's Reports
and Consolidated financial statements.



**To the shareholders of the united Bank for Trade and Investment
Tripoli, Libya**

إبراهيم الباروني

محاسب ومراجع قانوني
دراسات واستشارات مالية وضريبية
وضع نظم ولوائح محاسبية وإدارية

A Report on Independent Financial Statements

We have audited the accompanying financial statements (the financial statements) of the United Bank for Trade and Investment (the Bank), a Libya Corporation, namely the balance sheet as of December 31, 2012 and the statements of income, changes in shareholder' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other disclosures.

Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial Statements in accordance with generally accepted accounting principles in Libya and other relevant regulations and circulars. The responsibility of the Management includes designing, implementing and maintaining an appropriate internal control system relevant to the preparation and fair presentation of financial statements free of material misstatement, whether caused by fraud or other irregularity or error. It, also, includes selection and implementation of appropriate accounting policies as well as accounting valuations relevant to the circumstances.

The Auditor's responsibility

Our responsibility is limited to expressing an opinion on the Financial Statements based on the audit we conducted. The audit has been performed in accordance with International accounting Standards (IASs) performing the audit to obtain reasonable assurance that the Financial Statements are free of material misstatement.

The audit includes procedures to obtain evidence relevant to the amounts and disclosures in the financial statements. The selected procedures are based on our

professional judgments, including assessments of the underling risk of misstatement, whether caused by fraud or other irregularity or error. In assessing such risks, the auditor considers the internal control system relevant for the preparation and fair presentation of the Financial Statements only to design audit procedures appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of the internal control system of the Bank. The audit also includes an evaluation of the appropriateness of the accounting policies and estimates made by the management.

We consider the audit evidence we have obtained sufficient and appropriate to provide a basis for our opinion on the financial Statements.

The opinion

In our opinion, the Financial Statements fairly and clearly present, in all material aspects, the financial position of the United Bank for Trade and Investments (a Libya Corporation) as of December 31, 2012 and of its financial performance and cash flows for the financial year then ended in accordance with Generally accepted accounting Principles and in light of the relevant domestic laws regulations.

A report on the legal requirements and other regulations

The Bank keeps regular books of account as required by applicable laws and the Articles of Association.

The Financial Statements are in agreement with the books of accounts. The physical inventory of the Bank's assets was made by Bank's Management and on its responsibility.



إبراهيم الباروني
محاسب ومراجع قانوني





To the Shareholders Of United Bank for Commerce and Investment:

Financial Statement:

We have audited the accompanying financial statement of the United Bank for commerce and investment, which comprise the balance sheet (Financial Position) as at 31 December 2012, Statement of revenues and expenses, statement of changes in shareholder's Equity and statement of cash flow for the year then. A summary of the most significant accounting policies and additional explanation.

Management's responsible for the financial statements:

The board of directors is responsible for preparing the financial information in accordance with the art. 226 of the commercial law number 23 for the year 2010; fair presentation of these financial statements in accordance with the financial Accounting standards, this responsibility includes designing, implementing and maintaining internal control system relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due it fraud or error; selecting and applying in the circumstances.

Auditor's responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with international standards on auditing (issued by international accounting standards board 2009/2010), these standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance whether financial statements are from material misstatement.

An audit involves performing procedures to obtain audit about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment; the auditor considers internal control relevant to the bank's preparation and fair presentation of the circumstances, but not for the purpose of expressing an opinion on the effectiveness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

Opinion:

On our opinion the financial statements present fairly, in all material respects, the financial position of the United Bank for Commerce & investment at 31 December 2012 and its financial performance and cash flow for the year then ended in accordance with international financial reporting standards.

Legal and regulatory requirements:

Proper books off account have been kept by the bank, information reported in the board of director's report are in accordance with the information we obtained from the bank's books and records, inventory measurement was performed in accordance with adopted standards and we did not observe any violation that affects the banks activity or its financial position based on the information available to us.

