

Ahli United Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2011

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

Introduction

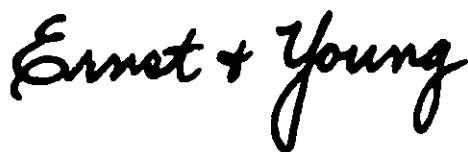
We have reviewed the accompanying interim condensed consolidated financial statements of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2011, comprising of the interim consolidated balance sheet as at 30 June 2011 and the related interim consolidated statements 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.



13 July 2011
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Six month period ended 30 June 2011 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2011 US\$ '000	2010 US\$ '000	2011 US\$ '000	2010 US\$ '000
Interest income		247,403	215,727	486,346	423,818
Interest expense		104,647	93,661	206,848	184,586
Net interest income		142,756	122,066	279,498	239,232
Fees and commissions - net		31,327	29,777	60,550	61,713
Trading income - net		7,558	10,521	13,761	17,541
Gains on available-for-sale investments		3,419	2,066	3,588	9,647
Share of profit from associates and joint venture		15,293	14,123	31,190	23,591
Other operating income	3	12,952	2,954	15,956	17,339
		70,549	59,441	125,045	129,831
OPERATING INCOME		213,305	181,507	404,543	369,063
Provision for loan losses and contingencies - net		10,507	28,422	28,066	80,198
Provision for non-trading investments		33,765	7,169	52,142	10,135
NET OPERATING INCOME		169,033	145,916	324,335	278,730
Staff costs		35,554	33,274	71,762	66,953
Depreciation		6,529	5,886	12,521	11,095
Other operating expenses		21,975	22,602	41,313	41,524
OPERATING EXPENSES		64,058	61,762	125,596	119,572
PROFIT BEFORE TAX		104,975	84,154	198,739	159,158
Tax expense		9,658	5,693	17,284	9,197
NET PROFIT FOR THE PERIOD		95,317	78,461	181,455	149,961
Attributable to:					
Bank's equity shareholders		84,425	70,192	161,725	135,893
Non-controlling interest		10,892	8,269	19,730	14,068
		95,317	78,461	181,455	149,961
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD					
Basic earnings per ordinary share (US cents)	4	1.7	1.4	3.3	2.8
Diluted earnings per share (US cents)	4	1.6	1.4	3.2	2.8

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 2011 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</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	<u>95,317</u>	<u>78,461</u>	<u>181,455</u>	<u>149,961</u>
Other comprehensive income				
Directors' fees paid	-	-	-	(1,211)
Donations approved	-	-	(1,000)	(1,000)
Foreign currency translation adjustments	10,271	(9,785)	10,297	(31,256)
Available-for-sale investments:				
Losses arising during the period	(749)	(55,033)	(13,206)	(22,791)
Transfers to interim consolidated statement of income	(2,640)	(2,893)	(2,621)	(5,948)
Cash flow hedges:				
(Losses) gains arising during the period	(1,033)	(4,210)	2,242	(6,980)
Transfers to interim consolidated statement of income	7	-	141	-
Revaluation of freehold land	29	(6)	(1,659)	(40)
Share of other comprehensive income of associates	9	164	223	933
Sale of treasury shares	-	-	-	119
Other comprehensive income for the period	<u>6,049</u>	<u>(71,704)</u>	<u>(4,873)</u>	<u>(68,455)</u>
Total comprehensive income for the period	<u>101,366</u>	<u>6,757</u>	<u>176,582</u>	<u>81,506</u>
Total comprehensive income attributable to:				
Bank's equity shareholders	88,105	(1,604)	153,345	66,176
Non-controlling interest	13,261	8,361	23,237	15,330
	<u>101,366</u>	<u>6,757</u>	<u>176,582</u>	<u>81,506</u>

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 2011 (Unaudited)

	<i>Note</i>	<i>30 June</i> <i>2011</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2010</i> <i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		418,671	361,376
Treasury bills and bonds		384,257	301,127
Trading securities		132	130
Deposits with banks and other financial institutions		5,418,676	4,767,843
Loans and advances		14,877,457	14,477,713
Non-trading investments		4,406,072	4,413,172
Investment in associates and joint venture		606,242	605,679
Premises and equipment		380,066	373,094
Interest receivable and other assets		436,484	440,969
Goodwill and other intangible assets		720,913	716,358
TOTAL ASSETS		27,648,970	26,457,461
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		4,879,761	6,610,284
Customers' deposits		17,405,218	14,835,796
Term debts		950,677	946,562
Interest payable and other liabilities		702,062	693,689
Subordinated liabilities	8	785,440	618,955
TOTAL LIABILITIES		24,723,158	23,705,286
EQUITY			
Ordinary share capital	5	1,242,145	1,223,188
Preference share capital	8	125,000	13,937
Reserves		1,179,690	1,155,056
Attributable to the Bank's equity shareholders		2,546,835	2,392,181
Non - controlling interest		378,977	359,994
TOTAL EQUITY		2,925,812	2,752,175
TOTAL LIABILITIES AND EQUITY		27,648,970	26,457,461

Fahad Al-Rajaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

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

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six month period ended 30 June 2011 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	1,108,491	110,818
Net cash used in investing activities	(38,215)	(377,066)
Net cash from (used in) financing activities	143,330	(92,432)
Foreign currency translation adjustments	10,297	(31,256)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,223,903	(389,936)
Cash and cash equivalents at 1 January	2,963,158	2,179,476
CASH AND CASH EQUIVALENTS AT 30 JUNE	4,187,061	1,789,540
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	359,609	157,412
Deposits with banks and other financial institutions with an original maturity of three months or less	3,827,452	1,632,128
	4,187,061	1,789,540

