

Ahli United Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2011

**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 31 March 2011, comprising of the interim consolidated balance sheet as at 31 March 2011 and the related interim consolidated statements of income, changes in equity and cash flows for the three-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.



17 April 2011
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Three month period ended 31 March 2011 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
<i>Note</i>	2011	2010
	US\$ '000	US\$ '000
Interest income	238,943	208,454
Interest expense	102,201	90,925
Net interest income	<u>136,742</u>	<u>117,529</u>
Fees and commissions - net	29,223	31,936
Trading income - net	6,203	7,020
Gains on available-for-sale investments	169	7,581
Share of profit from associates	15,897	9,468
Other operating income	3,004	14,385
	<u>54,496</u>	<u>70,390</u>
OPERATING INCOME	<u>191,238</u>	<u>187,919</u>
Provision for loan losses and contingencies - net	17,559	51,776
Provision for non-trading investments	18,377	2,966
NET OPERATING INCOME	<u>155,302</u>	<u>133,177</u>
Staff costs	36,208	33,679
Depreciation	5,992	5,209
Other operating expenses	19,338	18,950
OPERATING EXPENSES	<u>61,538</u>	<u>57,838</u>
PROFIT BEFORE TAX	93,764	75,339
Tax expense	7,626	3,839
NET PROFIT FOR THE PERIOD	<u>86,138</u>	<u>71,500</u>
Attributable to:		
Bank's equity shareholders	77,300	65,701
Non-controlling interest	8,838	5,799
	<u>86,138</u>	<u>71,500</u>
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD		
Basic and diluted earnings per share (US cents)	4	1.3
	<u>1.6</u>	<u>1.3</u>

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

Three month period ended 31 March 2011 (Unaudited)

	<i>Three months ended</i>		<i>Three months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2011</i>	<i>2010</i>	<i>2010</i>	<i>2010</i>
<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Net profit for the period		86,138		71,500
Other comprehensive income				
Directors' fees paid		-		(1,211)
Donations approved		(1,000)		(1,000)
Foreign currency translation adjustments		26		(21,471)
Available-for-sale investments:				
(Losses) gains arising during the period		(12,457)		32,242
Transfers to interim consolidated statement of income		19	(12,438)	(3,055)
				29,187
Cash flow hedges:				
Gains (losses) arising during the period		3,275		(2,770)
Transfers to interim consolidated statement of income		134	3,409	-
				(2,770)
Revaluation of freehold land		(1,688)		(34)
Share of other comprehensive income of associates	9	769		429
Sale of treasury shares		-		119
Other comprehensive income for the period		(10,922)		3,249
Total comprehensive income for the period		75,216		74,749
Total comprehensive income attributable to:				
Bank's equity shareholders		65,240		67,780
Non-controlling interest		9,976		6,969
		75,216		74,749

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

31 March 2011 (Unaudited)

	<i>Note</i>	<i>31 March 2011</i>	<i>Audited 31 December 2010</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		343,865	361,376
Treasury bills and bonds		322,830	301,127
Trading securities		129	130
Deposits with banks and other financial institutions		6,166,439	4,767,843
Loans and advances		14,640,815	14,477,713
Non-trading investments		4,397,973	4,413,172
Investment in associates and joint venture		589,404	605,679
Premises and equipment		376,483	373,094
Interest receivable and other assets		470,647	440,969
Goodwill and other intangible assets		717,646	716,358
TOTAL ASSETS		28,026,231	26,457,461
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		5,666,117	6,610,284
Customers' deposits		17,423,801	14,835,796
Term debts		949,634	946,562
Interest payable and other liabilities		676,206	693,689
Subordinated liabilities		620,540	618,955
TOTAL LIABILITIES		25,336,298	23,705,286
EQUITY			
Ordinary share capital	5	1,242,294	1,223,188
Preference share capital	5	-	13,937
Reserves		1,092,548	1,155,056
Attributable to the Bank's equity shareholders		2,334,842	2,392,181
Non - controlling interest		355,091	359,994
TOTAL EQUITY		2,689,933	2,752,175
TOTAL LIABILITIES AND EQUITY		28,026,231	26,457,461

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

Three month period ended 31 March 2011 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	1,238,186	905,466
Net cash used in investing activities	(12,388)	(10,980)
Net cash used in financing activities	(120,405)	(113,505)
Foreign currency translation adjustments	26	(21,471)
INCREASE IN CASH AND CASH EQUIVALENTS	1,105,419	759,510
Cash and cash equivalents at 1 January	2,963,158	2,179,485
CASH AND CASH EQUIVALENTS AT 31 MARCH	4,068,577	2,938,995
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	111,622	999,107
Deposits with banks and other financial institutions with an original maturity of three months or less	3,956,955	1,939,888
	4,068,577	2,938,995

