

Ahli United Bank B.S.C.
Pillar III Disclosures - Basel II
30 June 2011

Ahli United Bank B.S.C.

Pillar III Disclosures - Basel II

Six month period ended 30 June 2011 (Unaudited)

Table 1	Capital structure.....	2
Table 2	Gross credit risk exposures subject to credit risk mitigants (CRM).....	3
Table 3	Eligible financial collateral and guarantees.....	3
Table 4	Credit risk exposure post CRM and credit conversion.....	4
Table 5	Capital requirement for credit, market and operational risks.....	4
Table 6	Geographic distribution of gross credit exposures.....	5
Table 7	Sectoral classification of gross credit exposures.....	5
Table 8	Residual contractual maturity.....	6
Table 9	Sectoral breakdown of impaired loans and impairment provisions.....	6
Table 10	Geographical distribution of impairment provisions for loans and advances.....	7
Table 11	Movement in impairment provisions for loans and advances.....	7
Table 12	Past due loans - age analysis.....	8
Table 13	Restructured credit facilities.....	8
Table 14	Counterparty credit risk in derivative transactions.....	9
Table 15	Related party transactions.....	9
Table 16	Capital requirement for components of market risk.....	10
Table 17	Interest rate risk.....	11
Table 18	Equity position in banking book.....	11
Table 19	Gains on equity instruments.....	11
Table 20	Sensitivity analysis - interest rate risk	11

Ahli United Bank B.S.C.

Pillar III Disclosures - Basel II

30 June 2011

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	1,367,145	
Less : Loans against Employee Stock Purchase Plan	(32,664)	
Reserves		
Share premium	539,483	
Capital reserve	-	
Statutory reserve	173,671	
Others	1,866	
Retained earnings	372,640	
Minority interest in the equity of subsidiaries	378,977	
Less : Goodwill	(527,548)	
Less : Unrealized gross losses arising from fair valuing equities	(769)	
Current period profit		161,725
Asset revaluation reserves- property, plant and equipment (45% only)		23,482
Unrealized gains arising from fair valuing equities (45% only)		10,642
Collective impairment provisions		221,100
Eligible subordinated term debt		644,689
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	2,272,801	1,061,638
Less : Regulatory deductions :		
Material holdings of equities	277,621	277,621
	1,995,180	784,017
Add : Proportionate aggregation	295,952	71,741
NET AVAILABLE CAPITAL	2,291,132	855,758
TOTAL ELIGIBLE CAPITAL BASE (Tier 1 + Tier 2)		3,146,890

B. CAPITAL ADEQUACY RATIO

As at 30 June 2011, 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	11.5%	18.1%	11.9%	13.2%
Total - Capital Adequacy Ratio	15.8%	20.1%	13.5%	14.4%

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

	<i>US\$ '000</i>	
	<i>Credit Risk Exposures</i>	
	<i>As at 30 June 2011</i>	<i>Average monthly balance</i>
Balances with central banks	362,910	353,900
Treasury bills and bonds	384,257	307,365
Deposits with banks and other financial institutions	5,418,676	5,428,005
Loans and advances	14,877,457	14,819,033
Non-trading investments	4,020,668	4,018,719
Other assets	406,269	370,333
TOTAL FUNDED EXPOSURES	25,470,237	25,297,355
Contingent liabilities	2,108,813	2,320,913
Undrawn loan commitments	491,497	473,189
TOTAL UNFUNDED EXPOSURES	2,600,310	2,794,102
TOTAL CREDIT RISK EXPOSURES	28,070,547	28,091,457

TABLE - 3 ELIGIBLE FINANCIAL COLLATERAL AND GUARANTEES

	<i>US\$ '000</i>	
	<i>Gross exposure</i>	<i>Eligible CRM</i>
Claims on sovereigns	3,419,295	-
Claims on public sector entities	841,744	128,327
Claims on banks	6,595,205	176,127
Claims on corporates	11,831,985	2,034,548
Regulatory retail exposures	1,754,266	22,410
Residential retail exposures	1,210,998	-
Equity	158,117	-
Investments in funds	199,234	-
Other exposures	1,969,246	32,131
TOTAL	27,980,090	2,393,543

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	106,738
Claims on public sector entities	479,630
Claims on banks	2,506,537
Claims on corporates	9,259,007
Regulatory retail exposures	1,298,892
Residential retail exposures	423,849
Equity	216,004
Investments in funds	298,850
Other exposures	1,862,764
	<u>16,452,271</u>
Add : Proportionate aggregation	1,599,020
TOTAL	<u><u>18,051,291</u></u>
TOTAL CREDIT RISK CAPITAL REQUIREMENT	<u><u>2,166,155</u></u>

