

Ahli United Bank B.S.C.
Pillar III Disclosures - Basel II
30 June 2010

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Six month period ended 30 June 2010 (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	1,223,189	
Less : Loans against Employee Stock Purchase Plan	(18,687)	
Reserves		
Share premium	536,621	
Capital reserve	-	
Statutory reserve	147,122	
Others	(14,153)	
Retained earnings	258,625	
Minority interest in the equity of subsidiaries	355,282	
Less : Goodwill	(507,725)	
Less : Unrealized gross losses arising from fair valuing equities	(230)	
Current period profit		135,893
Asset revaluation reserves- property, plant and equipment (45% only)		33,005
Unrealized gains arising from fair valuing equities (45% only)		14,601
Collective impairment provisions		138,775
Eligible subordinated term debt		550,072
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	1,980,044	872,346
Less : Regulatory deductions :		
Material holdings of equities	237,002	237,002
	1,743,042	635,344
Add : Proportionate aggregation	257,230	40,347
NET AVAILABLE CAPITAL	2,000,272	675,691
TOTAL ELIGIBLE CAPITAL BASE (Tier 1 + Tier 2)		2,675,963

B. CAPITAL ADEQUACY RATIO

As at 30 June 2010, the capital adequacy ratio of the Group and significant subsidiaries were:

	<i>Subsidiaries</i>			
	<i>Consolidated</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	10.6%	14.6%	14.0%	12.8%
Total - Capital Adequacy Ratio	14.2%	16.3%	15.6%	14.0%

During the year the Bank's 75% subsidiary Bank of Kuwait and Middle East (BKME) was converted into a full fledged Sharia compliant bank and it was consequently rebranded as Ahli United Bank, Kuwait effective 1 April 2010.

TABLE - 2 GROSS CREDIT RISK EXPOSURES SUBJECT TO CREDIT RISK MITIGANTS (CRM)

	<i>US\$ '000</i>	
	<i>As at 30 June 2010</i>	<i>Average monthly balance</i>
Balances with central banks	314,889	707,262
Treasury bills and bonds	359,983	703,742
Deposits with banks and other financial institutions	4,036,859	3,167,463
Loans and advances	13,967,498	13,655,140
Non-trading investments	3,814,323	3,724,052
Other assets	490,975	514,139
TOTAL FUNDED EXPOSURES	22,984,527	22,471,798
Contingent liabilities	1,783,150	1,697,399
Undrawn loan commitments	1,034,894	989,879
TOTAL UNFUNDED EXPOSURES	2,818,044	2,687,278
TOTAL CREDIT RISK EXPOSURES	25,802,571	25,159,076

TABLE - 3 ELIGIBLE FINANCIAL COLLATERAL AND GUARANTEES

	<i>US\$ '000</i>	
	<i>Gross exposure</i>	<i>Eligible CRM</i>
Claims on sovereigns	2,901,271	-
Claims on public sector entities	962,694	166,136
Claims on banks	5,555,851	47,735
Claims on corporates	10,975,560	1,593,282
Regulatory retail exposures	1,871,981	36,955
Residential retail exposures	842,774	-
Equity	182,495	-
Investments in funds	230,515	-
Other exposures	1,642,641	15,747
TOTAL	25,165,782	1,859,855

TABLE - 4 CREDIT RISK EXPOSURE POST CREDIT RISK MITIGATION AND CREDIT CONVERSION

The following table details group credit exposures after applying risk mitigation.

