

Ahli United Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 SEPTEMBER 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 September 2011, comprising of the interim consolidated balance sheet as at 30 September 2011 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-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.



25 October 2011
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Nine month period ended 30 September 2011 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>		
	<i>30 September</i>		<i>30 September</i>		
	<i>Note</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
Interest income		238,878	230,622	725,224	654,440
Interest expense		102,628	99,683	309,476	284,269
Net interest income		136,250	130,939	415,748	370,171
Fees and commissions		30,644	27,980	91,194	89,693
Trading income		6,834	4,594	20,595	22,135
Gains on available-for-sale investments		3,540	5,963	7,128	15,611
Share of profit from associates and joint venture		13,133	14,581	44,323	38,172
Other operating income	3	3,488	2,336	19,444	19,675
Fees and other income		57,639	55,454	182,684	185,286
OPERATING INCOME		193,889	186,393	598,432	555,457
Net provision for loan losses and contingencies		27,071	35,818	55,137	116,016
Provision for non-trading investments		9,860	11,580	62,002	21,716
Total provisions		36,931	47,398	117,139	137,732
NET OPERATING INCOME		156,958	138,995	481,293	417,725
Staff costs		37,295	35,402	109,057	102,355
Depreciation		6,220	6,322	18,741	17,417
Other operating expenses		20,048	20,549	61,361	62,073
OPERATING EXPENSES		63,563	62,273	189,159	181,845
PROFIT BEFORE TAX		93,395	76,722	292,134	235,880
Tax expense		7,293	5,718	24,577	14,915
NET PROFIT FOR THE PERIOD		86,102	71,004	267,557	220,965
Attributable to:					
Bank's equity shareholders		78,590	65,164	240,315	201,057
Non-controlling interest		7,512	5,840	27,242	19,908
		86,102	71,004	267,557	220,965
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD					
Basic earnings per ordinary share (US cents)	4	1.6	1.3	4.8	4.1
Diluted earnings per share (US cents)	4	1.5	1.3	4.7	4.1

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

Nine month period ended 30 September 2011 (Unaudited)

Note	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Net profit for the period	86,102	71,004	267,557	220,965
Other comprehensive income				
Directors' fees paid	-	-	-	(1,211)
Donations approved	-	-	(1,000)	(1,000)
Foreign currency translation adjustments	(6,783)	21,574	3,514	(9,682)
Available-for-sale investments:				
Losses arising during the period	(123,619)	(5,486)	(136,825)	(28,277)
Transfers to interim consolidated statement of income	(10,183)	5,627	(12,804)	(321)
Cash flow hedges:				
(Losses) gains arising during the period	(101)	(6,274)	2,141	(13,254)
Transfers to interim consolidated statement of income	(47)	-	94	-
Revaluation of freehold land	(16)	72	(1,675)	32
Share of other comprehensive income of associates	9	1,409	1,660	2,342
Sale of treasury shares	-	-	-	119
Other comprehensive income for the period	(139,340)	17,173	(144,213)	(51,282)
Total comprehensive income for the period	(53,238)	88,177	123,344	169,683
Total comprehensive income attributable to:				
Bank's equity shareholders	(57,663)	75,600	95,682	141,776
Non-controlling interest	4,425	12,577	27,662	27,907
	(53,238)	88,177	123,344	169,683

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 September 2011 (Unaudited)