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

Three month period ended 31 March 2011 (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 2010	1,223,188	13,937	-	542,269	173,246	373,886	123,846	(58,191)	1,155,056	359,994	2,752,175
Class B preference dividend paid	-	-	-	-	-	-	(149)	-	(149)	-	(149)
Issue of shares on AUBE acquisition	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Conversion of preference shares (note 5)	19,119	(13,937)	-	(2,674)	-	-	-	(1,833)	(4,507)	-	675
Equity shares surrendered	(13)	-	-	(29)	-	-	-	-	(29)	-	(42)
Ordinary share dividend paid	-	-	-	-	-	-	(122,697)	-	(122,697)	(14,184)	(136,881)
Additional acquisition in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	77,300	(1,000)	(11,060)	65,240	9,976	75,216
Other equity movements of a subsidiary	-	-	-	-	-	(366)	-	-	(366)	(695)	(1,061)
Balance at 31 March 2011	1,242,294	-	-	539,566	173,246	450,820	-	(71,084)	1,092,548	355,091	2,689,933

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

Three month period ended 31 March 2011 (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 2009	1,195,254	6,321	(1,665)	538,297	146,696	261,233	100,383	(32,996)	1,013,613	367,908	2,581,431
Class B preference dividend paid	-	-	-	-	-	-	(1,129)	-	(1,129)	-	(1,129)
Issue of shares on AUBE acquisition	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)	(3,570)	-	-
Equity shares surrendered	(3,280)	3,280	-	-	-	-	-	-	-	-	-
Ordinary share dividend paid	-	-	-	-	-	-	(97,043)	-	(97,043)	-	(97,043)
Additional acquisition in subsidiaries	-	-	-	(16,382)	-	-	-	-	(16,382)	(16,705)	(33,087)
Total comprehensive income for the period	-	-	-	-	-	65,701	(2,211)	4,290	67,780	6,969	74,749
Balance at 31 March 2010	1,223,685	-	-	537,624	146,696	326,934	-	(31,103)	980,151	358,172	2,562,008

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011 (Unaudited)

1 CORPORATE INFORMATION

Ahli United Bank B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain on 31 May 2000 originally as a closed company and changed on 12 July 2000 to a public shareholding company by Amiri Decree number 16/2000. The Bank and its subsidiaries (collectively known as the Group) are engaged in retail, commercial, Islamic and investment banking business, global fund management and private banking services through 88 branches, as at 31 March 2011, in the Kingdom of Bahrain, the State of Kuwait, the Arab Republic of Egypt, Republic of Iraq and the United Kingdom. It also operates in the State of Qatar, Sultanate of Oman and Great Socialist People's Libyan Arab Jamahiriya (Libya) through its managed associates with a network of 42 branches as at 31 March 2011.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Bank and the Group are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34").

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 2010, except for the adoption of new standards and interpretation as at 1 January 2011 noted below:

- IAS 24 Related Party Disclosures (Revised)

The amended standard clarified the definition of a related party and laid down additional requirement for disclosure of outstanding commitments to related parties. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2011 were authorised for issue in accordance with a resolution of the directors on 17 April 2011.

3 OTHER OPERATING INCOME

Other operating income includes income amounting to US\$ 1,523 thousand for the three months ended 31 March 2011 (31 March 2010: US\$ 12,642 thousand) which is of a seasonal nature.

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>	
	<i>2011</i>	<i>2010</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for basic earnings per share computation (US\$ '000)	77,300	65,701
Weighted average ordinary shares outstanding during the period including the shares issued for purchase of additional shares of AUBE (in million)	4,964	4,888
Basic and diluted earnings per share (US cents)	1.6	1.3
Issued and fully paid ordinary shares of US\$ 0.25 each (in million)	4,984	4,908

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011 (Unaudited)

5 EQUITY

Conversion of Tranche IV, V & VI of Class B preference shares

As per the terms of the issue of the Employee Share Purchase Plan (ESPP), tranche - IV, V, VI of the Class B preference shares issued under the ESPP were due for conversion to ordinary shares on 1 January 2011. Accordingly, on 1 January 2011, 76.5 million ordinary shares were issued on conversion of tranche - IV, V and VI 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.

