

Ahli United Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 JUNE 2010

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF
AHLI UNITED BANK B.S.C.*****Introduction***


We have reviewed the accompanying interim condensed consolidated financial statements of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2010, comprising of the interim consolidated balance sheet as at 30 June 2010 and the related interim consolidated statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



28 July 2010
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Six month period ended 30 June 2010 (Unaudited)

	Note	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Interest income		215,727	236,342	423,818	491,344
Interest expense		93,661	119,012	184,586	266,986
Net interest income		122,066	117,330	239,232	224,358
Fees and commissions - net		29,777	38,566	61,713	81,737
Trading income - net		10,521	23,008	17,541	34,506
(Losses)gains on available-for-sale investments		(5,103)	7,591	(488)	29,851
Share of profit from associates and joint venture		14,123	11,062	23,591	23,227
Dividend income	3	687	1,073	13,329	12,016
Other operating income		2,267	973	4,010	6,545
		52,272	82,273	119,696	187,882
OPERATING INCOME		174,338	199,603	358,928	412,240
Provision for loan losses and contingencies - net		28,422	80,902	80,198	127,976
NET OPERATING INCOME		145,916	118,701	278,730	284,264
Staff costs		33,274	35,639	66,953	70,887
Depreciation		5,886	5,013	11,095	9,548
Other operating expenses		23,623	15,743	43,598	36,382
OPERATING EXPENSES		62,783	56,395	121,646	116,817
PROFIT BEFORE TAX		83,133	62,306	157,084	167,447
Income tax expense (credit)		4,672	(1,951)	7,123	(205)
NET PROFIT FOR THE PERIOD		78,461	64,257	149,961	167,652
Attributable to:					
Bank's equity shareholders		70,192	57,603	135,893	143,542
Non-controlling interest		8,269	6,654	14,068	24,110
		78,461	64,257	149,961	167,652
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD					
Basic and diluted earnings per ordinary share (US cents)	4	1.4	1.2	2.8	3.0

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six month period ended 30 June 2010 (Unaudited)

Note	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Net profit for the period	78,461	64,257	149,961	167,652
Other comprehensive income				
Directors' fees paid	-	-	(1,211)	(1,168)
Donations approved	-	-	(1,000)	(1,000)
Currency translation adjustments	(9,785)	22,030	(31,256)	(44,369)
Available-for-sale investments:				
Unrealised (Losses) gains	(55,033)	86,440	(22,791)	127,455
Transfers to interim consolidated statement of income	(2,893)	10,017	(5,948)	(10,521)
Cash flow hedges:				
Unrealised (Losses) gains	(4,210)	6,082	(6,980)	24,457
Transfers to interim consolidated statement of income	-	37,858	-	37,056
Revaluation of freehold land	(6)	349	(40)	(1,688)
Share of other comprehensive income of associates	9	223	358	652
Sale of treasury shares	-	-	119	(310)
Other comprehensive (loss) income	(71,704)	163,134	(68,455)	129,892
Total comprehensive income	6,757	227,391	81,506	297,544
Total comprehensive (loss) income attributable to:				
Bank's equity shareholders	(1,604)	212,262	66,176	294,272
Non-controlling interest	8,361	15,129	15,330	3,272
	6,757	227,391	81,506	297,544

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED BALANCE SHEET

30 June 2010 (Unaudited)

	<i>Note</i>	30 June 2010	<i>Audited 31 December 2009</i>
		US\$ '000	<i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		320,843	304,164
Treasury bills and bonds		359,983	969,114
Trading securities		129	376
Deposits with banks and other financial institutions		4,036,859	3,100,446
Loans and advances		13,967,498	13,299,999
Non-trading investments		4,213,481	3,898,592
Investment in associates and joint venture		575,631	537,099
Premises and equipment		356,092	355,956
Other assets		542,939	483,951
Goodwill and other intangible assets		708,859	624,286
TOTAL ASSETS		25,082,314	23,573,983
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		5,954,825	5,549,518
Customers' deposits		14,258,025	13,241,266
Term debts		942,923	950,054
Other liabilities		755,347	649,498
Subordinated liabilities		617,787	602,216
TOTAL LIABILITIES		22,528,907	20,992,552
EQUITY			
Ordinary share capital	5	1,223,189	1,193,589
Preference share capital	5	-	6,321
Reserves		974,936	1,013,613
Attributable to the Bank's equity shareholders		2,198,125	2,213,523
Non - controlling interest		355,282	367,908
TOTAL EQUITY		2,553,407	2,581,431
TOTAL LIABILITIES AND EQUITY		25,082,314	23,573,983

