

Ahli United Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2015

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 2015, comprising of the interim consolidated balance sheet as at 31 March 2015 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.



12 May 2015
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Three months ended 31 March 2015 (Reviewed)

	Note	Three months ended 31 March	
		2015 US\$ '000	2014 US\$ '000
Interest income		286,484	287,945
Interest expense		95,680	98,466
Net interest income		190,804	189,479
Fees and commissions		41,452	39,246
Trading income		10,997	11,519
Net gains on investments		5,882	9,570
Share of profit from associates and joint venture		7,854	6,869
Other operating income	3	6,894	6,280
Fees and other income		73,079	73,484
OPERATING INCOME		263,883	262,963
Net provision for loan losses and others		12,006	19,882
Provision for investments		2,210	4,200
NET OPERATING INCOME		249,667	238,881
Staff costs		44,724	43,072
Depreciation		5,557	5,624
Other operating expenses		24,822	24,539
OPERATING EXPENSES		75,103	73,235
PROFIT BEFORE TAX		174,564	165,646
Tax expense		11,696	11,491
NET PROFIT FOR THE PERIOD		162,868	154,155
Net profit attributable to non-controlling interest		15,685	17,595
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK		147,183	136,560
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD			
Basic and diluted earnings per ordinary share (US cents)	4	2.3	2.2

Hamad M. Al-Humaidhi
Chairman

Rashed 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 2015 (Reviewed)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2015</i>	<i>2014</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net profit for the period	162,868	154,155
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	4,108	(3,803)
Net change in pension fund reserve	(91)	(3,460)
Net change in property revaluation reserve on sale of property	(1,688)	-
Items that may be reclassified subsequently to consolidated statement of income		
Foreign currency translation adjustments	(65,127)	(681)
Net change in fair value of cash flow hedges	(1,445)	994
Other comprehensive income for the period	(64,243)	(6,950)
Total comprehensive income for the period	98,625	147,205
Total comprehensive income attributable to non-controlling interest	4,295	20,368
Total comprehensive income attributable to Owners of the Bank	94,330	126,837

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 2015 (Reviewed)

	<i>31 March</i>	<i>Audited</i>
	<i>2015</i>	<i>31 December</i>
	<i>US\$ '000</i>	<i>2014</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS		
Cash and balances with central banks	860,788	649,212
Treasury bills and deposits with central banks	2,467,524	2,611,085
Deposits with banks	3,723,775	3,823,517
Loans and advances	18,019,190	18,464,536
Non-trading investments	5,573,309	5,771,902
Investment in associates and joint venture	294,283	288,315
Investment properties	240,897	254,490
Premises and equipment	232,280	267,002
Interest receivable and other assets	972,447	672,890
Goodwill and other intangible assets	603,650	641,939
TOTAL ASSETS	32,988,143	33,444,888
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks	4,873,848	4,499,672
Borrowings under repurchase agreements	213,442	901,590
Customers' deposits	22,599,591	23,006,768
Interest payable and other liabilities	1,298,001	854,993
Subordinated liabilities	351,340	351,646
TOTAL LIABILITIES	29,336,222	29,614,669
EQUITY		
Ordinary share capital	1,606,995	1,530,471
Treasury shares	(7,193)	(3,997)
Reserves	1,612,757	1,864,400
Equity attributable to the owners of the Bank	3,212,559	3,390,874
Non - controlling interest	439,362	439,345
TOTAL EQUITY	3,651,921	3,830,219
TOTAL LIABILITIES AND EQUITY	32,988,143	33,444,888

Hamad M. Al-Humaidhi
Chairman

Rashed 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 2015 (Reviewed)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2015</i>	<i>2014</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash (used in) from operating activities	(988,420)	1,297,033
Net cash from (used in) investing activities	273,927	(262,945)
Net cash from (used in) financing activities	2,890	(178,991)
Foreign currency translation adjustments	(65,127)	(681)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(776,730)	854,416
Cash and cash equivalents at 1 January	3,423,375	4,174,706
CASH AND CASH EQUIVALENTS AT 31 MARCH	2,646,645	5,029,122
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	546,574	498,990
Deposits with banks with an original maturity of three months or less	2,100,071	4,530,132
	2,646,645	5,029,122

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2015 (Reviewed)

