

Ahli United Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2012

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

Introduction

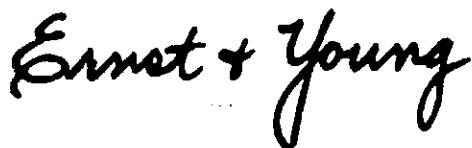
We have reviewed the accompanying interim condensed consolidated financial statements of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2012, comprising of the interim consolidated balance sheet as at 30 June 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and condensed 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 Accounting 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.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

30 July 2012
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Six month period ended 30 June 2012 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>		
	<i>30 June</i>		<i>30 June</i>		
	<i>Note</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
Interest income		267,514	247,403	525,813	486,346
Interest expense		111,349	104,647	218,877	206,848
Net interest income		156,165	142,756	306,936	279,498
Fees and commissions		32,184	31,327	63,967	60,550
Trading income		9,077	7,558	15,401	13,761
Net gains on investments		1,492	3,419	2,263	3,588
Share of profit from associates and joint venture		16,499	15,293	32,375	31,190
Other operating income	3	6,656	12,952	11,640	15,956
		65,908	70,549	125,646	125,045
OPERATING INCOME		222,073	213,305	432,582	404,543
Net provision for loan losses and others		25,993	10,507	42,354	28,066
Provision for non-trading investments		20,840	33,765	50,607	52,142
NET OPERATING INCOME		175,240	169,033	339,621	324,335
Staff costs		35,585	35,554	71,948	71,762
Depreciation		6,194	6,529	12,110	12,521
Other operating expenses		24,489	21,975	45,576	41,313
OPERATING EXPENSES		66,268	64,058	129,634	125,596
PROFIT BEFORE TAX		108,972	104,975	209,987	198,739
Tax expense		9,752	9,658	17,813	17,284
NET PROFIT FOR THE PERIOD		99,220	95,317	192,174	181,455
Attributable to:					
Bank's equity shareholders		87,515	84,425	169,931	161,725
Non-controlling interest		11,705	10,892	22,243	19,730
		99,220	95,317	192,174	181,455
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD					
Basic earnings per ordinary share (US cents)	4	1.7	1.6	3.3	3.1
Diluted earnings per share (US cents)	4	1.7	1.5	3.2	3.0

The attached notes 1 to 7 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 2012 (Unaudited)

	Note	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Net profit for the period		99,220	95,317	192,174	181,455
Other comprehensive income					
Donations approved		-	-	(1,000)	(1,000)
Foreign currency translation adjustments		(13,701)	10,271	(8,833)	10,297
Available-for-sale investments:					
(Losses) gains arising during the period		(30,019)	(749)	34,668	(13,206)
Transfers to interim consolidated statement of income		(1,559)	(2,640)	(1,010)	(2,621)
Cash flow hedges:					
(Losses) gains arising during the period		(1,303)	(1,033)	742	2,242
Transfers to interim consolidated statement of income		(17)	7	(2,466)	141
Revaluation of freehold land		(23)	29	(20)	(1,659)
Share of other comprehensive income of associates	7	1,351	164	1,931	933
Other comprehensive income for the period		(45,271)	6,049	24,012	(4,873)
Total comprehensive income for the period		53,949	101,366	216,186	176,582
Total comprehensive income attributable to:					
Bank's equity shareholders		47,631	88,105	199,477	153,345
Non-controlling interest		6,318	13,261	16,709	23,237
		53,949	101,366	216,186	176,582

