

**Ahli United Bank B.S.C.**  
**Pillar III Disclosures - Basel III**  
**30 June 2017**

# Ahli United Bank B.S.C.

## Pillar III Disclosures - Basel III

Six month ended 30 June 2017 (Unaudited)

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### 1. CAPITAL STRUCTURE

TABLE - 1

| A. NET AVAILABLE CAPITAL                                   | US\$ '000 |         |                   |
|--|-----------|---------|-------------------|
|  | CET 1     | AT1     | Tier 2            |
| NET AVAILABLE CAPITAL                                      | 3,310,296 | 564,874 | 530,432           |
| <b>TOTAL ELIGIBLE CAPITAL BASE (CET 1 + AT 1 + Tier 2)</b> |           |         | <b>4,405,602</b>  |
| <b>RISK WEIGHTED EXPOSURES</b>                             |           |         |                   |
| Credit Risk Weighted Exposures                             |           |         | 24,515,169        |
| Market Risk Weighted Exposures                             |           |         | 333,600           |
| Operational Risk Weighted Exposures                        |           |         | 1,880,925         |
| <b>TOTAL RISK WEIGHTED EXPOSURES</b>                       |           |         | <b>26,729,694</b> |
| CET 1 & Capital Conversion Buffer (CCB)                    |           |         | 12.4%             |
| Tier 1 - Capital Adequacy Ratio (CET 1, AT 1 & CCB)        |           |         | 14.5%             |
| <b>Total - Capital Adequacy Ratio</b>                      |           |         | <b>16.5%</b>      |

As part of the Basel III implementation, Central Bank of Bahrain (CBB) had revised the public disclosure requirements module [PD Module - Chapter PD-3.1.5A: Quarterly Disclosure Requirements] in July 2015 and incorporated additional disclosure requirements related to regulatory capital.

In line with above requirements, the Group has disclosed the regulatory capital reconciliation and other related disclosures in Appendix I which forms part of Pillar III disclosures for the period ended 30 June 2017.

### B. CAPITAL ADEQUACY RATIO OF SIGNIFICANT SUBSIDIARIES

As at 30 June 2017, the capital adequacy ratio of the Group's significant subsidiaries under Basel III unless mandated otherwise were:

|                                 | Subsidiaries                           |                                  |   |   |
|---------------------------------|--|----------------------------------|---|---|
|                                 | Commercial Bank of Iraq P.S.C. (CBIQ)* | Ahli United Bank K.S.C.P. (AUBK) | Ahli United Bank (U.K.) P.L.C. (AUB UK) | Ahli United Bank (Egypt) S.A.E. (AUBE)* |
| Tier 1 - Capital Adequacy Ratio | 576.6%                                 | 16.1%                            | 21.4%                                   | 14.4%                                   |
| Total - Capital Adequacy Ratio  | 612.4%                                 | 17.3%                            | 22.9%                                   | 15.1%                                   |

\* under Basel II

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TABLE - 2 GROSS CREDIT RISK EXPOSURES

|  | <i>US\$ '000</i>                  |  |
|--|-----------------------------------|--|
|  | <i>As at<br/>30 June<br/>2017</i> | <i>Average<br/>monthly<br/>balance</i> |
| Balances with central banks                    | 862,215                           | 764,081                                |
| Treasury bills and deposits with central banks | 2,391,311                         | 2,550,753                              |
| Deposits with banks                            | 2,234,516                         | 1,843,911                              |
| Loans and advances                             | 19,141,134                        | 18,841,871                             |
| Non-trading investments                        | 5,593,591                         | 5,428,635                              |
| Interest receivable and other assets           | 312,828                           | 319,718                                |
| <b>TOTAL FUNDED EXPOSURES</b>                  | <b>30,535,595</b>                 | <b>29,748,969</b>                      |
| Contingent liabilities                         | 3,361,514                         | 3,419,870                              |
| Undrawn loan commitments                       | 950,970                           | 1,025,249                              |
| <b>TOTAL UNFUNDED EXPOSURES</b>                | <b>4,312,484</b>                  | <b>4,445,119</b>                       |
| <b>TOTAL GROSS CREDIT RISK EXPOSURE</b>        | <b>34,848,079</b>                 | <b>34,194,088</b>                      |

The gross credit exposures reported above are as per the consolidated balance sheet as reduced by exposures which are not exposed to credit risk.

TABLE 3 - RISK WEIGHTED EXPOSURES

|  | <i>US\$ '000</i>          |  |  |  |
|--|---------------------------|--|--|--|
|  | <i>Gross<br/>exposure</i> | <i>Secured by<br/>eligible<br/>CRM</i> | <i>Risk weighted<br/>exposures<br/>after CRM</i> | <i>Capital<br/>requirement<br/>including buffers</i> |
| Claims on sovereigns   | 5,310,439                 | -                                      | 212,258  | 26,532   |
| Claims on public sector entities   | 984,172                   | -                                      | 802,262  | 100,283  |
| Claims on banks  | 4,605,602                 | 116,985                                | 1,859,121  | 232,390  |
| Claims on corporates   | 18,794,938                | 1,285,328                              | 17,066,136                                       | 2,133,267  |
| Regulatory retail exposures  | 1,942,690                 | 48,210                                 | 1,420,860  | 177,607  |
| Residential mortgage exposures   | 1,489,335                 | -                                      | 647,726  | 80,966   |
| Equity   | 370,376                   | -                                      | 904,163  | 113,020  |
| Investments in funds   | 32,814                    | -                                      | 45,724   | 5,716  |
| Other exposures  | 1,203,250                 | -                                      | 1,556,919  | 194,615  |
| <b>TOTAL</b>   | <b>34,733,616</b>         | <b>1,450,523</b>                       | <b>24,515,169</b>                                | <b>3,064,396</b>                                     |
| <b>TOTAL CREDIT RISK CAPITAL REQUIREMENT<br/>(STANDARDISED APPROACH)</b>               |                           |  | <b>24,515,169</b>                                | <b>3,064,396</b>                                     |
| <b>TOTAL MARKET RISK CAPITAL<br/>REQUIREMENT (STANDARDISED APPROACH)</b>               |                           |  | <b>333,600</b>                                   | <b>41,700</b>  |
| <b>TOTAL OPERATIONAL RISK CAPITAL<br/>REQUIREMENT (BASIC INDICATOR<br/>APPROACH) *</b> |                           |  | <b>1,880,925</b>                                 | <b>235,116</b>                                       |
| <b>TOTAL</b>   |                           |  | <b>26,729,694</b>                                | <b>3,341,212</b>                                     |

\*Indicator for operational risk exposure is gross income, adjusted for exceptional items, as per BIA approach. This approach uses average of adjusted gross income for previous three financial years (USD 1,003,159 thousands) for operational risk computation.

