

Ahli United Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2012

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF
AHLI UNITED BANK B.S.C.**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 31 March 2012, comprising of the interim consolidated balance sheet as at 31 March 2012 and the related interim consolidated statements of income, changes in equity and condensed cash flows for the three-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated 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 consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



23 April 2012
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Three month period ended 31 March 2012 (Unaudited)

	Note	Three months ended	
		31 March	
		2012	2011
		US\$ '000	US\$ '000
Interest income		258,299	238,943
Interest expense		107,528	102,201
Net interest income		150,771	136,742
Fees and commissions		31,783	29,223
Trading income		6,324	6,203
Net gains on investments		771	169
Share of profit from associates and joint venture		15,876	15,897
Other operating income	3	4,984	3,004
		59,738	54,496
OPERATING INCOME		210,509	191,238
Net provision for loan losses and others		16,361	17,559
Provision for non-trading investments		29,767	18,377
NET OPERATING INCOME		164,381	155,302
Staff costs		36,363	36,208
Depreciation		5,916	5,992
Other operating expenses		21,087	19,338
OPERATING EXPENSES		63,366	61,538
PROFIT BEFORE TAX		101,015	93,764
Tax expense		8,061	7,626
NET PROFIT FOR THE PERIOD		92,954	86,138
Attributable to:			
Bank's equity shareholders		82,416	77,300
Non-controlling interest		10,538	8,838
		92,954	86,138
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD			
Basic earnings per share (US cents)	4	1.6	1.5
Diluted earnings per share (US cents)	4	1.5	1.5

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three month period ended 31 March 2012 (Unaudited)

	Note	Three months ended 31 March		Three months ended 31 March	
		2012		2011	
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net profit for the period			<u>92,954</u>		<u>86,138</u>
Other comprehensive income					
Donations approved			(1,000)		(1,000)
Foreign currency translation adjustments			4,868		26
Available-for-sale investments:					
Gains (losses) arising during the period		64,687		(12,457)	
Transfers to interim consolidated statement of income		<u>549</u>	<u>65,236</u>	<u>19</u>	<u>(12,438)</u>
Cash flow hedges:					
Gains arising during the period		2,045		3,275	
Transfers to interim consolidated statement of income		<u>(2,449)</u>	<u>(404)</u>	<u>134</u>	<u>3,409</u>
Revaluation of freehold land			3		(1,688)
Share of other comprehensive income of associates	7		<u>580</u>		<u>769</u>
Other comprehensive income for the period			<u>69,283</u>		<u>(10,922)</u>
Total comprehensive income for the period			<u>162,237</u>		<u>75,216</u>
Total comprehensive income attributable to:					
Bank's equity shareholders			<u>151,846</u>		<u>65,240</u>
Non-controlling interest			<u>10,391</u>		<u>9,976</u>
			<u>162,237</u>		<u>75,216</u>

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED BALANCE SHEET

31 March 2012 (Unaudited)

	<i>31 March</i>	<i>Audited</i>
	<i>2012</i>	<i>31 December</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS		
Cash and balances with central banks	555,591	673,800
Treasury bills and deposits with central banks	2,848,404	2,612,287
Deposits with banks and other financial institutions	3,962,530	3,068,879
Loans and advances	15,946,318	15,495,961
Non-trading investments	4,700,088	4,370,441
Investment in associates and joint venture	647,384	629,843
Premises and equipment	353,730	351,720
Interest receivable and other assets	478,548	435,484
Goodwill and other intangible assets	691,506	691,347
TOTAL ASSETS	30,184,099	28,329,762
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions	4,973,608	4,434,645
Borrowings under repurchase agreements	1,730,801	1,352,601
Customers' deposits	18,127,041	17,345,034
Term debts	768,000	768,000
Interest payable and other liabilities	910,738	745,056
Subordinated liabilities	774,759	773,285
TOTAL LIABILITIES	27,284,947	25,418,621
EQUITY		
Ordinary share capital	1,304,209	1,242,135
Preference share capital	125,000	125,000
Reserves	1,107,476	1,170,296
Attributable to the Bank's equity shareholders	2,536,685	2,537,431
Non - controlling interest	362,467	373,710
TOTAL EQUITY	2,899,152	2,911,141
TOTAL LIABILITIES AND EQUITY	30,184,099	28,329,762