Fahad Al-Rajaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

Adel A. El-Labban
Group Chief Executive Officer
& Managing Director

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six month period ended 30 June 2010 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from (used in) operating activities	110,818	(559,002)
Net cash used in investing activities	(377,066)	(134,146)
Net cash used in financing activities	(92,432)	(159,662)
Foreign currency translation adjustments	(31,256)	(44,369)
DECREASE IN CASH AND CASH EQUIVALENTS	(389,936)	(897,179)
Cash and cash equivalents at 1 January	2,179,476	2,446,908
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,789,540	1,549,729
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	157,412	156,481
Deposits with banks and other financial institutions with an original maturity of three months or less	1,632,128	1,393,248
	1,789,540	1,549,729

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six month period ended 30 June 2010 (Unaudited)

Attributable to Bank's equity shareholders

Reserves

	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 9) US\$ '000	Total reserves US\$ '000	Not-contrasting interest US\$ '000	Total US\$ '000
Balance at 31 December 2009	1,195,254	6,321	(1,665)	538,397	146,696	261,233	100,383	(32,966)	1,013,613	567,908	2,581,431
Class B preference share dividend paid	-	-	-	-	-	-	(1,129)	-	(1,129)	-	(1,129)
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-
Issue of shares on AUBE acquisition (note 8)	18,540	-	-	16,882	-	-	-	-	16,882	-	35,422
Sale of treasury shares	-	-	1,665	-	-	-	-	-	-	-	1,665
Conversion of preference shares (note 5)	13,171	(9,601)	-	(1,173)	-	-	(2,397)	-	(3,370)	-	-
Equity shares surrendered	(3,776)	3,280	-	(1,112)	-	-	-	-	(1,112)	-	(1,608)
Ordinary share dividend paid	-	-	-	-	-	-	(97,043)	-	(97,043)	(2,097)	(99,140)
Additional acquisition in subsidiaries (note 8)	-	-	-	(16,273)	-	-	-	-	(16,273)	(19,312)	(35,585)
Other equity movements of a subsidiary	-	-	-	-	-	(2,608)	-	-	(2,608)	(6,547)	(9,155)
Total comprehensive income	-	-	-	-	-	135,893	(2,211)	(67,506)	66,176	15,330	81,506
Balance at 30 June 2010	1,223,189	-	-	536,621	146,696	394,518	-	(102,899)	974,936	355,282	2,553,407

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six month period ended 30 June 2009 (Unaudited)

	Attributable to Bank's equity shareholders										
	Reserves										
	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 9) US\$ '000	Total reserves US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2008	1,126,361	17,128	-	540,029	126,624	237,887	118,319	(171,113)	851,746	399,342	2,394,777
Class B preference share dividend paid	-	-	-	-	-	-	(3,493)	-	(3,493)	-	(3,493)
Bonus shares issued	36,917	-	-	-	-	(56,917)	-	-	(56,917)	-	-
Conversion of preference shares	11,756	(8,998)	-	2,281	-	-	(5,039)	-	(2,758)	-	-
Class B preference shares surrendered	20	(893)	-	(1,962)	-	-	-	-	(1,962)	-	(2,835)
Treasury shares purchased	-	-	(1,665)	-	-	-	-	-	-	-	(1,665)
Ordinary share dividend paid	-	-	-	-	-	-	(112,658)	-	(112,658)	(26,318)	(139,006)
Total comprehensive income	-	-	-	-	-	143,542	(2,168)	152,898	294,272	3,272	297,544
Balance at 30 June 2009	1,195,254	7,237	(1,665)	540,348	126,624	324,512	-	(23,254)	968,230	376,266	2,545,322

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

30 June 2010 (Unaudited)

1 ACCOUNTING POLICIES

The interim condensed consolidated financial statements of Ahli United Bank B.S.C. ("the Bank") and its subsidiaries (together known as "the Group") are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 28 July 2010.