The gross exposure in the above table represents the on and off balance sheet credit exposures before credit risks mitigations (CRM), determined in accordance with CBB issued Pillar III guidelines. The off balance sheet exposures are computed using relevant conversion factors.

TABLE - 4 GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURES

|  | US\$ '000          |                   |                       |                  |                                   |                        |                                |                   | Total             |
|--|--------------------|-------------------|-----------------------|------------------|-----------------------------------|------------------------|--------------------------------|-------------------|-------------------|
|  | Kingdom of Bahrain | State of Kuwait   | Other GCC countries * | United Kingdom   | Europe (excluding United Kingdom) | Arab Republic of Egypt | Asia (excluding GCC countries) | Rest of the World |                   |
| Balances with central banks                    | 147,340            | 8,752             | -                     | 487,637          | -                                 | 162,273                | 56,211                         | 2                 | 862,215           |
| Treasury bills and deposits with central banks | 417,632            | 1,403,579         | -                     | -                | -                                 | 420,251                | 149,849                        | -                 | 2,391,311         |
| Deposits with banks                            | 151,737            | 442,851           | 393,358               | 214,382          | 220,472                           | 209,799                | 3,368                          | 598,549           | 2,234,516         |
| Loans and advances                             | 3,413,402          | 9,553,430         | 3,000,248             | 1,387,332        | 111,704                           | 1,419,708              | 198,322                        | 56,988            | 19,141,134        |
| Non-trading investments                        | 1,000,297          | 88,928            | 1,298,174             | 129,280          | 424,865                           | 294,260                | 1,368,149                      | 989,638           | 5,593,591         |
| Interest receivable and other assets           | 111,665            | 46,783            | 23,784                | 54,596           | 13,789                            | 38,018                 | 12,095                         | 12,098            | 312,828           |
| <b>Total funded exposures</b>                  | <b>5,242,073</b>   | <b>11,544,323</b> | <b>4,715,564</b>      | <b>2,273,227</b> | <b>770,830</b>                    | <b>2,544,309</b>       | <b>1,787,994</b>               | <b>1,657,275</b>  | <b>30,535,595</b> |
| Contingent liabilities                         | 917,686            | 1,443,251         | 355,818               | 14,797           | 174,652                           | 371,721                | 42,402                         | 41,187            | 3,361,514         |
| Undrawn loan commitments                       | 391,393            | 32,212            | 414,230               | 64,679           | 1,991                             | 45,454                 | -                              | 1,011             | 950,970           |
| <b>Total unfunded exposures</b>                | <b>1,309,079</b>   | <b>1,475,463</b>  | <b>770,048</b>        | <b>79,476</b>    | <b>176,643</b>                    | <b>417,175</b>         | <b>42,402</b>                  | <b>42,198</b>     | <b>4,312,484</b>  |
| <b>TOTAL</b>                                   | <b>6,551,152</b>   | <b>13,019,786</b> | <b>5,485,612</b>      | <b>2,352,703</b> | <b>947,473</b>                    | <b>2,961,484</b>       | <b>1,830,396</b>               | <b>1,699,473</b>  | <b>34,848,079</b> |
|  | <b>18.8%</b>       | <b>37.4%</b>      | <b>15.7%</b>          | <b>6.8%</b>      | <b>2.7%</b>                       | <b>8.5%</b>            | <b>5.2%</b>                    | <b>4.9%</b>       | <b>100.0%</b>     |

\* Other GCC countries are countries which are part of the Gulf Co-operation Council comprising Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and United Arab Emirates apart from Kingdom of Bahrain and State of Kuwait which are disclosed separately.

TABLE - 5 SECTORAL CLASSIFICATION OF GROSS CREDIT EXPOSURES

|  | US\$ '000         |                  |                   |              |
|--|-------------------|------------------|-------------------|--------------|
|  | Funded            | Unfunded         | Total             | %            |
| Balances with central banks            | 3,253,526         | -                | 3,253,526         | 9.3          |
| Banks and other financial institutions | 5,118,892         | 939,961          | 6,058,853         | 17.4         |
| Consumer/personal                      | 2,851,636         | 29,013           | 2,880,649         | 8.3          |
| Residential mortgage                   | 1,484,054         | 20,504           | 1,504,558         | 4.3          |
| Trading and manufacturing              | 5,539,146         | 1,413,762        | 6,952,908         | 20.0         |
| Real estate                            | 5,197,280         | 61,362           | 5,258,642         | 15.1         |
| Services                               | 3,883,523         | 1,389,305        | 5,272,828         | 15.1         |
| Government/public sector               | 2,893,923         | 128,327          | 3,022,250         | 8.7          |
| Others                                 | 313,615           | 330,250          | 643,865           | 1.8          |
| <b>TOTAL</b>                           | <b>30,535,595</b> | <b>4,312,484</b> | <b>34,848,079</b> | <b>100.0</b> |
|  | <b>87.6%</b>      | <b>12.4%</b>     | <b>100.0%</b>     |              |