Fahad Al-Rajaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

Adel A. El-Labhan
Group Chief Executive Officer
& Managing Director

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three month period ended 31 March 2012 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	947,759	1,238,186
Net cash used in investing activities	(311,562)	(12,388)
Net cash used in financing activities	(16,820)	(120,405)
Foreign currency translation adjustments	4,868	26
INCREASE IN CASH AND CASH EQUIVALENTS	624,245	1,105,419
Cash and cash equivalents at 1 January	3,866,097	2,963,158
CASH AND CASH EQUIVALENTS AT 31 MARCH	4,490,342	4,068,577
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	305,954	111,622
Deposits with banks and other financial institutions with an original maturity of three months or less	4,184,388	3,956,955
	4,490,342	4,068,577

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2012 (Unaudited)

	Attributable to Bank's equity shareholders										
	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 7) US\$ '000	Total reserves US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2011	1,242,135	125,000	-	540,006	204,307	499,122	153,430	(226,569)	1,170,296	373,710	2,911,141
Mandatorily convertible preference shares dividend paid	-	-	-	-	-	-	(2,900)	-	(2,900)	-	(2,900)
Class B preference dividend paid	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	62,304	-	-	-	-	(62,304)	-	-	(62,304)	-	-
Conversion of preference shares	-	-	-	-	-	-	-	-	-	-	-
Equity shares surrendered	(230)	-	-	(129)	-	-	-	-	(129)	-	(359)
Ordinary share dividend paid	-	-	-	-	-	-	(149,530)	-	(149,530)	-	(149,530)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(19,294)	(19,294)
Additional acquisition in subsidiaries	-	-	-	197	-	-	-	-	197	(1,833)	(1,636)
Total comprehensive income for the period	-	-	-	-	-	82,416	(1,000)	70,430	151,846	10,391	162,237
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	(507)	(507)
Balance at 31 March 2012	1,304,209	125,000	-	540,074	204,307	519,234	-	(156,139)	1,107,476	362,467	2,899,152

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2012 (Unaudited)

Attributable to Bank's equity shareholders

	Reserves										
	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 7) US\$ '000	Total reserves US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2010	1,223,188	13,937	-	542,269	173,246	373,886	123,846	(58,191)	1,155,056	359,994	2,752,175
Mandatorily convertible preference shares dividend paid	-	-	-	-	-	-	-	-	-	-	-
Class B preference dividend paid	-	-	-	-	-	-	(149)	-	(149)	-	(149)
Conversion of preference shares	19,119	(13,937)	-	(2,674)	-	-	-	(1,833)	(4,507)	-	675
Equity shares surrendered	(13)	-	-	(29)	-	-	-	-	(29)	-	(42)
Ordinary share dividend paid	-	-	-	-	-	-	(122,697)	-	(122,697)	-	(122,697)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(14,184)	(14,184)
Additional acquisition in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	77,300	(1,000)	(11,060)	65,240	9,976	75,216
Other equity movements of a subsidiary	-	-	-	-	-	(366)	-	-	(366)	(695)	(1,061)
Balance at 31 March 2011	1,242,294	-	-	539,566	173,246	450,820	-	(71,084)	1,092,548	355,091	2,689,933

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

1 CORPORATE INFORMATION

Ahli United Bank B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain on 31 May 2000 originally as a closed company and changed on 12 July 2000 to a public shareholding company by Amiri Decree number 16/2000. The Bank and its subsidiaries (collectively known as the Group) are engaged in retail, commercial, Islamic and investment banking business, global fund management and private banking services through 90 branches, as at 31 March 2012, in the Kingdom of Bahrain (21 branches), the State of Kuwait (29 branches), the Arab Republic of Egypt (28 branches), Republic of Iraq (10 branches) and the United Kingdom (2 branches). It also operates through its managed associates in the State of Qatar (18 branches), Sultanate of Oman (12 branches) and Great Socialist People's Libyan Arab Jamahiriya (Libya) (10 branches) with a total network of 40 branches as at 31 March 2012.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Bank and the Group are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34").

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations noted below:

- IFRS 7 Financial Instruments: Disclosures (Amendment)

The amended standard requires additional quantitative and qualitative disclosures relating to transfer of financial assets, when:

- . Financial assets are derecognised in their entirety, but the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets)
- . Financial assets are not derecognised in their entirety

The adoption of the amendment did not have any impact on the financial position or performance of the Group.

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2012 were authorised for issue in accordance with a resolution of the directors on 23 April 2012.