إبراهيم عبد الله الهوش
محاسب ومراجع قانوني



CONSOLIDATED FINANCIAL STATEMENTS.

Income Statement for the Year Ending 31st December 2012

		2012	2011	2010
	Note	LYD '000	LYD '000	LYD000'
Interest received	14	5,949	4,319	2,240
Interest Paid		(2)	(56)	(0)
Net Interest Income		5,947	4,263	2,240
FEES & COMMISSIONS	15	3,022	1,616	5,207
FOREX Trading Income	16	1,594	182	457
Foreign Exchange REVALUATION		75	159	1,546
Other Income	17	82	24	297
Gross Operating Income		10,721	6,245	9,748
Commissions expense		3	7	-
Directors fees	18	85	85	83
STAFF EXPENSES & RELATED BENEFITS	19	7,225	3,626	3,974
OTHER OPERATING EXPENSES	20	3,100	2,186	2,007
DEPRECIATION EXPENSE	21	1,265	1,173	705
Operating Profit		(958)	(833)	2,979
Provisions- NET	22	3,255	(7,253)	(2,148)
Net Profit Attributable to Equity Shareholders		2,298	(8,085)	831

Abdulla. A. Alsoudi
Chairman

Ayman El Gammal
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS.

Balance Sheet As 31st December 2012

		2012	2011	2010
Assets		LYD '000	LYD '000	LYD '000
	Note			
Cash at Banks and due from CBL	1	285,779	266,852	255,130
Due from commercial banks	2	19,090	12,336	21,342
Loans and Advances- NET	3	70,255	43,331	42,404
Investments- NET	4	16	16	16
Accounts receivables	5	1,429	852	302
Intangible Assets	6	746	933	1,208
Tangible Assets	7	18,601	18,488	18,932
Total Assets		395,916	342,809	339,334
Liabilities		2012	2011	2010
		LYD '000	LYD '000	LYD '000
Customer Deposits	8	294,734	244,357	233,468
Payables and Other Liabilities	9	3,289	1,836	1,158
Due to Parent, Subsidiary	10	121	1,346	971
General Provisions	11	1,767	1,562	781
Provision for Taxation	12	274	274	1,168
Total Liabilities		300,184	249,374	237,546
Equity	13	2012	2011	2010
		LYD '000	LYD '000	LYD '000
Paid capital		80,000	80,000	80,000
Legal Reserves		412	412	213
Share premium		20,199	20,199	20,433
Profit (Loss) brought forward		(7,177)	908	311
Profit (Loss) for the year		2,298	(8,085)	831
Total Shareholders' Equity		95,732	93,434	101,788
Total Liabilities and Shareholders' Equity		395,916	342,809	339,334
Contingent Liabilities		2012	2011	2010
		LYD '000	LYD '000	LYD '000
Letters of Credit		49,216	7,537	74,506
Letters of Guarantee		37,151	33,684	28,762
Total Contingent Liabilities		86,367	41,221	103,268

Abdulla. A. Alsoudi
Chairman

Ayman El Gammal
Chief Executive Officer

NOTES TO FINANCIAL STATEMENTS

1. Cash and Due from Central Bank of Libya

	2012	2011
	LYD '000	LYD '000
Cash Local Currency	23,018	1,881
Cash Foreign Currency	-	1
Central Bank Of Libya	100,136	61,476
Treasury Bills	157,000	200,000
Clearing	5,625	3,494
Total	285,779	266,852

2. Balances in Local Banks

	2012	2011
	LYD '000	LYD '000
Local Commercial Banks	3,722	64
Libyan Foreign Bank	354	259
Nostro Accounts	15,015	12,013
Total	19,090	12,336

3. Net- Loans and Advances

	2012	2011
	LYD '000	LYD '000
Social Loans- Public sector	18,567	6,043
Social Loans- Staff	1,221	992
Commercial Loans	38,500	18,798
Real estate Loans	7,931	-
Overdrafts	15,196	31,285
Total	81,415	57,117