**TABLE - 6 RESIDUAL CONTRACTUAL MATURITY OF GROSS CREDIT EXPOSURES**

|  | <i>US\$ '000</i>           |  |  |  |                                       |   |                                  |                   |
|--|----------------------------|--|--|--|---------------------------------------|---|----------------------------------|-------------------|
|  | <i>Up to<br/>one month</i> | <i>One month<br/>to three<br/>months</i> | <i>Over three<br/>months to<br/>one year</i> | <i>Over one<br/>year to<br/>five years</i> | <i>Over<br/>five to<br/>ten years</i> | <i>Over ten<br/>to twenty<br/>years</i> | <i>Over<br/>twenty<br/>years</i> | <i>Total</i>      |
| Balances with central banks                    | 820,412                    | 41,803                                   | -  | -  | -                                     | -                                       | -                                | <b>862,215</b>    |
| Treasury bills and deposits with central banks | 379,515                    | 624,973                                  | 1,386,823                                    | -  | -                                     | -                                       | -                                | <b>2,391,311</b>  |
| Deposits with banks                            | 1,868,020                  | 290,436                                  | 26,060                                       | 50,000                                     | -                                     | -                                       | -                                | <b>2,234,516</b>  |
| Loans and advances                             | 3,496,348                  | 4,230,159                                | 2,047,594                                    | 4,889,004                                  | 3,401,598                             | 898,933                                 | 177,498                          | <b>19,141,134</b> |
| Non-trading investments                        | 93,476                     | 288,123                                  | 694,418                                      | 3,094,508                                  | 1,048,911                             | 351,661                                 | 22,494                           | <b>5,593,591</b>  |
| Interest receivable and other assets           | 49,483                     | 86,902                                   | 41,268                                       | 76,285                                     | 57,205                                | 1,685                                   | -                                | <b>312,828</b>    |
| <b>Total funded exposures</b>                  | <b>6,707,254</b>           | <b>5,562,396</b>                         | <b>4,196,163</b>                             | <b>8,109,797</b>                           | <b>4,507,714</b>                      | <b>1,252,279</b>                        | <b>199,992</b>                   | <b>30,535,595</b> |
| Contingent liabilities                         | 395,777                    | 660,972                                  | 1,393,222                                    | 848,350                                    | 31,542                                | 31,587                                  | 64                               | <b>3,361,514</b>  |
| Undrawn loan commitments                       | 388                        | 41,428                                   | 466,082                                      | 414,201                                    | 28,871                                | -                                       | -                                | <b>950,970</b>    |
| <b>Total unfunded exposures</b>                | <b>396,165</b>             | <b>702,400</b>                           | <b>1,859,304</b>                             | <b>1,262,551</b>                           | <b>60,413</b>                         | <b>31,587</b>                           | <b>64</b>                        | <b>4,312,484</b>  |
| <b>TOTAL</b>                                   | <b>7,103,419</b>           | <b>6,264,796</b>                         | <b>6,055,467</b>                             | <b>9,372,348</b>                           | <b>4,568,127</b>                      | <b>1,283,866</b>                        | <b>200,056</b>                   | <b>34,848,079</b> |

**TABLE - 7 SECTORAL BREAKDOWN OF IMPAIRED LOANS AND IMPAIRMENT PROVISIONS**

|  | <i>US\$ '000</i>                           |  |  |   |  |
|--|--|--|--|---|--|
|  | <i>Impaired<br/>and past due<br/>loans</i> | <i>Specific<br/>impairment<br/>provision</i> | <i>* Net<br/>specific<br/>charge<br/>for the<br/>period<br/>ended 30<br/>June 2017</i> | <i>Write off<br/>during the<br/>period<br/>ended 30<br/>June 2017</i> | <i>Collective<br/>impairment<br/>provision</i> |
| Consumer/personal                      | 72,668                                     | 66,207                                       | 7,847  | 383   | 47,538   |
| Trading and manufacturing              | 84,648                                     | 74,655                                       | 899  | 17,084  | 80,051   |
| Real estate                            | 28,146                                     | 27,235                                       | -  | -   | 86,641   |
| Residential mortgage                   | 15,598                                     | 13,289                                       | -  | -   | 24,740   |
| Banks and other financial institutions | 4,361                                      | 3,522  | -  | -   | 12,875   |
| Services                               | 255,151                                    | 205,635                                      | 19,783   | -   | 62,437   |
| Government/public sector               | -  | -  | -  | -   | 1,650  |
| Others                                 | 9,619                                      | 9,116  | -  | -   | 5,127  |
| <b>TOTAL</b>                           | <b>470,191</b>                             | <b>399,659</b>                               | <b>28,529</b>  | <b>17,467</b>   | <b>321,059</b>                                 |

\* Net specific charge for the period excludes recoveries from fully provided loans written off in prior years.

TABLE - 8 GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT PROVISIONS FOR LOANS AND ADVANCES

|                                 | <i>US\$ '000</i>          |                        |                            |                       |  |                               |                                       |                          |                |
|---------------------------------|---------------------------|------------------------|----------------------------|-----------------------|--|-------------------------------|---------------------------------------|--------------------------|----------------|
|                                 | <i>Kingdom of Bahrain</i> | <i>State of Kuwait</i> | <i>Other GCC countries</i> | <i>United Kingdom</i> | <i>Europe (excluding United Kingdom)</i> | <i>Arab Republic of Egypt</i> | <i>Asia (excluding GCC countries)</i> | <i>Rest of the world</i> | <i>Total</i>   |
| Specific impairment provision   | 77,316                    | 237,346                | 60,592                     | -                     | 7,000                                    | 9,003                         | 8,402                                 | -                        | <b>399,659</b> |
| Collective impairment provision | 34,942                    | 188,688                | 27,128                     | 7,510                 | 2,701                                    | 57,580                        | 1,967                                 | 543                      | <b>321,059</b> |
| <b>TOTAL</b>                    | <b>112,258</b>            | <b>426,034</b>         | <b>87,720</b>              | <b>7,510</b>          | <b>9,701</b>                             | <b>66,583</b>                 | <b>10,369</b>                         | <b>543</b>               | <b>720,718</b> |