2 BASIS OF CONSOLIDATION

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2009 except for the following which relate to disclosures:-

The Group has adopted the following new and amended International Accounting Standards/International Financial Reporting Standards as of 1 January 2010.

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.

Refer to note 8 for the impact of application of this standard to the Group's additional acquisition in Ahli United Bank Egypt S.A.E. (AUBE)

3 SEASONALITY OF RESULTS

Dividend income of US\$ 13,329 thousand for the six months ended 30 June 2010 (30 June 2009: US\$ 12,016 thousand) is of a seasonal nature.

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for basic earnings per share computation (US\$ '000)	<u>70,192</u>	<u>57,603</u>	<u>135,893</u>	<u>143,542</u>
Add: Staff costs - fair value amortisation of share based transactions	<u>-</u>	<u>277</u>	<u>-</u>	<u>554</u>
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	<u>70,192</u>	<u>57,880</u>	<u>135,893</u>	<u>144,096</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	<u>4,886</u>	<u>4,781</u>	<u>4,886</u>	<u>4,781</u>
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the convertible portion of Class B preference shares (million)	<u>-</u>	<u>4824</u>	<u>-</u>	<u>4824</u>
Basic and diluted earnings per ordinary share (US cents)	<u>1.4</u>	<u>1.2</u>	<u>2.8</u>	<u>3.0</u>

5 EQUITY**Conversion of Tranche III of Class B preference shares**

As per the terms of the issue of the Employee Share Purchase Plan (ESPP), tranche-III of the Class B preference shares issued under the ESPP were due for conversion to ordinary shares on 1 January 2010. Accordingly, on 1 January 2010, 52.7 million ordinary shares were issued on conversion of tranche-III of the Class B preference shares, including the bonus adjustment for the years 2005, 2006, 2007 and 2008 and the rights issue adjustment factor for 2007.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010 (Unaudited)

6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>30 June</i> 2010	<i>Audited</i> <i>31 December</i> 2009
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	1,425,048	1,395,462
Acceptances	73,392	45,394
Letters of credit	284,710	248,337
	1,783,150	1,689,193

7 SEGMENT INFORMATION

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

- Retail banking
- Corporate banking, treasury and investments
- Private banking and wealth management

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate, which approximates the cost of funds.

Segmental information for the period was as follows:

	<i>Retail</i> <i>banking</i>	<i>Corporate</i> <i>banking,</i> <i>treasury and</i> <i>investments</i>	<i>Private</i> <i>banking</i> <i>and wealth</i> <i>management</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Six months ended 30 June 2010:				
Net interest income	57,262	163,904	18,066	239,232
Intersegment interest	5,389	(2,786)	(2,603)	-
Fees and commissions - net	16,427	33,929	11,357	61,713
Other operating income	1,504	56,425	54	57,983
OPERATING INCOME	80,582	251,472	26,874	358,928
Provision for loan losses and contingencies - net	4,042	75,675	481	80,198
NET OPERATING INCOME	76,540	175,797	26,393	278,730
Operating expenses	46,698	61,742	13,206	121,646
PROFIT BEFORE TAX	29,842	114,055	13,187	157,084
Income tax expense	1,510	4,222	1,391	7,123
NET PROFIT FOR THE PERIOD	28,332	109,833	11,796	149,961
Less : Non - controlling interest				14,068
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				135,893

