

Ahli United Bank B.S.C.
Pillar III Disclosures - Basel II
30 June 2014

Ahli United Bank B.S.C.

Pillar III Disclosures - Basel II

Six months ended 30 June 2014 (Unaudited)

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1. CAPITAL STRUCTURE

TABLE - 1

	<i>US\$ '000</i>	
	<i>Tier 1</i>	<i>Tier 2</i>
A. NET AVAILABLE CAPITAL		
Paid-up share capital	1,500,819	
Less: Loans against Employee Stock Purchase Plan	(5,378)	
Reserves:		
Share premium	646,888	
Capital reserve	8,478	
Statutory reserve	295,814	
Others	(117,898)	
Retained earnings	520,533	
Minority interest in the equity of subsidiaries	423,050	
Less: Goodwill	(490,418)	
Less: Unrealized gross losses arising from fair valuing equities	(82)	
Current period profit		262,506
Asset revaluation reserve-property, plant and equipment (45% only)		16,424
Unrealized gains arising from fair valuing equities (45% only)		12,416
Collective impairment provisions		260,766
Eligible subordinated term debt		390,888
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	2,781,806	943,000
Less: Regulatory deductions:		
Material holdings of equities	152,731	152,731
	2,629,075	790,269
Add: Proportionate aggregation	196,670	27,710
NET AVAILABLE CAPITAL	2,825,745	817,979
TOTAL ELIGIBLE CAPITAL BASE (Tier 1 + Tier 2)		3,643,724
RISK WEIGHTED EXPOSURES		
Credit Risk Weighted Exposures		22,112,702
Market Risk Weighted Exposures		551,165
Operational Risk Weighted Exposures		1,615,893
TOTAL RISK WEIGHTED EXPOSURES		24,279,760
Tier 1 - Capital Adequacy Ratio		11.6%
Total - Capital Adequacy Ratio		15.0%

B. CAPITAL ADEQUACY RATIO

As at 30 June 2014, the capital adequacy ratio of the Group's significant subsidiaries were:

	<i>Subsidiaries</i>		
	<i>Ahli United Bank K.S.C. (AUBK)</i>	<i>Ahli United Bank (U.K.) P.L.C. (AUB UK)</i>	<i>Ahli United Bank (Egypt) S.A.E. (AUBE)</i>
Tier 1 - Capital Adequacy Ratio	14.5%	14.5%	12.9%
Total - Capital Adequacy Ratio	16.4%	15.8%	14.8%

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TABLE - 2 GROSS CREDIT RISK EXPOSURES

	<i>US\$ '000</i>	
	<i>As at 30 June 2014</i>	<i>Average monthly balance</i>
Balances with central banks	604,674	704,525
Treasury bills and deposits with central banks	2,273,954	2,278,419
Deposits with banks	4,817,964	5,110,153
Loans and advances	18,617,676	17,836,512
Financial assets at fair value through profit or loss	-	15,262
Non-trading investments	4,899,749	5,213,828
Interest receivable and other assets	434,080	417,470
TOTAL FUNDED EXPOSURES	31,648,097	31,576,169
Contingent liabilities	3,098,500	2,993,968
Undrawn loan commitments	487,876	484,380
TOTAL UNFUNDED EXPOSURES	3,586,376	3,478,348
TOTAL CREDIT RISK EXPOSURE	35,234,473	35,054,517