TABLE - 9 MOVEMENT IN IMPAIRMENT PROVISION FOR LOANS AND ADVANCES

|   | <i>US\$ '000</i> |                   |                 |
|---|------------------|-------------------|-----------------|
|   | <i>Specific</i>  | <i>Collective</i> | <i>Total</i>    |
| Balance at 1 January 2017                   | <b>380,239</b>   | <b>316,932</b>    | <b>697,171</b>  |
| Amounts written off during the period       | <b>(17,467)</b>  | -                 | <b>(17,467)</b> |
| Net charge for the period *                 | <b>28,529</b>    | <b>9,637</b>      | <b>38,166</b>   |
| Exchange rate adjustments / other movements | <b>8,358</b>     | <b>(5,510)</b>    | <b>2,848</b>    |
| Balance at 30 June 2017                     | <b>399,659</b>   | <b>321,059</b>    | <b>720,718</b>  |

\* Net charge for the period excludes recoveries from fully provided loans written off in prior years.

**TABLE - 10 IMPAIRED LOANS - AGE ANALYSIS**

**i) By Geographical area**

|                                | <i>US\$ '000</i>                |                           |                         | <i>Total</i>   |
|--------------------------------|---------------------------------|---------------------------|-------------------------|----------------|
|                                | <i>Three months to one year</i> | <i>One to three years</i> | <i>Over three years</i> |                |
| Kingdom of Bahrain             | 50,777                          | 35,143                    | 5,038                   | <b>90,958</b>  |
| State of Kuwait                | 149,568                         | 125,607                   | 3,086                   | <b>278,261</b> |
| Other GCC Countries            | -                               | -                         | 70,909                  | <b>70,909</b>  |
| Europe (excluding UK)          | 12,500                          | -                         | -                       | <b>12,500</b>  |
| Arab Republic of Egypt         | 780                             | 6,419                     | 1,804                   | <b>9,003</b>   |
| Asia (excluding GCC countries) | -                               | -                         | 8,560                   | <b>8,560</b>   |
| <b>TOTAL</b>                   | <b>213,625</b>                  | <b>167,169</b>            | <b>89,397</b>           | <b>470,191</b> |
|                                | <b>45.4%</b>                    | <b>35.6%</b>              | <b>19.0%</b>            | <b>100.0%</b>  |

**ii) By Sector**

|  | <i>US\$ '000</i>                |                           |                         | <i>Total</i>   |
|--|---------------------------------|---------------------------|-------------------------|----------------|
|  | <i>Three months to one year</i> | <i>One to three years</i> | <i>Over three years</i> |                |
| Consumer/personal                      | 35,995                          | 30,274                    | 6,399                   | <b>72,668</b>  |
| Trading and manufacturing              | 3,248                           | 9,696                     | 71,704                  | <b>84,648</b>  |
| Real estate                            | -                               | 28,146                    | -                       | <b>28,146</b>  |
| Residential mortgage                   | 13,197                          | 2,401                     | -                       | <b>15,598</b>  |
| Banks and other financial institutions | -                               | 4,361                     | -                       | <b>4,361</b>   |
| Services                               | 160,505                         | 92,242                    | 2,404                   | <b>255,151</b> |
| Others                                 | 680                             | 49                        | 8,890                   | <b>9,619</b>   |
| <b>TOTAL</b>                           | <b>213,625</b>                  | <b>167,169</b>            | <b>89,397</b>           | <b>470,191</b> |
|  | <b>45.4%</b>                    | <b>35.6%</b>              | <b>19.0%</b>            | <b>100.0%</b>  |

**TABLE - 11 RESTRUCTURED CREDIT FACILITIES**

|  | <i>US\$ '000</i> |
|--|------------------|
| Balance of any restructured credit facilities as at period end | 234,692          |
| Loans restructured during the period                           | 68,309           |

The above restructurings did not have any significant impact on the present or future earnings and were primarily extensions of the loan tenor.



**TABLE - 12 COUNTERPARTY CREDIT RISK IN DERIVATIVE TRANSACTIONS**

**i) Breakdown of the credit exposure**

|                                 | <i>US\$ '000</i>           |  |   |
|---------------------------------|----------------------------|--|---|
|                                 | <i>Notional<br/>amount</i> | <i>Gross<br/>positive<br/>fair value</i> | <i>Credit<br/>conversion<br/>factor</i> |
| Foreign exchange related        | 9,184,538                  | 23,433                                   | 128,860                                 |
| Interest rate related & options | 11,713,556                 | 47,516                                   | 104,984                                 |
| Derivatives credit exposure     | <b>20,898,094</b>          | <b>70,949</b>                            | <b>233,844</b>                          |

Gross positive fair value represents the replacement cost of the derivatives

**ii) Amounts of collateral**

*US\$ '000*  
1,494

**TABLE - 13 RELATED PARTY TRANSACTIONS**

Refer note 9 to the interim condensed consolidated financial statements of the Group for the period ended 30 June 2017.