3 OTHER OPERATING INCOME

Other operating income includes income amounting to US\$ 433 thousand for the three months ended 31 March 2012 (31 March 2011: US\$ 1,523 thousand) which is of a seasonal nature.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2012</i>	<i>2011</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for basic earnings per share computation (US\$ '000)	82,416	77,300
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	82,416	77,300
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	5,209	5,212
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the mandatorily convertible preference shares (million)	5,368	5,212
Basic earnings per ordinary share (US cents)	1.6	1.5
Diluted earnings per ordinary share (US cents)	1.5	1.5
Issued and fully paid ordinary shares of US\$ 0.25 each (in million)	5,233	4,984

5 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>Audited</i>	
	<i>31 March</i>	<i>31 December</i>
	<i>2012</i>	<i>2011</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	1,710,454	1,651,977
Acceptances	55,492	44,302
Letters of credit	413,227	472,173
	2,179,173	2,168,452

6 SEGMENT INFORMATION

For management reporting purposes the Group is organised into three major business segments:

- Retail banking
- Corporate banking, treasury and investments
- Private banking and wealth management

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate, which approximates the cost of funds.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

6 SEGMENT INFORMATION (continued)

Segmental information for the period was as follows:

	<i>Retail banking</i>	<i>Corporate banking, treasury and investments</i>	<i>Private banking and wealth management</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Three months ended 31 March 2012:				
Net interest income	14,379	125,307	11,085	150,771
Intersegment interest	18,789	(18,692)	(97)	-
Fees and commissions	8,569	16,695	6,519	31,783
Share of profit from associates and joint venture	4,290	11,264	322	15,876
Other operating income	466	11,626	(13)	12,079
OPERATING INCOME	46,493	146,200	17,816	210,509
Net impairment provision	(466)	45,877	717	46,128
NET OPERATING INCOME	46,959	100,323	17,099	164,381
Operating expenses	23,236	31,905	8,225	63,366
PROFIT BEFORE TAX	23,723	68,418	8,874	101,015
Tax expense	1,836	5,173	1,052	8,061
NET PROFIT FOR THE PERIOD	21,887	63,245	7,822	92,954
Less : Non-controlling interest				10,538
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				82,416

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

6 SEGMENT INFORMATION (continued)

	<i>Retail banking</i>	<i>Corporate banking, treasury and investments</i>	<i>Private banking and wealth management</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Three months ended 31 March 2011:				
Net interest income	18,554	108,782	9,406	136,742
Intersegment interest	9,050	(8,162)	(888)	-
Fees and commissions	6,228	16,875	6,120	29,223
Share of profit from associates and joint venture	3,665	11,593	639	15,897
Other operating income	476	8,894	6	9,376
OPERATING INCOME	37,973	137,982	15,283	191,238
Net impairment provision	312	34,562	1,062	35,936
NET OPERATING INCOME	37,661	103,420	14,221	155,302
Operating expenses	21,401	33,434	6,703	61,538
PROFIT BEFORE TAX	16,260	69,986	7,518	93,764
Tax expense	773	5,825	1,028	7,626
NET PROFIT FOR THE PERIOD	15,487	64,161	6,490	86,138
Less : Non-controlling interest				8,838
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				77,300

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

7 MOVEMENT IN OTHER RESERVES

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in			Total other reserves
				Available- for-sale reserve	Cash flow hedge reserve	ESPP reserve	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2012	425	47,690	(13,733)	(234,367)	(26,584)	-	(226,569)
Currency translation adjustments	-	-	4,241	-	-	-	4,241
Share of changes in fair value reserve of associates	-	-	-	580	-	-	580
Transfers to consolidated statement of income	-	-	-	549	(2,449)	-	(1,900)
Net fair value movements during the period	-	-	-	65,461	2,045	-	67,506
Fair value amortisation of share based transaction	-	-	-	-	-	-	-
Conversion of preference shares	-	-	-	-	-	-	-
Revaluation of freehold land	-	3	-	-	-	-	3
Balance at 31 March 2012	425	47,693	(9,492)	(167,777)	(26,988)	-	(156,139)

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in			Total other reserves
				Available- for-sale reserve	Cash flow hedge reserve	ESPP reserve	
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2011	425	53,842	(4,406)	(76,068)	(33,673)	1,689	(58,191)
Currency translation adjustments	-	-	(1,516)	-	-	-	(1,516)
Share of changes in fair value reserve of associates	-	-	-	769	-	-	769
Transfers to consolidated statement of income	-	-	-	19	134	-	153
Net fair value movements during the period	-	-	-	(12,197)	3,275	-	(8,922)
Fair value amortisation of share based transaction	-	-	-	-	-	144	144
Conversion of preference shares	-	-	-	-	-	(1,833)	(1,833)
Revaluation of freehold land	-	(1,688)	-	-	-	-	(1,688)
Balance at 31 March 2011	425	52,154	(5,922)	(87,477)	(30,264)	-	(71,084)