4. Investments

	2012	2011
	LYD '000	LYD '000
Investment In Ejilat Investment Company	16	16
Total	16	16

5. Debtors and Other Assets

	2012	2011
	LYD '000	LYD '000
Other Debtors		
Central Bank Of Libya	46	-
Cash Margin- North Africa Bank	169	169
Cash Margin- Ahli United Bank	-	189
Petty Cash	8	-
Clearing	326	-
Guarantees- Bab Albahr Hotel	1	1
Shorts	107	112
Unearned Revenues	338	21
Total	993	492

NOTES TO FINANCIAL STATEMENTS

	2012	2011
	LYD '000	LYD '000
Prepaid Expenses		
Software Expense	2	2
Rents- residential building	11	-
Insurance- Cash Transfer	1	-
Insurance- Cash in Hand	8	-
Insurance- Vehicles	0	-
Insurance- Robbery	1	-
Insurance- Fraud	0	-
Insurance- Personal accidents	0	-
Swift Channels	16	-
Medical Insurance	18	-
Membership- Microsoft	48	-
Website- Expense	2	-
System Backup	9	-
Communication Channels	48	80
Purchase Of Stationary	-	20
Fueling Bills	13	1
Total	177	102

	2012	2011
	LYD '000	LYD '000
Other Assets		
Stationary in Warehouse	105	52
Branch renovation	23	-
Acquisition of Fixed Assets	145	205
Subtotal	273	257
Total	1,443	852
Provisions for Debtors	(14)	-
Net- Debtors and Other Assets	1,429	852



NOTES TO FINANCIAL STATEMENTS

6. Intangible Assets- Net

	Signage System	Banking System	Digital Certificates	Total
Brought Forward 01/01/2013	77	1,086	3	1,166
Additions	-	53	-	53
Exclusions	-	-	-	-
Carried Forward 31/02/2013	77	1,138	3	1,219
Accumulated Depreciation B/F 01/01/2012	(15)	(217)	(1)	(233)
Depreciation 2012	(15)	(223)	(1)	(240)
Exclusions	-	-	-	-
Accumulated Depreciation C/F 31/02/2013	(31)	(441)	(1)	(473)
Net- Intangible Assets 31/12/2012	46	698	2	746
Net- Intangible Assets 31/12/2011	62	869	3	933

7. Fixed Assets- Net

	Freehold Land	Real Estate	Vehicles	Mechanical Equipment	Furniture and Fittings	Total
Brought Forward 01/01/2013	74	17,804	768	2,293	919	21,859
Additions	-	-	137	813	220	1,170
Exclusions	-	-	77	-	-	77
Carried Forward 31/02/2013	74	17,804	829	3,106	1,140	22,953
Accumulated Depreciation B/F 01/01/2012	-	(1,214)	(558)	(1,115)	(484)	(3,371)
Depreciation 2012	-	(356)	(97)	(447)	(125)	(1,026)
Exclusions	-	-	(45)	-	-	(45)
Accumulated Depreciation C/F 31/02/2013	-	(1,570)	(610)	(1,562)	(610)	(4,352)
Net-Tangible Assets 31/12/2012	74	16,234	218	1,545	530	18,601
Net- Tangible Assets 31/12/2011	74	16,591	210	1,179	435	18,488

NOTES TO FINANCIAL STATEMENTS

8. Customer Deposits

	2012	2011
Demand and Call Accounts	LYD '000	LYD '000
Individual	152,013	137,428
Private Sector	103,659	48,574
Public Sector	2,669	15,236
Government Institutions	1,196	17,284
Banks	2,391	1,491
Subtotal	261,928	220,013
	2012	2011
Saving Accounts	LYD '000	LYD '000
Saving Account	1,744	2,198
Subtotal	1,744	2,198
	2012	2011
Checks Payable	LYD '000	LYD '000
Certified Checks	9,786	13,199
Transfers	-	400
Western Union	-	4
Subtotal	9,786	13,604
	2012	2011
Cash Margin	LYD '000	LYD '000
Letters Of Credit- MBC	180	180
Letters Of Credit- Nostro	17,252	5,175
Letters Of Guarantee	3,844	3,186
Subtotal	21,276	8,541
Total Customer Deposits	294,734	244,357