**TABLE - 14 CAPITAL REQUIREMENT FOR COMPONENTS OF MARKET RISK**

|  | <i>US\$ '000</i>               |  |                      |                      |
|--|--------------------------------|--|----------------------|----------------------|
|  | <i>Risk-weighted exposures</i> | <i>Capital requirement including buffers</i> | <i>Maximum value</i> | <i>Minimum value</i> |
| Interest rate risk   | 195,967                        | 24,496                                       | 24,496               | 18,550               |
| Equity position risk   | 2,111                          | 264  | 264                  | 246                  |
| Foreign exchange risk  | 115,063                        | 14,383                                       | 14,383               | 11,071               |
| Options & others   | 20,459                         | 2,557  | 2,558                | 42                   |
| <b>TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)</b> | <b>333,600</b>                 | <b>41,700</b>                                |                      |                      |

# Ahli United Bank B.S.C.

## Pillar III Disclosures - Basel III

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**TABLE - 15 INTEREST RATE RISK**

|  | <i>US\$'000</i>                       |   |                          | <i>Total</i>      |
|--|---------------------------------------|---|--------------------------|-------------------|
|  | <i>Less than<br/>three<br/>months</i> | <i>Three<br/>months to<br/>one year</i> | <i>Over one<br/>year</i> |                   |
| <b>ASSETS</b>                                  |                                       |   |                          |                   |
| Treasury bills and deposits with central banks | 1,003,130                             | 1,388,181                               | -                        | 2,391,311         |
| Deposits with banks                            | 2,199,730                             | 34,786                                  | -                        | 2,234,516         |
| Loans and advances                             | 15,461,464                            | 2,460,424                               | 1,219,246                | 19,141,134        |
| Non-trading investments                        | 611,859                               | 633,534                                 | 4,348,198                | 5,593,591         |
|  | <b>19,276,183</b>                     | <b>4,516,925</b>                        | <b>5,567,444</b>         | <b>29,360,552</b> |
| <b>LIABILITIES</b>                             |                                       |   |                          |                   |
| Deposits from banks                            | 3,259,068                             | 192,498                                 | -                        | 3,451,566         |
| Borrowings under repurchase agreements         | 567,662                               | 147,299                                 | -                        | 714,961           |
| Customers' deposits                            | 11,844,957                            | 7,588,642                               | 3,068,190                | 22,501,789        |
| Subordinated liabilities                       | 17,997                                | 208,117                                 | -                        | 226,114           |
|  | <b>15,689,684</b>                     | <b>8,136,556</b>                        | <b>3,068,190</b>         | <b>26,894,430</b> |
| On - balance sheet gap                         | 3,586,499                             | (3,619,631)                             | 2,499,254                |                   |
| Off - balance sheet gap                        | 1,749,830                             | 1,027,798                               | (2,777,628)              |                   |
| Total interest sensitivity gap                 | 5,336,329                             | (2,591,833)                             | (278,374)                |                   |
| Cumulative interest sensitivity gap            | <b>5,336,329</b>                      | <b>2,744,496</b>                        | <b>2,466,122</b>         |                   |

**TABLE - 16 GAINS ON EQUITY INSTRUMENTS**

|  | <i>US\$ '000</i> |
|--|------------------|
| Gains / (loss) recognized in Tier1 Capital (CET1):-        |                  |
| - Unrealized (loss) gains recognized in the balance sheet: | (13,381)         |
| - Realized (loss) gains recognized in the equity:          | (1,972)          |

**TABLE - 17 SENSITIVITY ANALYSIS - INTEREST RATE RISK**

| <b>ANNUALISED</b>                   | <i>US\$ '000</i> |
|-------------------------------------|------------------|
| at 25 bps increase (+)/decrease (-) | 9,085            |
| at 10 bps increase (+)/decrease (-) | 3,634            |

The impact of a +/- 200bps interest rate shock on assets and liabilities which are carried at fair value and the consequent impact on equity as of 30 June 2017 is as per the following table.

|                           | <i>US\$ '000</i> |                    |               |
|---------------------------|------------------|--------------------|---------------|
|                           | <i>Assets</i>    | <i>Liabilities</i> | <i>Equity</i> |
| at 200 bps - increase (+) | 112,191          | (112,947)          | (756)         |
| at 200 bps - decrease (-) | (112,191)        | 112,947            | 756           |

**APPENDIX I - REGULATORY CAPITAL DISCLOSURES**

**PD 2 : Reconciliation Of Regulatory Capital**

**i) Step 1: Disclosure of Balance Sheet under Regulatory scope of Consolidation**

There are no differences between the regulatory and accounting consolidation, with both following the line by line consolidation approach as per the IFRS 10 Consolidated Financial Statements without excluding any entities. As mandated by the Central Bank of Bahrain ("CBB"), Loans & Advances and Investments have been grossed up with collective impairment provision, as presented below:

|   |                   |
|---|-------------------|
|   | <u>US\$ '000</u>  |
| <b>Balance sheet per published financial statements</b> | <b>32,363,256</b> |
| Collective impairment provision                         | 407,950           |
| <b>Balance sheet as in Regulatory Return</b>            | <b>32,771,206</b> |