	<i>US\$ '000</i>
Claims on sovereigns	76,031
Claims on public sector entities	463,404
Claims on banks	2,207,826
Claims on corporates	8,819,685
Regulatory retail exposures	1,376,270
Residential retail exposures	294,971
Equity	254,193
Investments in funds	345,772
Other exposures	1,553,927
	<u>15,392,079</u>
Add : Proportionate aggregation	1,591,742
TOTAL	<u><u>16,983,821</u></u>
TOTAL CREDIT RISK CAPITAL REQUIREMENT	<u><u>2,038,059</u></u>

TABLE 5 - CAPITAL REQUIREMENT FOR CREDIT, MARKET AND OPERATIONAL RISKS

	<i>US\$ '000</i>
	<i>Capital requirement</i>
Claims on sovereigns	9,124
Claims on public sector entities	55,608
Claims on banks	264,939
Claims on corporates	1,058,362
Regulatory retail exposures	165,153
Residential retail exposures	35,397
Equity	30,503
Investments in funds	41,493
Other exposures	186,471
	<u>1,847,050</u>
Add : Proportionate aggregation	191,009
TOTAL CREDIT RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	<u><u>2,038,059</u></u>
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	71,529
TOTAL OPERATIONAL RISK CAPITAL REQUIREMENT (BASIC INDICATOR APPROACH)	151,026
TOTAL	<u><u>2,260,614</u></u>

TABLE - 6 GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURES

	US\$ '000						Total
	GCC* countries	United Kingdom	Europe (excluding United Kingdom)	United States of America	Asia (excluding GCC countries)	Rest of the world (including Arab Republic of Egypt)	
Balances with central banks							
banks	202,476	463	-	-	37,070	74,880	314,889
Treasury bills and bonds	155,761	-	-	-	91,972	112,250	359,983
Deposits with banks and other financial	2,401,610	503,065	548,445	65,497	341,197	177,045	4,036,859
Loans and advances	11,376,650	801,344	526,465	3,926	57,651	1,201,462	13,967,498
Non-trading investments	1,942,291	271,132	356,544	620,446	273,514	350,396	3,814,323
Other assets	420,674	28,001	8	-	1,005	41,287	490,975
Total funded exposures	16,499,462	1,604,005	1,431,462	689,869	802,409	1,957,320	22,984,527
Contingent liabilities	1,509,652	6,369	41,500	18,050	8,075	199,504	1,783,150
Undrawn loan commitments	707,171	182,458	116,513	5,010	8,407	15,335	1,034,894
Total unfunded exposures	2,216,823	188,827	158,013	23,060	16,482	214,839	2,818,044
TOTAL	18,716,285	1,792,832	1,589,475	712,929	818,891	2,172,159	25,802,571
	72.5%	6.9%	6.2%	2.8%	3.2%	8.4%	100.0%

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

TABLE - 7 SECTORAL CLASSIFICATION OF GROSS CREDIT EXPOSURES

	US\$ '000			%
	Funded	Unfunded	Total	
Banks and other financial institutions	6,791,684	500,667	7,292,351	28.2
Consumer/personal	3,028,687	86,161	3,114,848	12.1
Real estate	4,282,714	228,918	4,511,632	17.5
Trading and manufacturing	4,760,238	785,577	5,545,815	21.5
Government/public sector	1,381,372	7,509	1,388,881	5.4
Construction	494,550	611,642	1,106,192	4.3
Others	2,245,282	597,570	2,842,852	11.0
TOTAL	22,984,527	2,818,044	25,802,571	100.0
	89.1%	10.9%	100.0%	

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TABLE - 8 RESIDUAL CONTRACTUAL MATURITY

	<i>US\$ '000</i>							
	<i>One month Up to one month</i>	<i>One month to three months</i>	<i>Three months to one year</i>	<i>One to five years</i>	<i>Five to ten years</i>	<i>Ten to twenty years</i>	<i>Over Twenty years</i>	<i>Total</i>
Balances with central banks	314,889	-	-	-	-	-	-	314,889
Treasury bills and bonds	191,664	168,319	-	-	-	-	-	359,983
Deposits with banks and other financial institutions	2,745,643	810,383	480,833	-	-	-	-	4,036,859
Loans and advances	2,109,022	890,542	2,015,632	4,289,433	3,195,882	1,324,765	142,222	13,967,498
Non-trading investments	27,247	54,671	386,773	1,947,227	949,959	213,985	234,461	3,814,323
Other assets	149,980	229,919	22,875	53,274	27,632	7,130	165	490,975
Total funded exposures	5,538,445	2,153,834	2,906,113	6,289,934	4,173,473	1,545,880	376,848	22,984,527
Contingent liabilities	387,452	144,643	700,497	496,185	54,373	-	-	1,783,150
Undrawn loan commitments	6,878	371,164	129,435	489,413	38,004	-	-	1,034,894
Total unfunded exposures	394,330	515,807	829,932	985,598	92,377	-	-	2,818,044
TOTAL	5,932,775	2,669,641	3,736,045	7,275,532	4,265,850	1,545,880	376,848	25,802,571