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

	<i>US\$ '000</i>
	<i>Capital requirement</i>
Claims on sovereigns	12,809
Claims on public sector entities	57,556
Claims on banks	300,784
Claims on corporates	1,111,081
Regulatory retail exposures	155,867
Residential retail exposures	50,862
Equity	25,920
Investments in funds	35,862
Other exposures	223,532
	<u>1,974,273</u>
Add : Proportionate aggregation	191,882
TOTAL CREDIT RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	<u>2,166,155</u>
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	56,528
TOTAL OPERATIONAL RISK CAPITAL REQUIREMENT (BASIC INDICATOR APPROACH)	160,006
TOTAL	<u><u>2,382,689</u></u>

TABLE - 6 GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURES

	<i>US\$ '000</i>						<i>Total</i>
	<i>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>	
Balances with central banks	149,467	1,188	-	199,916	12,278	61	362,910
Treasury bills and bonds	-	-	-	258,954	125,303	-	384,257
Deposits with banks and other financial	2,617,981	1,290,218	802,677	81,875	330,122	295,803	5,418,676
Loans and advances	11,386,250	1,653,550	427,552	1,321,125	78,419	10,561	14,877,457
Non-trading investments	2,039,502	498,801	250,474	279,907	365,192	586,792	4,020,668
Other assets	304,480	45,412	6,009	45,468	632	4,268	406,269
Total funded exposures	16,497,680	3,489,169	1,486,712	2,187,245	911,946	897,485	25,470,237
Contingent liabilities	1,717,409	2,456	150,811	36,613	7,096	194,428	2,108,813
Undrawn loan commitments	240,947	148,343	41,191	3,821	60	57,135	491,497
Total unfunded exposures	1,958,356	150,799	192,002	40,434	7,156	251,563	2,600,310
TOTAL	18,456,036	3,639,968	1,678,714	2,227,679	919,102	1,149,048	28,070,547
	65.7%	13.0%	6.0%	7.9%	3.3%	4.1%	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

	<i>US\$ '000</i>			
	<i>Funded</i>	<i>Unfunded</i>	<i>Total</i>	<i>%</i>
Banks and other financial institutions	8,560,121	677,942	9,238,063	32.9
Consumer/personal	3,435,468	58,117	3,493,585	12.5
Real estate	4,558,209	136,547	4,694,756	16.7
Trading and manufacturing	4,309,990	749,856	5,059,846	18.0
Government/public sector	1,409,279	73,127	1,482,406	5.3
Construction	875,220	680,258	1,555,478	5.5
Others	2,321,950	224,463	2,546,413	9.1
TOTAL	25,470,237	2,600,310	28,070,547	100.0
	90.7%	9.3%	100.0%	

Ahli United Bank B.S.C.

Pillar III Disclosures - Basel II

30 June 2011

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	312,752	50,158	-	-	-	-	-	362,910
Treasury bills and bonds	145,570	132,854	105,833	-	-	-	-	384,257
Deposits with banks and other financial institutions	4,487,023	374,676	556,977	-	-	-	-	5,418,676
Loans and advances	2,170,556	1,569,783	1,315,177	4,591,004	3,819,019	1,304,718	107,200	14,877,457
Non-trading investments	77,238	9,842	476,508	2,275,087	795,547	199,410	187,036	4,020,668
Other assets	69,936	217,295	48,568	31,276	39,194	-	-	406,269
Total funded exposures	7,263,075	2,354,608	2,503,063	6,897,367	4,653,760	1,504,128	294,236	25,470,237
Contingent liabilities	583,434	341,801	515,884	636,500	25,403	5,791	-	2,108,813
Undrawn loan commitments	13,794	57,422	121,062	264,322	34,897	-	-	491,497
Total unfunded exposures	597,228	399,223	636,946	900,822	60,300	5,791	-	2,600,310
TOTAL	7,860,303	2,753,831	3,140,009	7,798,189	4,714,060	1,509,919	294,236	28,070,547

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 2011</i>	<i>Write off during the period ended 30 June 2011</i>	<i>Collective impairment provision</i>
Consumer/personal	111,119	99,568	12,111	9,207	34,652
Trading, manufacturing and services	73,240	63,155	4,060	-	41,338
Real estate	71,835	63,173	829	-	47,173
Banks and other financial institutions	11,402	4,492	(487)	-	10,646
Construction	64,883	60,998	804	-	8,142
Government/public sector	-	-	-	-	5,907
Others	41,488	32,728	794	454	6,292
TOTAL	373,967	324,114	18,111	9,661	154,150

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

	US\$ '000						Total
	GCC countries	United Kingdom	Europe (excluding United Kingdom)	Arab Republic of Egypt	Asia (excluding GCC countries)	Rest of the world	
Specific impairment provision	259,104	14,260	-	40,541	10,209	-	324,114
Collective impairment provision	113,053	18,938	5,481	15,448	641	589	154,150
TOTAL	372,157	33,198	5,481	55,989	10,850	589	478,264