**ii) Step 2: Expansion of the Balance Sheet under Regulatory scope of Consolidation**

|   |   |                                     |                         |
|---|---|-------------------------------------|-------------------------|
|   | <u>US\$ '000</u>  |                                     |                         |
| <b>Assets</b>   | <b><i>Balance as per published financial statements</i></b> | <b><i>Consolidated PIR data</i></b> | <b><i>Reference</i></b> |
| Cash and balances with central banks                                      | 1,017,305   | 1,017,305                           |                         |
| Financial assets at fair value through Profit & Loss                      |   | 1,056                               |                         |
| Treasury bills and deposits with central banks                            | 2,391,311   | 2,391,311                           |                         |
| Deposits with banks   | 2,234,516   | 2,234,516                           |                         |
| Loans and advances  | 19,141,134  | 19,462,193                          |                         |
| <i>of which employee stock incentive program</i>                          |   | 807                                 | A3                      |
| Non-trading investments   | 5,724,431   | 5,800,646                           |                         |
| <i>of which significant investment exceeding regulatory threshold</i>     |   | 3,047                               | H1                      |
| <i>of which investment NOT exceeding regulatory threshold</i>             |   | 5,797,599                           |                         |
| Investment properties   | 162,242   | 162,242                             |                         |
| Interest receivable and other assets                                      | 670,843   | 680,463                             |                         |
| <i>of which deferred tax assets</i>                                       |   | 3,428                               | G1                      |
| <i>of which MSP</i>   |   | 2,280                               | A4                      |
| Investments in associates   | 324,060   | 324,060                             |                         |
| <i>of which significant investment exceeding regulatory threshold</i>     |   | 20,401                              | H2                      |
| <i>of which significant investment NOT exceeding regulatory threshold</i> |   | 303,659                             |                         |
| Goodwill and intangible assets  | 477,281   | 477,281                             |                         |
| of which goodwill   |   | 428,820                             | E                       |
| of which other intangibles (excluding MSRs)                               |   | 48,461                              | F1                      |
| Premises and equipment  | 220,133   | 220,133                             |                         |
| <i>of which software</i>  |   | 20,548                              | F2                      |
| <b>TOTAL ASSETS</b>   | <b>32,363,256</b>   | <b>32,771,206</b>                   |                         |
| <b>Liabilities</b>  |   |                                     |                         |
| Deposits from banks   | 3,451,566   | 3,451,566                           |                         |
| Customers' deposits   | 22,501,789  | 22,501,789                          |                         |
| Borrowings under repurchase agreements                                    | 714,961   | 714,961                             |                         |
| Interest payable and other liabilities                                    | 908,571   | 908,571                             |                         |
| <i>of which deferred tax liabilities</i>                                  |   | 1,315                               | G2                      |
| Subordinated liabilities  | 226,114   | 226,114                             |                         |
| <i>of which amount eligible for Tier 2</i>                                |   | 137,504                             | K                       |
| <i>of which amount ineligible</i>   |   | 88,610                              |                         |
| <b>TOTAL LIABILITIES</b>  | <b>27,803,001</b>   | <b>27,803,001</b>                   |                         |
| <b>Equity</b>   |   |                                     |                         |
| Paid-in share capital   | 1,877,716   | 1,877,716                           |                         |
| <i>of which form part of Common Equity Tier 1</i>                         |   | 1,877,716                           |                         |
| Ordinary Share Capital  |   | 1,889,213                           | A1                      |
| Treasury Shares   |   | (11,497)                            | A2                      |
| Perpetual Tier 1 Capital Securities - AUB Bahrain                         | 400,000   | 400,000                             | I                       |
| Reserves  | 1,629,674   | 1,629,674                           |                         |
| <i>of which form part of Common Equity Tier 1</i>                         |   |                                     |                         |
| Retained earnings/(losses) brought forward                                |   | 600,539                             | B                       |
| Net profit for the current period   |   | 311,310                             | C1                      |
| Share premium   |   | 753,956                             | C2                      |
| Legal reserve   |   | 454,856                             | C3                      |
| General (disclosed) reserves  |   | (43,232)                            | C4                      |
| FX translation adjustment   |   | (441,461)                           | C5                      |
| Unrealized gains and losses from fair valuing equities                    |   | (13,381)                            | C6                      |
| Fair value changes of cash flow hedges                                    |   | (28,903)                            | C7                      |
| <i>of which form part of Tier 2</i>                                       |   |                                     |                         |
| Fixed assets revaluation reserves   |   | 35,990                              | M1                      |
| Perpetual Tier 1 Capital Securities - AUB Kuwait                          | 200,000   | 200,000                             |                         |
| Non - controlling interest  | 452,865   | 652,865                             |                         |
| <i>of which amount eligible for Common Equity Tier 1</i>                  |   | 308,866                             | D                       |
| <i>of which amount eligible for Additional Tier 1</i>                     |   | 164,874                             | J                       |
| <i>of which amount eligible for Tier 2</i>                                |   | 50,498                              | L                       |
| <i>of which amount ineligible</i>   |   | 128,627                             |                         |
| Collective impairment provision   |   | 407,950                             |                         |
| <i>of which amount eligible for Tier 2 (maximum 1.25% of RWA)</i>         |   | 306,440                             | M2                      |
| <i>of which amount ineligible</i>   |   | 101,510                             |                         |
| <b>TOTAL EQUITY</b>   | <b>4,560,255</b>  | <b>4,968,205</b>                    |                         |

**PD 4 : Capital Composition Disclosure Template**

**Basel III Common disclosure template**

(For transition period from 1 January 2015 to 31 December 2018)

**Common Equity Tier 1 capital: instruments and Reserves**

Directly issued qualifying common share capital plus related stock surplus  
Retained earnings

Accumulated other comprehensive income (and other reserves)

Common share capital issued by subsidiaries and held by third parties  
(amount allowed in group CET1)

Common Equity Tier 1 capital before regulatory adjustments

**Common Equity Tier 1 capital: regulatory adjustments**

Goodwill (net of related tax liability)

Other intangibles other than mortgage-servicing rights (net of related tax liability)

Deferred tax assets that rely on future profitability excluding those arising from  
temporary differences (net of related tax liability)

Cash-flow hedge reserve

Significant investments in the common stock of banking, financial and insurance entities  
that are outside the scope of regulatory consolidation, net of eligible short positions  
(amount above 10% threshold)

**Total regulatory adjustments to Common equity Tier 1**

**Common Equity Tier 1 capital (CET1)**

**Additional Tier 1 capital: instruments**

Directly issued qualifying Additional Tier 1 instruments plus related stock surplus  
Additional Tier 1 instruments (and CET1 instruments not included above) issued by  
subsidiaries and held by third parties (amount allowed in group AT1)

**Additional Tier 1 capital before regulatory adjustments**

**Total regulatory adjustments to Additional Tier 1 capital**

**Additional Tier 1 capital (AT1)**

**Tier 1 capital (T1 = CET1 + AT1)**

**Tier 2 capital: instruments and provisions**

Directly issued qualifying Tier 2 instruments plus related stock surplus  
Tier 2 instruments (and CET1 and AT1 instruments not included above) issued by  
subsidiaries and held by third parties (amount allowed in group Tier 2)

Provisions & Reserves

**Tier 2 capital before regulatory adjustments**

**Total regulatory adjustments to Tier 2 capital**

**Tier 2 capital (T2)**

**Total capital (TC = T1 + T2)**

RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO  
PRE-2015 TREATMENT

of which: Intangible assets (RW @ 100%)

of which: Significant Investments (RW @ 250%)

