

Ahli United Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2014

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

Introduction

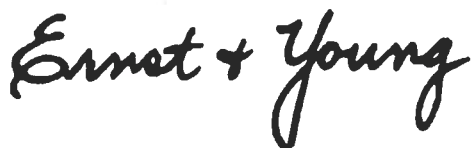
We have reviewed the accompanying interim condensed consolidated financial statements of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 31 March 2014, comprising of the interim consolidated balance sheet as at 31 March 2014 and the related interim consolidated statements of income, comprehensive 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 Accounting 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.



5 May 2014
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Three months ended 31 March 2014 (Unaudited)

	<i>Note</i>	<i>Three months ended 31 March</i>	
		<i>2014 US\$ '000</i>	<i>2013 US\$ '000</i>
Interest income		287,945	264,054
Interest expense		98,466	96,649
Net interest income		189,479	167,405
Fees and commissions		39,246	32,345
Trading income		24,739	7,377
Net gains on investments		9,570	1,649
Share of profit from associates and joint venture		6,869	11,385
Other operating income	3	6,280	4,030
Fees and other income		86,704	56,786
OPERATING INCOME		276,183	224,191
Net provision for loan losses and others		19,882	25,305
Provision for non-trading investments		17,420	11,656
NET OPERATING INCOME		238,881	187,230
Staff costs		43,072	39,178
Depreciation		5,624	5,963
Other operating expenses		24,539	21,977
OPERATING EXPENSES		73,235	67,118
Gain on sale of investment held for sale	4	-	212,910
PROFIT BEFORE TAX		165,646	333,022
Tax expense		11,491	11,139
NET PROFIT FOR THE PERIOD		154,155	321,883
Attributable to:			
Owners of the Bank		136,560	309,856
Non-controlling interest		17,595	12,027
		154,155	321,883
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD			
Basic earnings per ordinary share (US cents)	5	2.3	5.4
Diluted earnings per ordinary share (US cents)	5	2.3	5.2

Fahad Al-Rajaan
Chairman

Rashid Al-Meer
Deputy Chairman

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

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME

Three months ended 31 March 2014 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net profit for the period	154,155	321,883
Other comprehensive income (OCI)		
Items that will not be reclassified to consolidated statement of income		
Net change in fair value of financial assets measured at fair value through OCI	(3,803)	(1,258)
Net change in pension fund reserve	(3,460)	5,516
Items that may be reclassified subsequently to consolidated statement of income		
Foreign currency translation adjustments	(681)	(46,999)
Net change in fair value of cash flow hedges	994	1,043
Other comprehensive income for the period	(6,950)	(41,698)
Total comprehensive income for the period	147,205	280,185
Total comprehensive income attributable to:		
Owners of the Bank	126,837	275,728
Non-controlling interest	20,368	4,457
	147,205	280,185

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED BALANCE SHEET

31 March 2014 (Unaudited)

	<i>Audited</i>
	<i>31 March</i>
	<i>31 December</i>
	<i>2014</i>
<i>Note</i>	<i>US\$ '000</i>
	<i>US\$ '000</i>
ASSETS	
Cash and balances with central banks	813,137
Treasury bills and deposits with central banks	2,839,502
Deposits with banks and other financial institutions	4,505,118
Loans and advances	17,815,657
Financial assets at fair value through profit or loss	93,776
Non-trading investments	5,450,819
Investment in associates and joint venture	300,321
Investment properties	201,588
Premises and equipment	271,287
Interest receivable and other assets	680,897
Goodwill and other intangible assets	662,308
TOTAL ASSETS	33,634,410
LIABILITIES AND EQUITY	
LIABILITIES	
Deposits from banks and other financial institutions	4,527,205
Borrowings under repurchase agreements	1,266,541
Customers' deposits	22,802,750
Interest payable and other liabilities	1,110,808
Subordinated liabilities	10 463,215
TOTAL LIABILITIES	30,170,519
EQUITY	
Ordinary share capital	1,500,819
Treasury shares	-
Preference share capital	-
Reserves	1,547,281
Equity attributable to the owners of the Bank	3,048,100
Non - controlling interest	415,791
TOTAL EQUITY	3,463,891
TOTAL LIABILITIES AND EQUITY	33,634,410

Fahad Al-Rajaan
Chairman

Rashid Al-Meer
Deputy Chairman

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

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three months ended 31 March 2014 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	1,297,033	1,018,044
Net cash (used in) from investing activities	(262,945)	576,571
Net cash used in financing activities	(178,991)	(57,674)
Foreign currency translation adjustments	(681)	(46,999)
INCREASE IN CASH AND CASH EQUIVALENTS	854,416	1,489,942
Cash and cash equivalents at 1 January	4,174,706	3,424,315
CASH AND CASH EQUIVALENTS AT 31 MARCH	5,029,122	4,914,257
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	498,990	599,070
Deposits with banks and other financial institutions with an original maturity of three months or less	4,530,132	4,315,187
	5,029,122	4,914,257