NOTES TO FINANCIAL STATEMENTS

9. Payables and Other Liabilities

	2012	2011
	LYD '000	LYD '000
Payables		
Auditors Fees	50	50
Rents	277	45
Swift channels	-	10
Training	3	-
Electricity	6	16
Equation Maintenance	-	28
Building Maintenance	8	39
Deposit Security Fund	494	247
Guards Expense	41	21
Guards Wages	435	145
Membership and Dues	30	15
Database Expense	4	2
Telephone Expense	18	9
Communication Lines Expense	50	-
Core Banking System Applications	76	-
Windows 2000 system	49	-
Housing Fees	24	-
Janitorial Expense	58	-
Server Control Room Expense	48	-
Signature system Expense	13	-
Legal Expenses	30	-
Other Accruals	18	-
Total	1,732	627

	2012	2011
	LYD '000	LYD '000
Prepaid Interest and commissions		
Prepaid Commissions- LGs	267	112
Prepaid Commissions- LCs	87	-
Discount Interest on Treasury Bills	190	274
Subtotal	543	386
Total Customer and Other Liabilities	3,289	1,836

NOTES TO FINANCIAL STATEMENTS

10. Due to Parent, subsidiary, Associate

	2012	2011
	LYD '000	LYD '000
Seconded Staff Expense	-	1,312
Management and Technical Fees	121	34
Total	121	1,346

11. General Provisions

	2012	2011
	LYD '000	LYD '000
Provisions for Staff Leave	687	591
Provisions for Seconded Staff Leaves	637	394
Provisions for Lost Clearing Batches	326	471
Shorts	107	107
Provisions for Damaged Notes	12	-
Total	1,767	1,562

12. Tax Payable

	2012	2011
	LYD '000	LYD '000
Provision for Tax Expense- Previous Years	274	274
Tax Provision for the year	-	-
Total	274	274

13. Shareholders' Equity

	2012	2011
	LYD '000	LYD '000
Share Capital	80,000	80,000
Legal Reserves	412	412
Share Premium	20,199	20,199
Retained Earnings	(7,177)	908
Profit for the Year	2,298	(8,085)
Total	95,732	93,434

NOTES TO FINANCIAL STATEMENTS

14. Interest Income

	2012	2011
	LYD '000	LYD '000
Interest on Treasury Bills	1,416	1,611
Interest on CBL Deposits	30	11
Interest on Deposits with NOSTRO	38	13
Interest on Social Loans	2,228	1,543
Interest on Credit Facilities	1,742	1,085
Interest Income- Previous Years	496	56
Net Interest Income	5,949	4,319

15. Fees and Commissions

	2012	2011
	LYD '000	LYD '000
LCs	781	369
Collections	53	72
Guarantees	414	418
Transfers	957	198
Commercial Loans	8	97
Consumer Loans	185	29
Overdraft	59	-
Managers Checks	160	154
Insurance	23	4
Current Accounts	383	274
Net Fees and Commissions	3,022	1,616

16. Net Trading Income

	2012	2011
	LYD '000	LYD '000
FOREX Income - Cash	1,090	59
FOREX Income - Transfers	504	123
FOREX Revaluation	75	159
Net Trading Income	1,669	342

NOTES TO FINANCIAL STATEMENTS

17. Other Income

	2012	2011
	LYD '000	LYD '000
Postage Charge	10	18
Telex and Cable	66	7
Other Income	6	-
Other Income	82	24