**Total risk weighted assets**

**Capital ratios**

Common Equity Tier 1 (as a percentage of risk weighted assets)

Tier 1 (as a percentage of risk weighted assets)

Total capital (as a percentage of risk weighted assets)

Institution specific buffer requirement (minimum CET1 requirement plus capital  
conservation buffer plus countercyclical buffer requirements plus G-SIB buffer  
requirement expressed as a percentage of risk weighted assets)

of which: Capital Conservation Buffer requirement

of which: bank specific countercyclical buffer requirement (N/A)

of which: G-SIB buffer requirement (N/A)

**National minima (if different from Basel 3)**

CBB Common Equity Tier 1 minimum ratio (including buffers)

CBB Tier 1 minimum ratio (including buffers)

CBB total capital minimum ratio (including buffers)

**Amounts below the thresholds for deduction (before risk weighting)**

Non-significant investments in the capital of other financial entities

Significant investments in the common stock of financial entities

**Applicable caps on the inclusion of provisions in Tier 2**

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized  
approach (prior to application of cap)

Cap on inclusion of provisions in Tier 2 under standardized approach

| PIR as on 30 Jun 2017 | US\$ '000                                |  | Reference                  |
|-----------------------|--|--|----------------------------|
|                       | Amounts Subject To<br>Pre-2015 Treatment |  |                            |
| 1,874,629             |  |  | A1+A2-A3-A4                |
| 600,539               |  |  | B                          |
| 993,145               |  |  | C1+C2+C3+C4+ C5<br>+C6 +C7 |
| 308,866               | 76,668                                   |  | D                          |
| <b>3,777,179</b>      |  |  |                            |
| 428,820               |  |  | E                          |
| 41,405                | 27,604                                   |  | F1+F2                      |
| 2,113                 |  |  | G1-G2                      |
| (28,903)              |  |  | C7                         |
| 23,448                | 15,631                                   |  | H1 + H2                    |
| <b>466,883</b>        |  |  |                            |
| <b>3,310,296</b>      |  |  |                            |
| 400,000               |  |  | I                          |
| 164,874               | 23,417                                   |  | J                          |
| <b>564,874</b>        |  |  |                            |
| -                     |  |  |                            |
| <b>564,874</b>        |  |  |                            |
| <b>3,875,170</b>      |  |  |                            |
| 137,504               |  |  | K                          |
| 50,498                | (14,636)                                 |  | L                          |
| 342,430               |  |  | M1+M2                      |
| <b>530,432</b>        |  |  |                            |
| -                     |  |  |                            |
| <b>530,432</b>        |  |  |                            |
| <b>4,405,602</b>      |  |  |                            |
| 66,682                |  |  |                            |
| 27,604                |  |  |                            |
| 39,079                |  |  |                            |
| <b>26,729,694</b>     |  |  |                            |
| 12.4%                 |  |  |                            |
| 14.5%                 |  |  |                            |
| 16.5%                 |  |  |                            |
| 9.0%                  |  |  |                            |
| 2.5%                  |  |  |                            |
| NA                    |  |  |                            |
| NA                    |  |  |                            |
| 9.0 %                 |  |  |                            |
| 10.5%                 |  |  |                            |
| 12.5%                 |  |  |                            |
| 46,418                |  |  |                            |
| 349,005               |  |  |                            |
| 407,950               |  |  |                            |
| 306,440               |  |  |                            |