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2014 (Unaudited)

	Attributable to the owners of the Bank										
	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 8) US\$ '000	Total reserves US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2013	1,415,570	12,500	(20,710)	648,169	295,814	592,001	255,713	(50,233)	1,741,464	416,279	3,565,103
Mandatorily convertible preference shares dividend paid	-	-	-	-	-	-	(3,217)	-	(3,217)	-	(3,217)
Donations paid	-	-	-	-	-	-	(1,000)	-	(1,000)	-	(1,000)
Bonus shares issued	71,468	-	-	-	-	(71,468)	-	-	(71,468)	-	-
Ordinary shares issued on conversion of Class B preference shares	13,781	(12,500)	-	(1,281)	-	-	-	-	(1,281)	-	-
Ordinary share dividend paid	-	-	-	-	-	-	(251,496)	-	(251,496)	-	(251,496)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(20,856)	(20,856)
Fair value amortisation of share based transactions	-	-	-	-	-	-	-	1,066	1,066	-	1,066
Sale of treasury shares	-	-	20,710	-	-	-	-	6,376	6,376	-	27,086
Total comprehensive income for the period	-	-	-	-	-	136,560	-	(9,723)	126,837	20,368	147,205
Balance at 31 March 2014	1,500,819	-	-	646,888	295,814	657,093	-	(52,514)	1,547,281	415,791	3,463,891

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2014 (Unaudited)

	Attributable to the owners of the Bank										
	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 8) US\$ '000	Total reserves US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2012	1,303,164	125,000	-	540,508	237,877	390,693	214,880	(35,913)	1,348,045	385,298	3,161,507
Mandatorily convertible preference shares dividend paid	-	-	-	-	-	-	(4,538)	-	(4,538)	-	(4,538)
Donations paid	-	-	-	-	-	-	(1,000)	-	(1,000)	-	(1,000)
Bonus shares issued	65,419	-	-	-	-	(65,419)	-	-	(65,419)	-	-
Realised loss on sale of FVOCI investments	-	-	-	-	-	(564)	-	-	(564)	-	(564)
Ordinary share dividend paid	-	-	-	-	-	-	(209,342)	-	(209,342)	-	(209,342)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(17,178)	(17,178)
Total comprehensive income for the period	-	-	-	-	-	309,856	-	(34,128)	275,728	4,457	280,185
Other equity movements	13	-	-	7	-	-	-	-	7	34	54
Balance at 31 March 2013	1,368,596	125,000	-	540,515	237,877	634,566	-	(70,041)	1,342,917	372,611	3,209,124

31 March 2014 (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 102 branches, as at 31 March 2014, in the Kingdom of Bahrain (21 branches), the State of Kuwait (37 branches), the Arab Republic of Egypt (32 branches), Republic of Iraq (10 branches) and the United Kingdom (2 branches). It also operates through its managed associates in the Sultanate of Oman (19 branches) and Libya (11 branches) with a total network of 30 branches as at 31 March 2014.

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 Accounting 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 2013, except for the adoption of the new and amended International Financial Reporting Standards ("IFRS") that have become effective from 1 January 2014 and which are applicable to the Group:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IAS 32 – Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)
- IAS 36 – Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)
- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

The above amendments to IFRSs which are effective for annual accounting periods starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2014 were authorised for issue in accordance with a resolution of the Directors on 5 May 2014.

3 OTHER OPERATING INCOME

Other operating income includes income amounting to US\$ 2,910 thousand for the three months ended 31 March 2014 (31 March 2013: US\$ 1,193 thousand) which is of a seasonal nature.

4 GAIN ON SALE OF INVESTMENT HELD FOR SALE

During the period ended 31 March 2013, the Bank divested its diluted stake of 29.4% in Ahli Bank Qatar (ABQ) to the Qatar Foundation for Education, Science and Community Development at a price of QR 60 per share, generating a net profit of US\$ 212.9 million.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

5 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2014</i>	<i>2013</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for basic and diluted earnings per share computation (US\$ '000)	<u>136,560</u>	<u>309,856</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	<u>6,003</u>	<u>5,737</u>
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the mandatorily convertible preference shares (million)	<u>6,003</u>	<u>5,904</u>
Basic earnings per ordinary share (US cents)	<u>2.3</u>	<u>5.4</u>
Diluted earnings per ordinary share (US cents)	<u>2.3</u>	<u>5.2</u>
Issued and fully paid ordinary shares of US\$ 0.25 each (in million)	<u>6,003</u>	<u>5,495</u>

6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>31 March</i>	<i>Audited</i>
	<i>2014</i>	<i>31 December</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	1,877,793	1,860,647
Acceptances	145,918	121,298
Letters of credit	991,910	914,167
	<u>3,015,621</u>	<u>2,896,112</u>