6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>31 March</i>	<i>Audited</i>
	<i>2011</i>	<i>31 December</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	1,587,521	1,448,486
Acceptances	68,359	70,196
Letters of credit	364,384	372,315
	2,020,264	1,890,997

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

31 March 2011 (Unaudited)

7 SEGMENT INFORMATION (continued)

Segmental information for the period was as follows:

	<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>
Three months ended 31 March 2011:				
Net interest income	17,254	110,082	9,406	136,742
Intersegment interest	7,704	(6,816)	(888)	-
Fees and commissions - net	6,228	16,875	6,120	29,223
Other operating income	476	24,791	6	25,273
OPERATING INCOME	31,662	144,932	14,644	191,238
Impairment provision - net	312	34,562	1,062	35,936
NET OPERATING INCOME	31,350	110,370	13,582	155,302
Operating expenses	21,401	33,434	6,703	61,538
PROFIT BEFORE TAX	9,949	76,936	6,879	93,764
Tax expense	773	5,825	1,028	7,626
NET PROFIT FOR THE PERIOD	9,176	71,111	5,851	86,138
Less : Non-controlling interest				8,838
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				77,300

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011 (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>
Three months ended 31 March 2010:				
Net interest income	31,052	78,478	7,999	117,529
Intersegment interest	785	(243)	(542)	-
Fees and commissions - net	8,450	17,859	5,627	31,936
Other operating income	601	37,822	31	38,454
OPERATING INCOME	40,888	133,916	13,115	187,919
Impairment provision - net	5,639	32,122	16,981	54,742
NET OPERATING INCOME	35,249	101,794	(3,866)	133,177
Operating expenses	23,327	28,160	6,351	57,838
PROFIT BEFORE TAX	11,922	73,634	(10,217)	75,339
Tax expense	770	2,938	131	3,839
NET PROFIT (LOSS) FOR THE PERIOD	11,152	70,696	(10,348)	71,500
Less : Non-controlling interest				5,799
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				65,701

8 REGULATORY CAPITAL

On 31 March 2011, the Bank, with regulatory consents and approval by the shareholders at the Extraordinary General Assembly held on 8 March 2011, concluded agreements with IFC Capitalization (Equity) Fund L.P. and IFC Capitalization (Subordinated Debt) Fund L.P. (jointly launched by International Finance Corporation "IFC" and the Japan Bank for International Cooperation "JBIC") to raise US\$ 125 million Tier-I qualifying capital through a fully paid Mandatorily Convertible Preference Shares (MCPS) issue and US\$ 165 million Tier-II qualifying 10 year subordinated debt facility. The mandatorily convertible preference shares are entitled to an annual, non-cumulative, preference dividend at twelve-month LIBOR fixed at the beginning of each year plus a margin of 2.5% and are convertible at a price of US\$ 82.5 cents per share. The subordinated debt facility carries interest at six-month LIBOR plus a margin of 3.75%.

Additionally, an agreement was also executed between the Bank and IFC extending the maturity of the existing Tier II subordinated debt of US\$ 200 million to 15 December 2018 from its existing maturity of 15 December 2016. This subordinated liability carries an interest of six-month LIBOR plus a margin of 1.23%.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011 (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 2011	425	53,842	(4,406)	(76,068)	(33,673)	1,689	(58,191)
Currency translation adjustments	-	-	(1,516)	-	-	-	(1,516)
Share of changes in fair value reserve of associates	-	-	-	769	-	-	769
Transfers to consolidated statement of income	-	-	-	19	134	-	153
Net fair value movements during the period	-	-	-	(12,197)	3,275	-	(8,922)
Fair value amortisation of share based transaction	-	-	-	-	-	144	144
Sale of treasury shares	-	-	-	-	-	-	-
Conversion of preference shares	-	-	-	-	-	(1,833)	(1,833)
Revaluation of freehold land	-	(1,688)	-	-	-	-	(1,688)
Balance at 31 March 2011	425	52,154	(5,922)	(87,477)	(30,264)	-	(71,084)

	<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	-	-	(16,332)	-	-	-	(16,332)
Share of changes in fair value reserve of associates	-	-	-	429	-	-	429
Transfers to consolidated statement of income	-	-	-	(3,082)	-	-	(3,082)
Net fair value movements during the period	-	-	-	25,960	(2,770)	-	23,190
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	-	(34)	-	-	-	-	(34)
Balance at 31 March 2010	426	73,350	(4,704)	(67,580)	(32,595)	-	(31,103)