PD 3 : Main features of regulatory capital instruments

| 1  | Issuer  | Ahli United Bank B.S.C.                                     | Ahli United Bank B.S.C.  | Ahli United Bank K.S.C.P.  | Ahli United Bank B.S.C.                     | Ahli United Bank B.S.C.   | Ahli United Bank B.S.C.                     | Ahli United Bank (U.K.) PLC   | Ahli United Bank (U.K.) PLC   |
|----|---|---|--|--|---|---|---|-------------------------------|-------------------------------|
| 2  | Unique identifier   | AUBB.BH - Bahrain Bourses<br>AUB818 - Kuwait Stock Exchange | ISIN: XS113289832<br>/ Perpetual Tier 1 Capital Securities   | ISIN: XS1508651665<br>/ Perpetual Tier 1 Capital Securities  | Series 2011                                 | ISIN: XS0469091275<br>2010-1 / Euro Medium Term Note  | Series 2006                                 | Private Placement             | Private Placement             |
| 3  | Governing law(s) of the instrument  | Laws of Bahrain   | English Law, except for the provisions of subordination which will be governed by the Laws of Bahrain  | English Law, except for the provisions of subordination which will be governed by the Laws of Kuwait   | English Law                                 | English Law, except for the provisions of subordination which will be governed by the Laws of Bahrain | English Law                                 | English Law                   | English Law                   |
| 4  | Transitional CBB rules  | Not applicable  | Not applicable   | Not applicable   | Tier 2                                      | Tier 2  | Tier 2                                      | Tier 2                        | Tier 2                        |
| 5  | Post-transitional CBB rules   | Common Equity Tier 1  | Additional Tier 1  | Additional Tier 1  | NA  | NA  | NA  | NA                            | NA                            |
| 6  | Eligible at solo/group/group & solo   | Solo and Group  | Solo and Group   | Group  | Solo and Group                              | Solo and Group  | Solo and Group                              | Group                         | Group                         |
| 7  | Instrument type   | Common Equity Shares  | Capital Securities   | Capital Securities   | Subordinated Debt                           | Subordinated Debt   | Subordinated Debt                           | Subordinated Debt             | Subordinated Debt             |
| 8  | Amount recognised in regulatory capital   | \$1,889.2 mn  | \$400.0 mn   | \$148.7 mn   | \$108.8 mn                                  | \$9.2 mn  | \$9.7 mn                                    | \$4.7 mn                      | \$5.1 mn                      |
| 9  | Par value of instrument (USD)   | \$0.25  | \$1000 subject to minimum of \$200,000   | \$1000 subject to minimum of \$200,000   | \$165.0 mn                                  | \$1.00  | \$33.3 mn                                   | \$4.7 mn                      | \$5.1 mn                      |
| 10 | Accounting classification   | Shareholders' equity  | Shareholders' equity   | Shareholders' equity   | Liability – amortised cost                  | Liability – amortised cost  | Liability – amortised cost                  | Liability – amortised cost    | Liability – amortised cost    |
| 11 | Original date of issuance   | 31-May-2000   | 29-Apr-2015  | 25-Oct-2016  | 18-Apr-2010                                 | 20-Jan-2010   | 13-Dec-2006                                 | 01-Jul-1996                   | 31-Jan-1985, 30-Apr-1985      |
| 12 | Perpetual or dated  | Perpetual   | Perpetual  | Perpetual  | Dated                                       | Dated   | Dated                                       | Perpetual                     | Perpetual                     |
| 13 | Original maturity date  | No Maturity   | No Maturity  | No Maturity  | 15-Oct-2020                                 | 20-Jan-2020   | 15-Dec-2018                                 | No Maturity                   | No Maturity                   |
| 14 | Issuer call subject to prior supervisory approval   | NA  | Yes  | Yes  | Yes   | Yes   | Yes   | Yes                           | Yes                           |
| 15 | Optional call date, contingent call dates and redemption amount   | NA  | Call Option : 29-Apr-2020 at Par/100%;<br>Tax event at Par/100%;<br>Regulatory Capital Event at 101% (Full or partial)                                       | Call Option : 25-Oct-2021 at Par/100%;<br>Tax event at Par/100%;<br>Regulatory Capital Event at 100% (Full or partial)                                       | Various financial & non-financial Covenants | Early redemption in case of Tax event; or various events of default (Full or partial )                | Various financial & non-financial Covenants | NA                            | NA                            |
| 16 | Subsequent call dates, if applicable  | NA  | Every 5 years after 29 April 2020  | Every 5 years after 26 Oct 2021  | NA  | NA  | NA  | NA                            | NA                            |
| 17 | Fixed or floating dividend/coupon   | NA  | Fixed  | Fixed  | Floating                                    | Floating  | Floating                                    | Floating                      | Floating                      |
| 18 | Coupon rate and any related index   | NA  | 6.875%   | 5.500%   | 6m USD LIBOR + 375 bps                      | 3m USD LIBOR+150 bps  | 6m USD LIBOR + 123 bps                      | 6m USD LIBOR + 75 bps         | 6m USD LIBOR + 75 bps         |
| 19 | Existence of a dividend stopper   | NA  | Yes  | No   | No  | No  | No  | No                            | No                            |
| 20 | Fully discretionary, partially discretionary or mandatory   | Fully discretionary   | Fully discretionary  | Fully discretionary  | Mandatory                                   | Mandatory   | Mandatory                                   | Mandatory                     | Mandatory                     |
| 21 | Existence of step up or other incentive to redeem   | No  | No   | No   | No  | No  | No  | No                            | No                            |
| 22 | Noncumulative or cumulative   | NA  | Noncumulative  | Noncumulative  | Noncumulative                               | Noncumulative   | Noncumulative                               | Noncumulative                 | Noncumulative                 |
| 23 | Convertible or non-convertible  | NA  | Non-convertible  | Non-convertible  | Non-convertible                             | Non-convertible   | Non-convertible                             | Non-convertible               | Non-convertible               |
| 24 | If convertible, conversion trigger (s)  | NA  | NA   | NA   | NA  | NA  | NA  | NA                            | NA                            |
| 25 | If convertible, fully or partially  | NA  | NA   | NA   | NA  | NA  | NA  | NA                            | NA                            |
| 26 | If convertible, conversion rate   | NA  | NA   | NA   | NA  | NA  | NA  | NA                            | NA                            |
| 27 | If convertible, mandatory or optional conversion  | NA  | NA   | NA   | NA  | NA  | NA  | NA                            | NA                            |
| 28 | If convertible, specify instrument type convertible into  | NA  | NA   | NA   | NA  | NA  | NA  | NA                            | NA                            |
| 29 | If convertible, specify issuer of instrument it converts into   | NA  | NA   | NA   | NA  | NA  | NA  | NA                            | NA                            |
| 30 | Write-down feature  | NA  | Yes  | Yes  | No  | No  | No  | No                            | No                            |
| 31 | If write-down, write-down trigger(s)  | NA  | Notification by regulator of Non viability without (a) write-down ; or (b) a public sector injection of capital (or equivalent support)<br>Fully / Partially | Notification by regulator of Non viability without (a) write-down ; or (b) a public sector injection of capital (or equivalent support)<br>Fully / Partially | NA  | NA  | NA  | NA                            | NA                            |
| 32 | If write-down, full or partial  | NA  | Fully / Partially  | Fully / Partially  | NA  | NA  | NA  | NA                            | NA                            |
| 33 | If write-down, permanent or temporary   | NA  | Permanent  | Permanent  | NA  | NA  | NA  | NA                            | NA                            |
| 34 | If temporary write-down, description of write-up mechanism  | NA  | NA   | NA   | NA  | NA  | NA  | NA                            | NA                            |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Additional Tier 1 Capital Bonds                             | Subordinated Debts   | Subordinated Debts   | All depositors and creditors                | All depositors and creditors  | All depositors and creditors                | All depositors and creditors  | All depositors and creditors  |
| 36 | Non-compliant transitioned features   | NA  | No   | No   | Yes   | Yes   | Yes   | Yes                           | Yes                           |
| 37 | If yes, specify non-compliant features  | NA  | NA   | NA   | Non Viability Loss Absorption               | Non Viability Loss Absorption   | Non Viability Loss Absorption               | Non Viability Loss Absorption | Non Viability Loss Absorption |