TABLE 3 - RISK WEIGHTED EXPOSURES

	<i>US\$ '000</i>			
	<i>Gross exposure</i>	<i>Secured by eligible CRM</i>	<i>Risk weighted exposures after CRM</i>	<i>Capital requirement</i>
Claims on sovereigns	4,448,880	-	70,266	8,432
Claims on public sector entities	594,125	-	543,648	65,238
Claims on banks	7,829,729	133,687	2,819,710	338,365
Claims on corporates	16,643,097	2,818,486	13,273,196	1,592,784
Regulatory retail exposures	2,131,123	96,007	1,526,337	183,161
Residential retail exposures	1,520,785	-	532,275	63,873
Equity - Listed	39,508	-	39,508	4,741
Equity - Unlisted	155,594	-	233,392	28,007
Investments in funds	190,089	-	261,462	31,375
Other exposures	1,473,096	44,936	1,561,451	187,374
TOTAL	35,026,026	3,093,116	20,861,245	2,503,350
Add : Proportionate aggregation			1,251,457	150,175
TOTAL CREDIT RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)			22,112,702	2,653,525
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)			551,165	66,140
TOTAL OPERATIONAL RISK CAPITAL REQUIREMENT (BASIC INDICATOR APPROACH)			1,615,893	193,907
TOTAL			24,279,760	2,913,572

TABLE - 4 CAPITAL REQUIREMENT FOR COMPONENTS OF MARKET RISK

	<i>US\$ '000</i>			
	<i>Risk-weighted exposures</i>	<i>Capital requirement</i>	<i>Maximum value</i>	<i>Minimum value</i>
Interest rate risk	332,646	39,918	39,918	27,118
Equity position risk	26,939	3,233	22,525	3,233
Foreign exchange risk	94,727	11,367	11,367	10,317
Options & others	18,535	2,224	7,012	2,224
TOTAL MARKET RISK CAPITAL REQUIREMENT BEFORE PROPORTIONATE AGGREGATION OF ASSOCIATES	472,847	56,742		
Add : Proportionate aggregation	78,318	9,398	9,398	8,276
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	551,165	66,140		

TABLE - 5 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	148,576	107,143	-	1,460	-	226,720	120,775	-	604,674
Treasury bills and deposits with central banks	297,324	1,063,189	-	265,060	-	483,426	164,955	-	2,273,954
Deposits with banks	105,673	716,766	722,354	945,766	980,874	35,423	263,555	1,047,553	4,817,964
Loans and advances	3,236,839	8,961,094	2,260,628	1,902,215	127,827	1,838,077	195,710	95,286	18,617,676
Non-trading investments	673,263	-	1,276,089	228,124	432,832	645,703	893,343	750,395	4,899,749
Interest receivable and other assets	121,439	64,850	38,705	87,822	16,919	75,058	12,325	16,962	434,080
Total funded exposures	4,583,114	10,913,042	4,297,776	3,430,447	1,558,452	3,304,407	1,650,663	1,910,196	31,648,097
Contingent liabilities	678,102	1,174,665	544,301	52,050	28,758	533,172	22,008	65,444	3,098,500
Undrawn loan commitments	62,955	13,266	71,582	100,888	27,341	185,781	23,509	2,554	487,876
Total unfunded exposures	741,057	1,187,931	615,883	152,938	56,099	718,953	45,517	67,998	3,586,376
TOTAL	5,324,171	12,100,973	4,913,659	3,583,385	1,614,551	4,023,360	1,696,180	1,978,194	35,234,473
	15.1%	34.3%	13.9%	10.2%	4.6%	11.4%	4.8%	5.6%	100.0%

* 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 - 6 SECTORAL CLASSIFICATION OF GROSS CREDIT EXPOSURES

	US\$ '000			%
	Funded	Unfunded	Total	
Balances with central banks	2,878,628	-	2,878,628	8.2
Banks and other financial institutions	8,278,223	590,222	8,868,445	25.2
Consumer/personal	3,575,099	141,875	3,716,974	10.5
Residential mortgage	2,110,392	29,723	2,140,115	6.1
Trading and manufacturing	4,816,650	1,171,507	5,988,157	17.0
Real estate	4,424,166	121,482	4,545,648	12.9
Services	3,346,923	1,049,396	4,396,319	12.5
Government/public sector	2,099,494	391,790	2,491,284	7.1
Others	118,522	90,381	208,903	0.5
TOTAL	31,648,097	3,586,376	35,234,473	100.0
	89.8%	10.2%	100.0%	