	30 September 2011	<i>Audited</i> 31 December 2010
Note	US\$ '000	US\$ '000
ASSETS		
Cash and balances with central banks	411,186	361,376
Treasury bills and deposits with central banks	2,582,310	1,928,803
Deposits with banks and other financial institutions	2,620,387	3,140,167
Loans and advances	14,999,768	14,477,713
Non-trading investments	4,372,392	4,413,302
Investment in associates and joint venture	618,214	605,679
Premises and equipment	367,341	373,094
Interest receivable and other assets	514,809	440,969
Goodwill and other intangible assets	716,832	716,358
TOTAL ASSETS	27,203,239	26,457,461
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions	4,217,009	4,965,223
Borrowings under repurchase agreements	971,951	1,645,061
Customers' deposits	16,669,715	14,835,796
Term debts	947,042	946,562
Interest payable and other liabilities	742,992	693,689
Subordinated liabilities	8 781,108	618,955
TOTAL LIABILITIES	24,329,817	23,705,286
EQUITY		
Ordinary share capital	5 1,242,135	1,223,188
Preference share capital	8 125,000	13,937
Reserves	1,122,673	1,155,056
Attributable to the Bank's equity shareholders	2,489,808	2,392,181
Non - controlling interest	383,614	359,994
TOTAL EQUITY	2,873,422	2,752,175
TOTAL LIABILITIES AND EQUITY	27,203,239	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

Nine month period ended 30 September 2011 (Unaudited)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2011</i>	<i>2010</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from (used in) operating activities	302,095	(108,694)
Net cash used in investing activities	(134,553)	(691,928)
Net cash from (used in) financing activities	135,310	(63,199)
Foreign currency translation adjustments	3,514	(9,682)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	306,366	(873,503)
Cash and cash equivalents at 1 January	2,963,158	2,179,476
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	3,269,524	1,305,973
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	165,165	111,087
Deposits with banks and other financial institutions with an original maturity of three months or less	3,104,359	1,194,886
	3,269,524	1,305,973

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

Nine month period ended 30 September 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 AUIBE 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	(172)	-	-	(118)	-	-	-	-	(118)	-	(290)
Ordinary share dividend paid	-	-	-	-	-	-	(122,697)	-	(122,697)	-	(122,697)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(13,802)	(13,802)
Additional acquisition in subsidiaries	-	-	-	236	-	-	-	-	236	-	236
Total comprehensive income for the period	-	-	-	-	-	240,315	(1,000)	(143,633)	95,682	27,662	123,344
Other equity movements of a subsidiary	-	-	-	-	-	(830)	-	-	(830)	9,760	8,930
Balance at 30 September 2011	1,242,135	125,000	-	539,713	173,246	613,371	-	(203,657)	1,122,673	383,614	2,873,422

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

Nine month period ended 30 September 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
Class B preference shares issued (note 5)	-	13,937	-	7,806	-	-	-	-	7,806	-	21,743
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	(3,775)	3,280	-	(1,112)	-	-	-	-	(1,112)	-	(1,607)
Ordinary share dividend paid	-	-	-	-	-	-	(97,043)	-	(97,043)	-	(97,043)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(2,098)	(2,098)
Additional acquisition in subsidiaries	-	-	-	(18,350)	-	-	-	-	(18,350)	(36,279)	(54,629)
Total comprehensive income for the period	-	-	-	-	-	201,057	(2,211)	(57,070)	141,776	27,907	169,683
Other equity movements of a subsidiary	-	-	-	-	-	(2,549)	-	-	(2,549)	(4,616)	(7,165)
Balance at 30 September 2010	1,223,190	13,937	-	542,350	146,696	459,741	-	(92,463)	1,056,324	352,822	2,646,273

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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 for the nine month period ended 30 September 2011 are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010. In addition, results for the nine month period ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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 nine month period ended 30 September 2011 were authorised for issue in accordance with a resolution of the directors on 25 October 2011.

3 OTHER OPERATING INCOME

Other operating income includes dividend income amounting to US\$ 11,395 thousand for the nine months ended 30 September 2011 (30 September 2010: US\$ 13,429 thousand) which is of a seasonal nature.