TABLE - 9 SECTORAL BREAKDOWN OF IMPAIRED LOANS AND IMPAIRMENT PROVISION

	<i>US\$ '000</i>				
	<i>Impaired and past due loans</i>	<i>Specific impair- ment provisions</i>	<i>Net specific charge for the period ended 30 June 2010</i>	<i>Write off during the period ended 30 June 2010</i>	<i>Collective impairment provision</i>
Consumer/personal	218,874	177,908	21,354	597	19,414
Trading, manufacturing and services	78,328	55,777	2,867	-	22,796
Real estate	16,261	7,988	7,922	-	19,526
Banks and other financial institutions	13,372	12,805	283	-	5,660
Construction	75,685	61,441	570	-	14,185
Others	33,323	30,760	15,166	34	33,901
TOTAL	435,843	346,679	48,162	631	115,482

TABLE - 10 GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT PROVISIONS FOR LOANS AND ADVANCES

	US\$ '000						Total
	GCC countries	United Kingdom	Europe (excluding United Kingdom)	United States of America	Asia (excluding GCC countries)	Rest of the world	
Specific impairment provision	288,174	8,696	8,243	-	11,307	30,259	346,679
Collective impairment provision	95,794	4,206	1,784	-	187	13,511	115,482
TOTAL	383,968	12,902	10,027	-	11,494	43,770	462,161

TABLE - 11 MOVEMENT IN IMPAIRMENT PROVISIONS FOR LOANS AND ADVANCES

	US\$ '000							
	RETAIL			CORPORATE			TOTAL	
	Specific	Collective	Total	Specific	Collective	Total	Specific	Collective
Balance at 1 January 2010	113,877	24,654	138,531	173,835	51,829	225,664	287,712	76,483
Amounts written off during the period	(631)	-	(631)	-	-	-	(631)	-
Net charge for the period	9,711	(154)	9,557	38,451	30,952	69,403	48,162	30,798
Interest suspended during the year (net)	1,450	-	1,450	1,368	-	1,368	2,818	-
Exchange rate adjustments / other movements	(5,092)	-	(5,092)	13,710	8,201	21,911	8,618	8,201
Balance at 30 June 2010	119,315	24,500	143,815	227,364	90,982	318,346	346,679	115,482

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TABLE - 12 PAST DUE LOANS - AGE ANALYSIS

i) By Geographical area

	US\$ '000			Total
	Three months to one year	One to three years	Over three years	
GCC Countries	68,045	251,654	28,583	348,282
United Kingdom	9,979	9,136	599	19,714
Europe (excluding United Kingdom)	-	12,519	-	12,519
Asia (excluding GCC countries)	11,298	-	-	11,298
Rest of the world	38,323	1,966	3,741	44,030
TOTAL	127,645	275,275	32,923	435,843
	29.3%	63.2%	7.5%	100.0%

ii) By Sector

	US\$ '000			Total
	Three months to one year	One to three years	Over three years	
Consumer/personal	37,972	175,351	5,551	218,874
Trading, manufacturing and services	51,175	25,439	1,714	78,328
Real estate	7,125	9,136	-	16,261
Banks and other financial institutions	5,018	8,354	-	13,372
Construction	15,506	53,364	6,815	75,685
Others	10,849	3,631	18,843	33,323
TOTAL	127,645	275,275	32,923	435,843
	29.3%	63.2%	7.5%	100.0%

TABLE - 13 RESTRUCTURED CREDIT FACILITIES

	US\$ '000
Balance of any restructured credit facilities as at the period end	96,838
Loans restructured during the period	24,973

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

TABLE - 14 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	6,072,443	80,954	144,299
Interest rate related	6,677,083	79,080	111,294
Options	134,731	-	9,865
Derivatives credit exposure	12,884,257	160,034	265,458

Gross positive fair value represents the replacement cost of the derivatives

ii) Amounts of collateral 42,057

iii) Notional value of credit derivative exposures

Protection sold 5,000

TABLE - 15 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 Group has sufficient unutilised lines of credit as a back up for related party deposits.