Attributable to the owners of the Bank

	Reserves										Total
	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	
Balance at 31 December 2014	1,530,471	-	(3,997)	719,481	344,067	683,357	271,452	(153,957)	1,864,400	439,345	3,830,219
Donations	-	-	-	-	-	-	(1,000)	-	(1,000)	-	(1,000)
Bonus shares issued	76,524	-	-	-	-	(76,524)	-	-	(76,524)	-	-
Application money for right issue of a subsidiary	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(3,196)	-	-	-	-	-	-	9,480	9,480
Transferred on sale of FVOCI investments	-	-	-	-	-	24	-	-	24	-	24
Transfer of Property revaluation reserve on sale of property	-	-	-	-	-	1,265	-	-	1,265	-	1,265
Ordinary share dividend payable	-	-	-	-	-	183	(270,452)	-	(270,269)	-	(270,269)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(13,758)	(13,758)
Fair value amortisation of share based transactions	-	-	-	-	-	-	-	531	531	-	531
Total comprehensive income for the period	-	-	-	-	-	147,183	-	(52,853)	94,330	4,295	98,625
Balance at 31 March 2015	1,606,995	-	(7,193)	719,481	344,067	755,488	-	(206,279)	1,612,757	439,362	3,651,921

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2015 (Reviewed)

Attributable to the owners of the Bank

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 2013	1,415,570	12,500	(20,710)	648,169	295,814	592,001	255,713	(50,233)	1,741,464	416,279	3,563,103
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 payable	-	-	-	-	-	-	(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

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

1 CORPORATE INFORMATION

The parent company, Ahli United Bank B.S.C. (AUB or 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 106 branches, as at 31 March 2015, in the Kingdom of Bahrain (22 branches), the State of Kuwait (37 branches), the Arab Republic of Egypt (35 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 (12 branches) with a total network of 31 branches as at 31 March 2015. The Bank operates under a retail banking licence issued by the Central Bank of Bahrain. The Bank's registered office is located at Building 2495, Road 2832, Al Seef District 428, Kingdom of Bahrain.

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 2014, except for the adoption of the new and amended International Financial Reporting Standards ("IFRS") that have become effective from 1 January 2015 and which are applicable to the Group:

- IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)
- Annual Improvements 2010-2012 Cycle (IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets)
- Annual Improvements 2011-2013 Cycle (IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement, IAS 40 Investment Property)

The above amendments to IFRSs which are effective for annual accounting periods starting from 1 January 2015 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 2015 were authorised for issue in accordance with a resolution of the Directors on 12 May 2015.

3 OTHER OPERATING INCOME

Other operating income includes income amounting to US\$ 4,922 thousand for the three months ended 31 March 2015 (31 March 2014: US\$ 2,910 thousand) which is of a seasonal nature.

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2015</i>	<i>2014</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for basic and diluted earnings per share computation (US\$ '000)	<u>147,183</u>	<u>136,560</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	<u>6,421</u>	<u>6,303</u>
Basic & diluted earnings per ordinary share (US cents)	<u>2.3</u>	<u>2.2</u>
Issued and fully paid ordinary shares of US\$ 0.25 each (in million)	<u>6,428</u>	<u>6,003</u>

5 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>31 March 2015</i>	<i>31 December 2014</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	2,112,090	1,991,159
Acceptances	111,482	173,430
Letters of credit	950,441	922,808
	<u>3,174,013</u>	<u>3,087,397</u>

6 SEGMENT INFORMATION

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

- Retail banking
- Corporate banking
- Treasury & Investments
- Private banking

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.

31 March 2015 (Reviewed)

6 SEGMENT INFORMATION (continued)

Segmental information for the period was as follows:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury & investments</i>	<i>Private banking</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 2015:					
Net interest income	40,234	79,413	58,877	12,280	190,804
Fees and commissions	8,942	24,346	2,703	5,461	41,452
Share of profit from associates and joint venture	2,165	2,760	2,929	-	7,854
Other operating income	388	740	22,629	16	23,773
OPERATING INCOME	51,729	107,259	87,138	17,757	263,883
Net impairment provisions/(recovery)	926	11,465	2,210	(385)	14,216
NET OPERATING INCOME	50,803	95,794	84,928	18,142	249,667
Operating expenses	26,032	16,813	22,394	9,864	75,103
PROFIT BEFORE TAX	24,771	78,981	62,534	8,278	174,564
Tax expense					11,696
NET PROFIT FOR THE PERIOD					162,868
Less : Non - controlling interest					15,685
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK					147,183