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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)	78,590	65,164	240,315	201,057
Add: Staff costs - fair value amortisation of share based	-	1,267	-	1,267
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	78,590	66,431	240,315	202,324
Weighted average ordinary shares outstanding during the period (in million)	4,963	4,963	4,963	4,963
Weighted average ordinary shares adjusted for dilutive effect of the IFC Mandatorily Convertible Preference Shares (in million)	5,114	-	5,114	-
Basic earnings per share (US cents)	1.6	1.3	4.8	4.1
Diluted earnings per ordinary share (US cents)	1.5	1.3	4.7	4.1
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 September 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 September 2011</i>	
	<i>31 December 2010</i>	
	<i>US\$ '000</i>	
	<i>US\$ '000</i>	
Guarantees	1,599,410	1,448,486
Acceptances	54,364	70,196
Letters of credit	343,398	372,315
	<u>1,997,172</u>	<u>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>
Nine months ended 30 September 2011:				
Net interest income	58,345	331,666	25,737	415,748
Intersegment interest	26,087	(28,636)	2,549	-
Fees and commissions	23,861	49,519	17,814	91,194
Share of profit from associates and joint venture	13,386	28,946	1,991	44,323
Other operating income	2,079	45,165	(77)	47,167
OPERATING INCOME	<u>123,758</u>	<u>426,660</u>	<u>48,014</u>	<u>598,432</u>
Impairment provision - net	(5,799)	121,965	973	117,139
NET OPERATING INCOME	<u>129,557</u>	<u>304,695</u>	<u>47,041</u>	<u>481,293</u>
Operating expenses	70,803	93,089	25,267	189,159
PROFIT BEFORE TAX	<u>58,754</u>	<u>211,606</u>	<u>21,774</u>	<u>292,134</u>
Tax expense	3,203	18,806	2,568	24,577
NET PROFIT FOR THE PERIOD	<u>55,551</u>	<u>192,800</u>	<u>19,206</u>	<u>267,557</u>
Less : Non - controlling interest				27,242
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				<u>240,315</u>

30 September 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>
Nine months ended 30 September 2010:				
Net interest income	84,022	259,589	26,560	370,171
Intersegment interest	10,819	(7,690)	(3,129)	-
Fees and commissions	25,292	47,514	16,887	89,693
Share of profit from associates and joint venture	9,709	27,806	657	38,172
Other operating income	2,187	55,264	(30)	57,421
OPERATING INCOME	132,029	382,483	40,945	555,457
Impairment provision - net	9,802	124,664	3,266	137,732
NET OPERATING INCOME	122,227	257,819	37,679	417,725
Operating expenses	67,059	98,928	15,858	181,845
PROFIT BEFORE TAX	55,168	158,891	21,821	235,880
Tax expense	4,047	7,600	3,268	14,915
NET PROFIT FOR THE PERIOD	51,121	151,291	18,553	220,965
Less : Non-controlling interest				19,908
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				201,057

8 REGULATORY CAPITAL

During the period, with regulatory consents and approval by the shareholders at the Extraordinary General Assembly held on 8 March 2011, the Bank 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%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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>	
Balance at 1 January 2011	425	53,842	(4,406)	(76,068)	(33,673)	1,689	(58,191)
Currency translation adjustments	-	-	1,518	-	-	-	1,518
Share of changes in fair value reserve of associates	-	-	-	2,342	-	-	2,342
Transfers to interim consolidated statement of income	-	-	-	(10,582)	94	-	(10,488)
Net fair value movements during the period	-	-	-	(137,615)	2,141	-	(135,474)
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	-	(1,675)	-	-	-	-	(1,675)
Balance at 30 September 2011	425	52,167	(2,888)	(221,923)	(31,438)	-	(203,657)

	<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 2010	307	73,384	11,628	(90,887)	(29,825)	2,397	(32,996)
Currency translation adjustments	-	-	(11,351)	-	-	-	(11,351)
Share of changes in fair value reserve of associates	-	-	-	2,312	-	-	2,312
Transfer to interim consolidated statement of income	-	-	-	19	-	-	19
Net fair value movements during the period	-	-	-	(36,214)	(13,254)	-	(49,468)
Fair value amortisation of share based transaction	-	-	-	-	-	1,267	1,267
Sale of treasury shares	119	-	-	-	-	-	119
Conversion of preference shares	-	-	-	-	-	(2,397)	(2,397)
Revaluation of freehold land	-	32	-	-	-	-	32
Balance at 30 September 2010	426	73,416	277	(124,770)	(43,079)	1,267	(92,463)