18. Directors' Fees

	2012	2011
	LYD '000	LYD '000
Compensation Of Board Members	66	66
Compensation Of Audit Committee Members	19	19
Directors' Fees	85	85

19. STAFF EXPENSES & RELATED BENEFITS

	2012	2011
	LYD '000	LYD '000
Wages and salaries	4,192	2,736
2011 Salaries adjustment	1,738	444
OVERTIME	235	78
Allowance	10	51
Social security	402	263
Training	127	14
Healthcare	276	-
Teller Allowance	39	40
Housing Fees	123	-
Annual Airfare	39	-
Salaries Exchange Expense	8	-
Visa and Travel	9	-
School Fees	27	-
Total STAFF EXPENSES & RELATED BENEFITS	7,225	3,626

NOTES TO FINANCIAL STATEMENTS

20. General and Administrative Expense

	2012	2011
	LYD '000	LYD '000
Maintenance Expenses	187	388
Fuels and Surcharges	16	15
Hospitality Expense	30	19
Stamp duty	6	2
Stationary Expense	219	107
Marketing and Advertisement	29	6
Transportation Expense	10	4
Utilities	53	25
Legal Expenses	94	61
Guards Expense	388	326
Insurance Expense	62	165
Janitorial Expense	81	11
Social and Entertainment Expense	0	7
Auditors Fees	50	50
Board Meetings Expenses	2	-
TELEPHONE/FAX/TELEX	36	14
CBL Charges	2	-
General Assembly Expenses	22	-
Swift Expense	56	51
Rent Expense	339	308
Memberships and Dues	15	15
Memberships and Dues	3	4
Assets revaluation Expense	-	7
Branch Repairs	11	-
Technical Fees- <i>Group Recharge</i>	-	-
Deposit Security charge	494	247
SERV.CONT. MEC.EQUIP	206	167
SOFTWARE LEASE/RENT	2	8
Visa Expense	19	-
Membership-International Trading Bureau	6	5
Membership-Microsoft	52	-
Membership-RTGS	15	15
Membership-ACH	8	8



NOTES TO FINANCIAL STATEMENTS

20. General and Administrative Expense- cont.

	2012	2011
	LYD '000	LYD '000
Core Banking system-Banker 2000	116	138
Telephone System Expense	9	-
Server Control Room Expense	20	-
Signature system Expense	13	-
Core Banking system-Equation	90	-
Core Banking system-Equation Support applications	144	-
Websence Application	3	-
Website Expense	0	-
System Backup expense	4	-
Loss on Disposal of Fixed assets	32	-
IT Expense-Oracle	2	2
Miscellaneous Expenses	23	12
Technical Fees- <i>Group Recharge</i>	121	-
Total General and Administrative Expense	3,100	2,186

21. Depreciation of Fixed Assets

	2012	2011
	LYD '000	LYD '000
Real estate	356	356
Vehicles	97	111
Mechanical Equipment	447	367
Furniture and Fittings	125	107
Signage system	15	15
Banking system	223	217
Digital Certificates	1	1
Total Depreciation Expense	1,265	1,173



22. Provisions

	2012	2011
	LYD '000	LYD '000
Provisions For Doubtful debts		
Provisions For Doubtful debts	(2,596)	(7,042)
Provisions Recoveries	5,832	482
Net Provisions For Doubtful debts	3,236	(6,560)

	2012	2011
	LYD '000	LYD '000
General Provisions		
Provisions for Staff Leave	(100)	(115)
Provisions for Cash deficit	-	(107)
Provisions for Damaged Notes	(12)	-
Provisions For Other Debtors	(8)	-
Provisions for Lost/Damaged Assets	(7)	-
Provisions for Lost Clearing Batches	(6)	(471)
Recoveries of Lost Clearing Batches	151	-
Net General Provisions	19	(693)
Net Provisions	3,255	(7,253)



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Soon

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