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED BALANCE SHEET

30 June 2012 (Unaudited)

	<i>30 June</i>	<i>Audited</i>
	<i>2012</i>	<i>31 December</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS		
Cash and balances with central banks	1,235,649	673,800
Treasury bills and deposits with central banks	2,544,689	2,612,287
Deposits with banks and other financial institutions	2,396,759	3,068,879
Loans and advances	16,182,289	15,495,961
Non-trading investments	5,009,664	4,370,441
Investment in associates and joint venture	664,543	629,843
Premises and equipment	373,070	351,720
Interest receivable and other assets	477,068	435,484
Goodwill and other intangible assets	686,670	691,347
TOTAL ASSETS	29,570,401	28,329,762
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions	4,915,468	4,434,645
Borrowings under repurchase agreements	1,696,583	1,352,601
Customers' deposits	18,340,971	17,345,034
Term debts	120,000	768,000
Interest payable and other liabilities	805,625	745,056
Subordinated liabilities	736,602	773,285
TOTAL LIABILITIES	26,615,249	25,418,621
EQUITY		
Ordinary share capital	1,304,209	1,242,135
Preference share capital	125,000	125,000
Reserves	1,155,762	1,170,296
Attributable to the Bank's equity shareholders	2,584,971	2,537,431
Non - controlling interest	370,181	373,710
TOTAL EQUITY	2,955,152	2,911,141
TOTAL LIABILITIES AND EQUITY	29,570,401	28,329,762

Fahad Al-Rajaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

Adel A. El-Labban
Group Chief Executive Officer

The attached notes 1 to 7 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 2012 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	1,253,348	1,108,491
Net cash used in investing activities	(635,338)	(38,215)
Net cash (used in) from financing activities	(916,317)	143,330
Foreign currency translation adjustments	(8,833)	10,297
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(307,140)	1,223,903
Cash and cash equivalents at 1 January	3,866,097	2,963,158
CASH AND CASH EQUIVALENTS AT 30 JUNE	3,558,957	4,187,061
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	1,033,610	359,609
Deposits with banks and other financial institutions with an original maturity of three months or less	2,525,347	3,827,452
	3,558,957	4,187,061

The attached notes 1 to 7 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 2012 (Unaudited)

	Attributable to Bank's equity shareholders									
	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 7) US\$ '000	Total reserves US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2011	1,242,135	125,000	540,006	204,307	499,122	153,430	(226,569)	1,170,296	373,710	2,911,141
Mandatorily convertible preference shares dividend paid	-	-	-	-	-	(2,900)	-	(2,900)	-	(2,900)
Class B preference share dividend paid	-	-	-	-	-	-	-	-	-	-
Preference share issued	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	62,304	-	-	-	(62,304)	-	-	(62,304)	-	-
Conversion of preference shares	-	-	-	-	-	-	-	-	-	-
Equity shares surrendered	(230)	-	(129)	-	-	-	-	(129)	-	(359)
Ordinary share dividend paid	-	-	-	-	-	(149,530)	-	(149,530)	-	(149,530)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	(19,241)	(19,241)
Additional acquisition in subsidiaries	-	-	852	-	-	-	-	852	(69)	783
Total comprehensive income for the period	-	-	-	-	169,931	(1,000)	30,546	199,477	16,709	216,186
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	(928)	(928)
Balance at 30 June 2012	1,304,209	125,000	540,729	204,307	606,749	-	(196,023)	1,155,762	370,181	2,955,152

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six month period ended 30 June 2012 (Unaudited)

	Attributable to Bank's equity shareholders									
	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 7) 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 shares issued	-	125,000	-	-	-	-	-	-	-	125,000
Conversion of preference shares	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)
Additional acquisition in subsidiaries	-	-	-	-	-	-	-	-	-	-
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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (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 90 branches, as at 30 June 2012, in the Kingdom of Bahrain (21 branches), the State of Kuwait (29 branches), the Arab Republic of Egypt (28 branches), Republic of Iraq (10 branches) and the United Kingdom (2 branches). It also operates through its managed associates in the State of Qatar (18 branches), Sultanate of Oman (12 branches) and Great Socialist People's Libyan Arab Jamahiriya (Libya) (11 branches) with a total network of 41 branches as at 30 June 2012.

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 2011, except for the adoption of new standards and interpretations noted below:

- IFRS 7 Financial Instruments: Disclosures (Amendment)

The amended standard requires additional quantitative and qualitative disclosures relating to transfer of financial assets, when:

- . Financial assets are derecognised in their entirety, but the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets)
- . Financial assets are not derecognised in their entirety

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 2012 were authorised for issue in accordance with a resolution of the directors on 30 July 2012.