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 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 share dividend paid	-	-	-	-	-	-	(149)	-	(149)	-	(149)
Preference share issued (note 8)	-	125,000	-	-	-	-	-	-	-	-	125,000
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	(162)	-	-	(113)	-	-	-	-	(113)	-	(275)
Ordinary share dividend paid	-	-	-	-	-	-	(122,697)	-	(122,697)	-	(122,697)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(14,262)	(14,262)
Total comprehensive income for the period	-	-	-	-	-	161,725	(1,000)	(7,380)	153,345	23,237	176,582
Other equity movements of a subsidiary	-	-	-	-	-	(1,245)	-	-	(1,245)	10,008	8,763
Balance at 30 June 2011	1,242,145	125,000	-	539,482	173,246	534,366	-	(67,404)	1,179,690	378,977	2,925,812

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 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 share dividend paid	-	-	-	-	-	-	(1,129)	-	(1,129)	-	(1,129)
Preference share issued	-	-	-	-	-	-	-	-	-	-	-
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	13,171	(9,601)	-	(1,173)	-	-	(2,397)	-	(3,570)	-	-
Equity shares surrendered	(3,776)	3,280	-	(1,112)	-	-	-	-	(1,112)	-	(1,608)
Ordinary share dividend paid	-	-	-	-	-	-	(97,043)	-	(97,043)	-	(97,043)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(2,097)	(2,097)
Additional acquisition in subsidiaries	-	-	-	(16,273)	-	-	-	-	(16,273)	(19,312)	(35,585)
Total comprehensive income for the period	-	-	-	-	-	135,893	(2,211)	(67,506)	66,176	15,330	81,506
Other equity movements of a subsidiary	-	-	-	-	-	(2,608)	-	-	(2,608)	(6,547)	(9,155)
Balance at 30 June 2010	1,223,189	-	-	536,621	146,696	394,518	-	(102,899)	974,936	355,282	2,553,407

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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, 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.

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 six-month period ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 13 July 2011.

3 OTHER OPERATING INCOME

Other operating income includes income amounting to US\$ 10,952 thousand for the six months ended 30 June 2011 (30 June 2010: US\$ 13,329 thousand) which is of a seasonal nature.

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for earnings per share computation (US\$ '000)	84,425	70,192	161,725	135,893
Weighted average ordinary shares outstanding during the period (in million)	4,963	4,886	4,963	4,886
Weighted average ordinary shares adjusted for dilutive effect of the II-C Mandatory Convertible Preference Shares (in million)	5,114	-	5,114	-
Basic earnings per share (US cents)	1.7	1.4	3.3	2.8
Diluted earnings per ordinary share (US cents)	1.6	1.4	3.2	2.8
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

30 June 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>Audited</i>
	<i>30 June 31 December</i>
	<i>2011 2010</i>
	<i>US\$ '000 US\$ '000</i>
Guarantees	1,602,346 1,448,486
Acceptances	67,819 70,196
Letters of credit	438,646 372,315
	<u>2,108,811 1,890,997</u>

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.

Share of profit from associates has been allocated to the business segments based on group management reporting.

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>
Six months ended 30 June 2011:				
Net interest income	39,157	223,898	16,443	279,498
Intersegment interest	17,510	(19,283)	1,773	-
Fees and commissions - net	15,218	33,356	11,976	60,550
Share of profit from associates and joint venture	9,905	20,098	1,187	31,190
Other operating income	1,125	32,269	(89)	33,305
OPERATING INCOME	82,915	290,338	31,290	404,543
Impairment provision - net	1,613	77,141	1,454	80,208
NET OPERATING INCOME	81,302	213,197	29,836	324,335
Operating expenses	47,508	63,602	14,486	125,596
PROFIT BEFORE TAX	33,794	149,595	15,350	198,739
Tax expense	2,093	13,491	1,700	17,284
NET PROFIT FOR THE PERIOD	31,701	136,104	13,650	181,455
Less : Non - controlling interest				19,730
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				<u>161,725</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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>
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
Share of profit from associates and joint venture	5,991	17,470	130	23,591
Other operating income	1,494	42,979	54	44,527
OPERATING INCOME	86,563	255,496	27,004	369,063
Impairment provision - net	4,042	85,810	481	90,333
NET OPERATING INCOME	82,521	169,686	26,523	278,730
Operating expenses	46,241	60,116	13,215	119,572
PROFIT BEFORE TAX	36,280	109,570	13,308	159,158
Tax expense	1,967	5,848	1,382	9,197
NET PROFIT FOR THE PERIOD	34,313	103,722	11,926	149,961
Less : Non-controlling interest				14,068
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				135,893

8 REGULATORY CAPITAL

During the period, 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

30 June 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	-	-	6,271	-	-	-	6,271
Share of changes in fair value reserve of associates	-	-	-	933	-	-	933
Transfers to consolidated statement of income	-	-	-	(2,621)	141	-	(2,480)
Net fair value movements during the period	-	-	-	(12,831)	2,242	-	(10,589)
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	-	(1,659)	-	-	-	-	(1,659)
Balance at 30 June 2011	425	52,183	1,865	(90,587)	(31,290)	-	(67,404)

	<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
Transfer to 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)