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury & investments</i>	<i>Private banking</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	34,940	79,851	61,466	13,222	189,479
Fees and commissions	9,463	22,445	1,866	5,472	39,246
Share of profit from associates and joint venture	1,181	2,277	3,411	-	6,869
Other operating income	129	1,283	25,845	112	27,369
OPERATING INCOME	45,713	105,856	92,588	18,806	262,963
Net impairment provisions/(recovery)	2,711	17,731	4,200	(560)	24,082
NET OPERATING INCOME	43,002	88,125	88,388	19,366	238,881
Operating expenses	25,247	16,175	22,639	9,174	73,235
PROFIT BEFORE TAX	17,755	71,950	65,749	10,192	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

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015 (Reviewed)

7 MOVEMENT IN OTHER RESERVES

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in			Pension fund reserve	Total other reserves
				OCI reserve	Cash flow hedge reserve	ESPP reserve		
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2015	8,480	37,029	(121,966)	(9,689)	(25,091)	4,262	(46,982)	(153,957)
Currency translation adjustments	-	(658)	(52,810)	-	-	-	-	(53,468)
Transfers to consolidated statement of income	-	-	-	-	567	-	-	567
Transfers to retained earnings	-	(1,265)	-	(24)	-	-	-	(1,289)
Net fair value movements during the period	-	-	-	3,440	(2,012)	531	-	1,959
Fair value movements in pension fund reserve during the period	-	-	-	-	-	-	(91)	(91)
Balance at 31 March 2015	8,480	35,106	(174,776)	(6,273)	(26,536)	4,793	(47,073)	(206,279)

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in			Pension fund reserve	Total other reserves
				OCI reserve	Cash flow hedge reserve	ESPP reserve		
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
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)

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

31 March 2015 (Reviewed)

8 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\$ 5,457.4 million as at 31 March 2015 (31 December 2014: US\$ 5,646.1 million). Carrying value of these non-trading investments is US\$ 5,407.9 million as at 31 March 2015 (31 December 2014: US\$ 5,605.6 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 2015			
	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Financial assets at Fair value	49,376	240,003	65,506	354,885
Derivative assets	450,604	39,346	-	489,950
Derivative liabilities	(240,151)	(177,660)	-	(417,811)

	31 December 2014			
	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Financial assets at Fair value	52,907	257,938	67,728	378,573
Derivative assets	162,546	56,437	-	218,983
Derivative liabilities	(100,857)	(169,527)	-	(270,384)

During three month period ended 31 March 2015 and 31 March 2014 there have been no transfers between Levels 1, 2 and 3.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

31 March 2015 (Reviewed)

9 RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, associates, directors, senior management and companies which are controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business at arm's length. All the loans and advances to related parties are performing and are free of any provision for possible loan losses.

The income, expense and the period end balances in respect of related parties included in the consolidated financial statements were as follows:

	2015			
	US\$ '000			
	<i>Major shareholders</i>	<i>Associates</i>	<i>Directors and senior management</i>	<i>Total</i>
For the three months ended 31 March 2015				
Interest income	-	583	1,548	2,131
Interest expense	12,454	21	6	12,481
Fees and commissions	-	893	31	924
As of 31 March 2015				
Deposits with banks	-	189,826	-	189,826
Loans and advances	-	-	154,167	154,167
Deposits from banks	-	16,460	-	16,460
Customers' deposits	5,462,159	6,638	77,571	5,546,368
Subordinated liabilities	264,345	-	-	264,345
Derivatives assets	-	756	-	756
Contingent liabilities	-	131,958	157,251	289,209
2014				
US\$ '000				
	<i>Major shareholders</i>	<i>Associates</i>	<i>Directors and senior management</i>	<i>Total</i>
For the three months ended 31 March 2014				
Interest income	-	4	2,076	2,080
Interest expense	11,802	4	6	11,812
Fees and commissions	-	366	-	366
As of 31 December 2014				
Deposits with banks	-	448,038	-	448,038
Loans and advances	-	-	201,315	201,315
Deposits from banks	-	15,241	-	15,241
Customers' deposits	5,620,379	7,501	45,340	5,673,220
Subordinated liabilities	264,614	-	-	264,614
Derivatives assets	-	96	-	96
Contingent liabilities	-	64,738	178,818	243,556

10 POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, AUB successfully completed a US\$ 400 million issue of Basel III compliant Additional Tier I Perpetual Capital Securities.