3 OTHER OPERATING INCOME

Other operating income includes income amounting to US\$ 1,713 thousand for the six months ended 30 June 2012 (30 June 2011: US\$ 10,052 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>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for earnings per share computation (US\$ '000)	<u>87,515</u>	<u>84,425</u>	<u>169,931</u>	<u>161,725</u>
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	<u>87,515</u>	<u>84,425</u>	<u>169,931</u>	<u>161,725</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (in million)	<u>5,209</u>	<u>5,211</u>	<u>5,209</u>	<u>5,211</u>
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the mandatorily convertible preference shares (million)	<u>5,368</u>	<u>5,370</u>	<u>5,368</u>	<u>5,370</u>
Basic earnings per share (US cents)	<u>1.7</u>	<u>1.6</u>	<u>3.3</u>	<u>3.1</u>
Diluted earnings per ordinary share (US cents)	<u>1.7</u>	<u>1.5</u>	<u>3.2</u>	<u>3.0</u>
Issued and fully paid ordinary shares of US\$ 0.25 each (in million)			<u>5,233</u>	<u>4,984</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

5 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>Audited</i>	<i>Audited</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2012</i>	<i>2011</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	1,730,327	1,651,977
Acceptances	71,874	44,302
Letters of credit	382,243	472,173
	<u>2,184,444</u>	<u>2,168,452</u>

6 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</i>	<i>Corporate</i>	<i>Private</i>	<i>Total</i>
	<i>banking</i>	<i>banking,</i>	<i>banking</i>	
	<i>US\$ '000</i>	<i>treasury and</i>	<i>and wealth</i>	<i>US\$ '000</i>
	<i>US\$ '000</i>	<i>investments</i>	<i>management</i>	<i>US\$ '000</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Six months ended 30 June 2012:				
Net interest income	22,475	261,470	22,991	306,936
Intersegment interest	41,156	(41,083)	(73)	-
Fees and commissions	16,559	34,628	12,780	63,967
Share of profit from associates and joint venture	8,586	23,072	717	32,375
Other operating income	989	28,337	(22)	29,304
OPERATING INCOME	<u>89,765</u>	<u>306,424</u>	<u>36,393</u>	<u>432,582</u>
Impairment provision	(6,769)	96,244	3,486	92,961
NET OPERATING INCOME	<u>96,534</u>	<u>210,180</u>	<u>32,907</u>	<u>339,621</u>
Operating expenses	47,304	66,544	15,786	129,634
PROFIT BEFORE TAX	<u>49,230</u>	<u>143,636</u>	<u>17,121</u>	<u>209,987</u>
Tax expense	3,735	12,050	2,028	17,813
NET PROFIT FOR THE PERIOD	<u>45,495</u>	<u>131,586</u>	<u>15,093</u>	<u>192,174</u>
Less : Non - controlling interest				22,243
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				<u>169,931</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

6 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 2011:				
Net interest income	39,157	223,898	16,443	279,498
Intersegment interest	17,510	(19,283)	1,773	-
Fees and commissions	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	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				161,725

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

7 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>	
Balance at 1 January 2012	425	47,690	(13,733)	(234,367)	(26,584)	-	(226,569)
Currency translation adjustments	-	-	(6,172)	-	-	-	(6,172)
Share of changes in fair value reserve of associates	-	-	-	1,931	-	-	1,931
Transfers to consolidated statement of income	-	-	-	(1,010)	(2,466)	-	(3,476)
Net fair value movements during the period	-	-	-	37,541	742	-	38,283
Fair value amortisation of share based transaction	-	-	-	-	-	-	-
Conversion of preference shares	-	-	-	-	-	-	-
Revaluation of freehold land	-	(20)	-	-	-	-	(20)
Balance at 30 June 2012	425	47,670	(19,905)	(195,905)	(28,308)	-	(196,023)

	<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>	
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
Transfer 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
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)