TABLE - 7 RESIDUAL CONTRACTUAL MATURITY OF GROSS CREDIT EXPOSURES

	US\$ '000							Total
	Up to one month	One month to three months	Over three months to one year	Over one year to five years	Over five to ten years	Over ten to twenty years	Over twenty years	
Balances with central banks	604,674	-	-	-	-	-	-	604,674
Treasury bills and deposits with central banks	859,092	452,682	962,180	-	-	-	-	2,273,954
Deposits with banks	3,644,688	802,529	150,970	219,777	-	-	-	4,817,964
Loans and advances	3,072,706	2,704,570	3,062,845	4,870,163	3,741,656	1,006,869	158,867	18,617,676
Non-trading investments	42,107	115,033	580,746	2,846,891	1,005,382	231,474	78,116	4,899,749
Interest receivable and other assets	53,643	184,735	93,182	59,039	43,481	-	-	434,080
Total funded exposures	8,276,910	4,259,549	4,849,923	7,995,870	4,790,519	1,238,343	236,983	31,648,097
Contingent liabilities	542,500	358,333	1,270,483	919,689	7,495	-	-	3,098,500
Undrawn loan commitments	18,460	15,684	248,803	191,246	13,683	-	-	487,876
Total unfunded exposures	560,960	374,017	1,519,286	1,110,935	21,178	-	-	3,586,376
TOTAL	8,837,870	4,633,566	6,369,209	9,106,805	4,811,697	1,238,343	236,983	35,234,473

TABLE - 8 SECTORAL BREAKDOWN OF IMPAIRED LOANS AND IMPAIRMENT PROVISIONS

	US\$ '000				
	Impaired and past due loans	Specific impairment provision	* Net specific charge for the period ended 30 June 2014	Write off during the period ended 30 June 2014	Collective impairment provision
Consumer/personal	91,579	82,029	10,705	249	61,175
Trading and manufacturing	113,919	96,042	50,286	62,390	68,762
Real estate	57,053	51,665	2,930	-	75,704
Residential mortgage	1,841	1,292	147	-	36,112
Banks and other financial institutions	63,251	56,327	10,154	-	15,430
Services	74,182	73,066	586	-	53,567
Government/public sector	-	-	-	-	5,797
Others	12,423	8,890	38,331	37,183	2,029
TOTAL	414,248	369,311	113,139	99,822	318,576

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

TABLE - 9 GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT PROVISIONS FOR LOANS AND ADVANCES

	<i>US\$ '000</i>								<i>Total</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>	
Specific impairment provision	49,005	196,467	64,750	16,403	-	34,954	7,732	-	369,311
Collective impairment provision	32,856	208,833	20,991	10,271	4,859	37,913	1,900	953	318,576
TOTAL	81,861	405,300	85,741	26,674	4,859	72,867	9,632	953	687,887

TABLE - 10 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 2014	353,091	284,634	637,725
Amounts written off during the period	(99,822)	-	(99,822)
Net charge for the period *	113,139	34,429	147,568
Exchange rate adjustments / other movements	2,903	(487)	2,416
Balance at 30 June 2014	369,311	318,576	687,887

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

TABLE - 11 PAST DUE AND IMPAIRED LOANS - AGE ANALYSIS

i) By Geographical area	US\$ '000			Total
	Three months to one year	One to three years	Over three years	
Kingdom of Bahrain	6,964	45,363	7,672	59,999
State of Kuwait	132,360	67,998	20,805	221,163
Other GCC Countries	-	-	64,750	64,750
United Kingdom	13,370	12,351	-	25,721
Arab Republic of Egypt	5,287	12,123	17,555	34,965
Asia (excluding GCC countries)	-	-	7,650	7,650
TOTAL	157,981	137,835	118,432	414,248
	38.1%	33.3%	28.6%	100.0%

ii) By Sector	US\$ '000			Total
	Three months to one year	One to three years	Over three years	
Consumer/personal	31,634	40,625	19,320	91,579
Trading and manufacturing	75,031	12,957	25,931	113,919
Real estate	14,041	37,049	5,963	57,053
Residential mortgage	-	1,841	-	1,841
Banks and other financial institutions	36,613	26,638	-	63,251
Services	511	17,142	56,529	74,182
Others	151	1,583	10,689	12,423
TOTAL	157,981	137,835	118,432	414,248
	38.1%	33.3%	28.6%	100.0%