7 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

7 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 2014:				
Net interest income	33,998	142,259	13,222	189,479
Fees and commissions	9,463	24,311	5,472	39,246
Share of profit from associates and joint venture	1,089	5,780	-	6,869
Other operating income	129	40,348	112	40,589
OPERATING INCOME	44,679	212,698	18,806	276,183
Net impairment provisions (recovery)	2,711	35,151	(560)	37,302
NET OPERATING INCOME	41,968	177,547	19,366	238,881
Operating expenses	25,895	38,228	9,112	73,235
PROFIT BEFORE TAX	16,073	139,319	10,254	165,646
Tax expense				11,491
NET PROFIT FOR THE PERIOD				154,155
Less : Non - controlling interest				17,595
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK				136,560

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

7 SEGMENT INFORMATION (Continued)

	<i>Retail banking</i> <i>US\$ '000</i>	<i>Corporate banking, treasury and investments</i> <i>US\$ '000</i>	<i>Private banking and wealth management</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Three months ended 31 March 2013:				
Net interest income	31,149	125,273	10,983	167,405
Fees and commissions	7,671	19,245	5,429	32,345
Share of profit from associates and joint venture	2,532	8,853	-	11,385
Other operating income	210	12,747	99	13,056
OPERATING INCOME	41,562	166,118	16,511	224,191
Net (recovery) impairment provisions	(1,811)	37,244	1,528	36,961
NET OPERATING INCOME	43,373	128,874	14,983	187,230
Operating expenses	24,555	35,046	7,517	67,118
PROFIT BEFORE GAIN ON SALE OF INVESTMENT HELD FOR SALE	18,818	93,828	7,466	120,112
Gain on sale of investment held for sale				212,910
PROFIT BEFORE TAX				333,022
Tax expense				11,139
NET PROFIT FOR THE PERIOD				321,883
Less : Non-controlling interest				12,027
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK				309,856

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2014 (Unaudited)

8 MOVEMENT IN OTHER RESERVES

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>	
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve</i>		
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
Balance at 1 January 2014	2,102	36,497	(74,507)	20,414	(6,012)	-	(28,727)	(50,233)
Currency translation adjustments	-	-	(1,282)	-	-	-	-	(1,282)
Transfers to consolidated statement of income	-	-	-	-	582	-	-	582
Sale of treasury shares	6,376	-	-	-	-	-	-	6,376
Net fair value movements during the period	-	-	-	(5,975)	412	1,066	-	(4,497)
Fair value movements in pension fund reserve during the period	-	-	-	-	-	-	(3,460)	(3,460)
Balance at 31 March 2014	8,478	36,497	(75,789)	14,439	(5,018)	1,066	(32,187)	(52,514)

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>	
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve</i>		
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
Balance at 1 January 2013	425	26,737	(36,248)	16,778	(8,283)	-	(35,322)	(35,913)
Currency translation adjustments	-	65	(39,852)	-	-	-	-	(39,787)
Transfers to consolidated statement of income	-	-	-	-	16	-	-	16
Transfers to retained earnings	-	-	-	564	-	-	-	564
Net fair value movements during the period	-	-	-	(1,464)	1,027	-	-	(437)
Fair value movements in pension fund reserve during the period	-	-	-	-	-	-	5,516	5,516
Balance at 31 March 2013	425	26,802	(76,100)	15,878	(7,240)	-	(29,806)	(70,041)

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

31 March 2014 (Unaudited)

9 FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities, with the exception of non-trading investments that are carried at amortised cost, approximate their carrying values. The fair value of the non-trading investments held at amortised cost is US\$ 5,422.7 million as at 31 March 2014 (31 December 2013: US\$ 5,378.9 million). Carrying value of these non-trading investments is US\$ 5,294.9 million as at 31 March 2014 (31 December 2013: US\$ 5,272.8 million).

The Group's primary financial liabilities are the subordinated liabilities. The fair values of these financial liabilities are not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:-

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 March 2014			31 December 2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Financial assets at FVTPL	78,682	15,094	93,776	63,901	15,262	79,163
Financial assets at FVTOCI	68,927	328,334	397,261	67,286	332,469	399,755
Derivative assets	30,408	81,393	111,801	14,606	96,308	110,914
Derivative liabilities	(43,552)	(170,499)	(214,051)	(37,032)	(181,170)	(218,202)

There are no financial instruments that qualify for classification under Level 3 as at 31 March 2014 and 31 December 2013. During three month period ended 31 March 2014 and 31 March 2013 there have been no transfers between Levels 1, 2 and 3.

10 SUBORDINATED LIABILITIES

During the period ended 31 March 2014, in accordance with the terms of the Class A non-cumulative preference share issue, the residual outstanding (representing the non-convertible subordinated debt portion with original maturity of 1 January 2015) as of the record date 5 February 2014, has been redeemed.