The income, expense for the six month period ended 30 June 2010 and the period end balances at 30 June 2010 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	-	229	1,573	1,802
Interest expense	40,269	2	3	40,274
Fees and commissions	-	1,849	-	1,849
Deposits with banks and other financial institutions	24	166,170	-	166,194
Loans and advances	-	-	196,920	196,920
Deposits from banks and other financial institutions	-	19,978	-	19,978
Customers' deposits	4,688,678	23,869	16,616	4,729,163
Subordinated liabilities	90,565	-	-	90,565
Commitments and contingent liabilities (notional)	-	9,235	4,565	13,800
Derivatives (notional)	-	174,033	-	174,033

TABLE - 16 CAPITAL REQUIREMENT FOR COMPONENTS OF MARKET RISK

	<i>US\$ '000</i>		
	<i>Capital requirement</i>	<i>Maximum value</i>	<i>Minimum value</i>
Interest rate risk	10,065	12,709	10,065
Equity position risk	31	82	31
Foreign exchange risk	45,895	47,850	45,895
Options	379	379	59
TOTAL MARKET RISK CAPITAL REQUIREMENT BEFORE PROPORTIONATE AGGREGATION OF ASSOCIATES	56,370		
Add : Proportionate aggregation	15,159	15,260	7,058
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	71,529		

TABLE - 17 INTEREST RATE RISK

	<i>Less than three months</i>	<i>Three months to one year</i>	<i>Over one year</i>	<i>Total</i>
ASSETS				
Treasury bills and bonds	268,028	91,955	-	359,983
Deposits with banks and other financial institutions	3,506,554	464,053	9,672	3,980,279
Loans and advances	10,118,063	1,630,790	1,389,084	13,137,937
Non-trading investments	1,442,592	263,427	2,192,497	3,898,516
	15,335,237	2,450,225	3,591,253	21,376,715
LIABILITIES				
Deposits from banks and other financial institutions	4,962,770	961,133	1,864	5,925,767
Customers' deposits	8,852,937	4,181,534	580,784	13,615,255
Term debt	792,923	150,000	-	942,923
Subordinated liabilities	112,750	505,037	-	617,787
	14,721,380	5,797,704	582,648	21,101,732
On - balance sheet gap	613,857	(3,347,479)	3,008,605	
Off - balance sheet gap	2,862,307	(229,575)	(2,632,733)	
Total interest sensitivity gap	3,476,164	(3,577,054)	375,872	
Cumulative interest sensitivity gap	3,476,164	(100,890)	274,982	

TABLE - 18 EQUITY POSITION IN BANKING BOOK

	<i>US\$ '000</i>		
	<i>Gross exposures</i>	<i>Risk- weighted exposures</i>	<i>Capital requirement</i>
Listed	39,098	39,097	4,692
Unlisted	143,397	215,096	25,812
TOTAL	182,495	254,193	30,504

TABLE - 19 GAINS ON EQUITY INSTRUMENTS

	<i>US\$ '000</i>
Realised gains recognised in the statement of income	927
Unrealised (loss) gains recognised in the balance sheet:	
- Tier one (eligible portion)	(230)
- Tier two (eligible portion)	14,601

TABLE - 20 SENSITIVITY ANALYSIS - INTEREST RATE RISK

	<i>US\$ '000</i>
<u>ANNUALISED</u>	<u>Total</u>
at 25 bps increase	687
at 10 bps increase	275