TABLE - 12 RESTRUCTURED CREDIT FACILITIES

	US\$ '000
Balance of any restructured credit facilities as at period end	171,186
Loans restructured during the period	11,689

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

TABLE - 13 COUNTERPARTY CREDIT RISK IN DERIVATIVE TRANSACTIONS**i) Breakdown of the credit exposure**

	<i>US\$ '000</i>		
	<i>Notional amount</i>	<i>Gross positive fair value</i>	<i>Credit conversion factor</i>
Foreign exchange related	10,203,146	21,357	186,081
Interest rate related & options	18,661,889	74,710	121,829
Derivatives credit exposure	28,865,035	96,067	307,910

Gross positive fair value represents the replacement cost of the derivatives

ii) Amounts of collateral

US\$ '000
1,460

TABLE - 14 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 six months period ended 30 June 2014 and the period end balances at 30 June 2014 in respect of related parties were as follows:

	<i>US\$ '000</i>			<i>Total</i>
	<i>Major shareholders</i>	<i>Associates</i>	<i>Directors and senior management</i>	
Interest income	-	269	4,040	4,309
Interest expense	23,185	8	137	23,330
Fees and commissions	-	773	26	799
Deposits with banks and other financial institutions	25	113,783	-	113,808
Loans and advances	-	7	189,333	189,340
Deposits from banks and other financial institutions	-	51,534	-	51,534
Customers' deposits	5,719,849	3,100	22,464	5,745,413
Subordinated liabilities	11,284	-	-	11,284
Commitments and contingent liabilities (notional)	-	66,531	137,929	204,460
Derivatives (notional)	-	38,792	-	38,792

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TABLE - 15 INTEREST RATE RISK

	<i>US\$'000</i>			<i>Total</i>
	<i>Less than three months</i>	<i>Three months to one year</i>	<i>Over one year</i>	
ASSETS				
Treasury bills and deposits with central banks	1,375,221	898,733	-	2,273,954
Deposits with banks and other financial institutions	3,501,616	400,121	-	3,901,737
Loans and advances	11,824,624	5,064,585	1,708,909	18,598,118
Non-trading investments	522,514	643,128	3,734,107	4,899,749
	17,223,975	7,006,567	5,443,016	29,673,558
LIABILITIES				
Deposits from banks and other financial institutions	3,729,471	827,506	413,964	4,970,941
Borrowings under repurchase agreements	585,405	267,839	40,649	893,893
Customers' deposits	12,996,599	6,462,947	2,198,247	21,657,793
Subordinated liabilities	85,525	377,870	-	463,395
	17,397,000	7,936,162	2,652,860	27,986,022
On - balance sheet gap	(173,025)	(929,595)	2,790,156	
Off - balance sheet gap	3,694,095	(762,304)	(2,931,791)	
Total interest sensitivity gap	3,521,070	(1,691,899)	(141,635)	
Cumulative interest sensitivity gap	3,521,070	1,829,171	1,687,536	

TABLE - 16 GAINS ON EQUITY INSTRUMENTS

	<i>US\$ '000</i>
Unrealised (loss) gains recognised in the balance sheet:	
- Tier one	(82)
- Tier two (eligible portion)	12,416

TABLE - 17 SENSITIVITY ANALYSIS - INTEREST RATE RISK

ANNUALISED	<i>US\$ '000</i>
at 25 bps increase (+)/decrease (-)	7,804
at 10 bps increase (+)/decrease (-)	3,121