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 2011	73,078	29,038	102,116	234,890	95,562	330,452	307,968	124,600
Amounts written off during the period	(9,661)	-	(9,661)	-	-	-	(9,661)	-
Net charge for the period	10,782	420	11,202	7,330	28,350	35,680	18,112	28,770
Interest suspended during the year (net)	(1,373)	-	(1,373)	515	-	515	(858)	-
Transfers	3,446	-	3,446	(3,446)	-	(3,446)	-	-
Exchange rate adjustments / other movements	1,760	-	1,760	6,793	780	7,573	8,553	780
Balance at 30 June 2011	78,032	29,458	107,490	246,082	124,692	370,774	324,114	154,150

30 June 2011

TABLE - 12 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	
GCC Countries	87,530	165,979	34,536	288,045
United Kingdom	209	19,805	-	20,014
Arab Republic of Egypt	16,591	36,574	1,639	54,804
Asia (excluding GCC countries)	-	-	11,104	11,104
TOTAL	104,330	222,358	47,279	373,967
	27.9%	59.5%	12.6%	100.0%

ii) By Sector

	US\$ '000			Total
	Three months to one year	One to three years	Over three years	
Consumer/personal	65,852	42,664	2,603	111,119
Trading, manufacturing and services	14,747	56,854	1,639	73,240
Real estate	7,427	64,408	-	71,835
Banks and other financial institutions	6,884	4,518	-	11,402
Construction	3,125	53,786	7,972	64,883
Others	6,295	128	35,065	41,488
TOTAL	104,330	222,358	47,279	373,967
	27.9%	59.5%	12.6%	100.0%

TABLE - 13 RESTRUCTURED CREDIT FACILITIES

	US\$ '000
Balance of any restructured credit facilities as at the period end	112,849
Loans restructured during the period	68,632

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	5,649,624	48,581	105,479
Interest rate related	4,729,857	55,868	81,749
Options	89,160	-	6,772
Derivatives credit exposure	10,468,641	104,449	194,000

Gross positive fair value represents the replacement cost of the derivatives

ii) Amounts of collateral

37,486

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 2011 and the period end balances at 30 June 2011 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	-	261	2,025	2,286
Interest expense	37,534	486	2	38,022
Fees and commissions	-	2,597	-	2,597
Deposits with banks and other financial institutions	25	59,752	-	59,777
Loans and advances	-	-	202,933	202,933
Deposits from banks and other financial institutions	-	38,040	-	38,040
Customers' deposits	5,527,436	742	18,343	5,546,521
Subordinated liabilities	92,905	-	-	92,905
Commitments and contingent liabilities (notional)	-	8,117	2,837	10,954
Derivatives (notional)	-	199,851	-	199,851

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	853	5,040	853
Equity position risk	31	31	31
Foreign exchange risk	48,156	48,156	47,962
Options	876	876	-
TOTAL MARKET RISK CAPITAL REQUIREMENT BEFORE PROPORTIONATE AGGREGATION OF ASSOCIATES	49,916		
Add : Proportionate aggregation	6,612	8,478	6,612
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	56,528		

TABLE - 17 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 bonds	268,952	115,305	-	384,257
Deposits with banks and other financial institutions	4,815,290	549,731	-	5,365,021
Loans and advances	10,702,326	2,047,937	2,125,570	14,875,833
Non-trading investments	1,022,385	485,876	2,489,687	3,997,948
	16,808,953	3,198,849	4,615,257	24,623,059
LIABILITIES				
Deposits from banks and other financial institutions	3,782,185	1,053,133	394	4,835,712
Customers' deposits	9,841,181	5,355,114	1,498,931	16,695,226
Term debt	950,677	-	-	950,677
Subordinated liabilities	113,421	672,019	-	785,440
	14,687,464	7,080,266	1,499,325	23,267,055
On - balance sheet gap	2,121,489	(3,881,417)	3,115,932	
Off - balance sheet gap	2,038,442	143,881	(2,182,323)	
Total interest sensitivity gap	4,159,931	(3,737,536)	933,609	
Cumulative interest sensitivity gap	4,159,931	422,395	1,356,004	

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	42,344	42,344	5,081
Unlisted	194,952	173,660	20,839
TOTAL	237,296	216,004	25,920

TABLE - 19 GAINS ON EQUITY INSTRUMENTS

	<i>US\$ '000</i>
Realised gains recognised in the statement of income	312
Unrealised (loss) gains recognised in the balance sheet:	
- Tier one (eligible portion)	(769)
- Tier two (eligible portion)	10,642

TABLE - 20 SENSITIVITY ANALYSIS - INTEREST RATE RISK

	<i>US\$ '000</i>
<u>ANNUALISED</u>	<u>Total</u>
at 25 bps increase	1,180
at 10 bps increase	472