30 June 2010 (Unaudited)

7 SEGMENT INFORMATION (Continued)

	<i>Retail banking</i>	<i>Corporate banking, treasury and investments</i>	<i>Private banking and wealth management</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Six months ended 30 June 2009:				
Net interest income	85,610	117,805	20,943	224,358
Intersegment interest	(5,185)	9,467	(4,282)	-
Fees and commissions - net	17,714	51,647	12,376	81,737
Other operating income	1,024	104,857	264	106,145
OPERATING INCOME	99,163	283,776	29,301	412,240
Provision for loan losses and contingencies - net	16,204	112,020	(248)	127,976
NET OPERATING INCOME	82,959	171,756	29,549	284,264
Operating expenses	48,787	55,647	12,383	116,817
PROFIT BEFORE TAX	34,172	116,109	17,166	167,447
Income tax expense (credit)	772	(2,481)	1,504	(205)
NET PROFIT FOR THE PERIOD	33,400	118,590	15,662	167,652
Less : Non-controlling interest				24,110
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				143,542

8 Ahli United Bank Egypt S.A.E (AUBE) acquisition

During the year, AUB's equity stake in AUBE increased to 79.6% following a Mandatory Dual Tender Offer to AUBE's shareholders which concluded on 17 January 2010. This resulted in AUB acquiring 26.6 million AUBE shares at Egyptian Pounds (LE) 37 per share. The purchase consideration was settled by payment in cash of LE 688.8 million (under the cash offer), the issue of 74.2 million AUB ordinary shares and the issue of US\$ 18.0 million subordinated bonds under the securities offer. The excess of the purchase consideration over the share of net asset value acquired was debited to shareholders' equity in the period as prescribed under IAS 27 - Consolidated and Separate Financial Statements.

Subsequent to the balance sheet date, AUB's equity stake in AUBE increased from 79.6% to 85.1% following a second tender offer to AUBE's shareholders which concluded on 08 July 2010. This resulted in AUB acquiring an additional 3.3 million AUBE shares at Egyptian Pounds (LE) 37 per share. Following consummation of the tender offer, AUBE shares have now been voluntarily delisted from The Egyptian Stock Exchange.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010 (Unaudited)

9 MOVEMENT IN OTHER RESERVES

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>
				<i>Available- for-sale reserve</i>	<i>Cash flow hedge reserve</i>	<i>ESPP reserve</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2010	307	73,384	11,628	(90,887)	(29,825)	2,397	(32,996)
Currency translation adjustments	-	-	(25,781)	-	-	-	(25,781)
Share of changes in fair value reserve of associates	-	-	-	652	-	-	652
Net realised gains recycled to interim consolidated statement of income	-	-	-	(5,194)	-	-	(5,194)
Net fair value movements during the period	-	-	-	(30,282)	(6,980)	-	(37,262)
Fair value amortisation of share based transaction	-	-	-	-	-	-	-
Sale of treasury shares	119	-	-	-	-	-	119
Conversion of preference shares	-	-	-	-	-	(2,397)	(2,397)
Revaluation of freehold land	-	(40)	-	-	-	-	(40)
Balance at 30 June 2010	426	73,344	(14,153)	(125,711)	(36,805)	-	(102,899)

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>
				<i>Available- for-sale reserve</i>	<i>Cash flow hedge reserve</i>	<i>ESPP reserve</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2009	307	121,106	38,419	(251,621)	(85,652)	6,328	(171,113)
Currency translation adjustments	-	-	(31,681)	-	-	-	(31,681)
Share of changes in fair value reserve of associates	-	-	-	(330)	-	-	(330)
Net realised (gains) losses recycled to consolidated statement of income	-	-	-	(862)	37,056	-	36,194
Net fair value movements during the period	-	-	-	125,392	24,457	-	149,849
Fair value amortisation of share based transaction	-	-	-	-	-	554	554
Conversion of preference shares	-	-	-	-	-	(5,039)	(5,039)
Revaluation of freehold land	-	(1,688)	-	-	-	-	(1,688)
Balance at 30 June 2009	307	119,418	6,738	(127,421)	(24,139)	1,843	(23,254)

The net fair value movements during 2010 in the Bank's available for sale investment reserve and hedge reserve are unrealised in nature and have arisen as a result of decline in the long term swap rates and negative economic sentiments following the eurozone crisis. The Group's intention is to hold them until maturity and therefore these temporary movements are not expected to impact our operational performance.