

Ahli United Bank B.S.C.
Pillar III Disclosures - Basel II
30 June 2013

Ahli United Bank B.S.C.

Pillar III Disclosures - Basel II

Six months ended 30 June 2013 (Unaudited)

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1. CAPITAL STRUCTURE

TABLE - 1

	<i>US\$ '000</i>	
	<i>Tier 1</i>	<i>Tier 2</i>
A. NET AVAILABLE CAPITAL		
Paid-up share capital	1,479,115	
Less: Loans against Employee Stock Purchase Plan	(10,654)	
Reserves:		
Share premium	550,430	
Capital reserve	2,102	
Statutory reserve	237,877	
Others	(111,098)	
Retained earnings	325,766	
Minority interest in the equity of subsidiaries	391,679	
Less: Goodwill	(486,481)	
Less: Unrealized gross losses arising from fair valuing equities	(1,902)	
Current period profit		403,036
Asset revaluation reserve-property, plant and equipment (45% only)		12,061
Unrealized gains arising from fair valuing equities (45% only)		7,184
Collective impairment provisions		257,867
Eligible subordinated term debt		481,192
TOTAL CAPITAL BEFORE REGULATORY DEDUCTIONS	2,376,834	1,161,340
Less: Regulatory deductions:		
Material holdings of equities	154,674	154,674
	2,222,160	1,006,666
Add: Proportionate aggregation	160,667	33,312
NET AVAILABLE CAPITAL	2,382,827	1,039,978
TOTAL ELIGIBLE CAPITAL BASE (Tier 1 + Tier 2)		3,422,805
RISK WEIGHTED EXPOSURES		
Credit Risk Weighted Exposures		19,818,040
Market Risk Weighted Exposures		508,745
Operational Risk Weighted Exposures		1,504,823
TOTAL RISK WEIGHTED EXPOSURES		21,831,608
Tier 1 - Capital Adequacy Ratio		10.9%
Total - Capital Adequacy Ratio		15.7%

B. CAPITAL ADEQUACY RATIO

As at 30 June 2013, the capital adequacy ratio of the Group's significant subsidiaries were:

	<i>Subsidiaries</i>		
	<i>Ahli United Bank K.S.C. (AUBK)</i>	<i>Ahli United Bank (U.K.) P.L.C. (AUB UK)</i>	<i>Ahli United Bank (Egypt) S.A.E. (AUBE)</i>
Tier 1 - Capital Adequacy Ratio	15.1%	14.9%	11.8%
Total - Capital Adequacy Ratio	16.9%	16.4%	12.9%

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TABLE - 2 GROSS CREDIT RISK EXPOSURES

	<i>US\$ '000</i>	
	<i>As at 30 June 2013</i>	<i>Average monthly balance</i>
Balances with central banks	555,099	602,927
Treasury bills and deposits with central banks	3,065,675	2,454,446
Deposits with banks and other financial institutions	3,958,358	4,438,320
Loans and advances	16,511,840	16,235,409
Financial assets at fair value through profit or loss	15,478	20,513
Non-trading investments	4,788,585	4,721,309
Interest receivable and other assets	354,662	334,770
TOTAL FUNDED EXPOSURES	29,249,697	28,807,694
Contingent liabilities	2,774,501	2,842,562
Undrawn loan commitments	437,071	470,744
TOTAL UNFUNDED EXPOSURES	3,211,572	3,313,306
TOTAL CREDIT RISK EXPOSURE	32,461,269	32,121,000

TABLE 3 - RISK WEIGHTED EXPOSURES

	<i>US\$ '000</i>			
	<i>Gross exposure</i>	<i>Secured by eligible CRM</i>	<i>Risk weighted exposures after CRM</i>	<i>Capital requirement</i>
Claims on sovereigns	5,014,692	-	135,352	16,242
Claims on public sector entities	872,115	-	691,163	82,940
Claims on banks	6,740,492	150,398	2,148,224	257,787
Claims on corporates	14,229,786	1,905,548	11,655,027	1,398,603
Regulatory retail exposures	1,745,159	30,154	1,286,254	154,351
Residential retail exposures	1,380,744	-	483,260	57,991
Equity	136,560	-	169,611	20,353
Investments in funds	181,756	-	272,634	32,716
Other exposures	1,680,793	47,206	1,842,617	221,114
TOTAL	31,982,097	2,133,306	18,684,142	2,242,097
Add : Proportionate aggregation			1,133,898	136,068
TOTAL CREDIT RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)			19,818,040	2,378,165
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)			508,745	61,049
TOTAL OPERATIONAL RISK CAPITAL REQUIREMENT (BASIC INDICATOR APPROACH)			1,504,823	180,579
TOTAL			21,831,608	2,619,793

TABLE - 4 CAPITAL REQUIREMENT FOR COMPONENTS OF MARKET RISK

	<i>US\$ '000</i>			
	<i>Risk-weighted exposures</i>	<i>Capital requirement</i>	<i>Maximum value</i>	<i>Minimum value</i>
Interest rate risk	52,350	6,282	9,446	6,282
Equity position risk	161	19	19	19
Foreign exchange risk	386,772	46,413	46,413	42,774
Options & others	1,127	135	1,934	135
TOTAL MARKET RISK CAPITAL REQUIREMENT BEFORE PROPORTIONATE AGGREGATION OF ASSOCIATES	440,410	52,849		
Add : Proportionate aggregation	68,335	8,200	8,200	5,350
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	508,745	61,049		

TABLE - 5 EQUITY POSITION IN BANKING BOOK

	<i>US\$ '000</i>		
	<i>Gross exposures</i>	<i>Risk-weighted exposures</i>	<i>Capital requirement</i>
Listed	70,457	70,457	8,455
Unlisted	66,103	99,154	11,898
TOTAL	136,560	169,611	20,353

TABLE - 6 GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURES

	US\$ '000								Total
	Kingdom of Bahrain	State of Kuwait	Other GCC countries *	United Kingdom	Europe (excluding United Kingdom)	Arab Republic of Egypt	Asia (excluding GCC countries)	Rest of the World	
Balances with central banks	138,710	139,637	-	1,412	-	204,696	70,644	-	555,099
Treasury bills and deposits with central banks	320,931	2,011,012	-	342,033	-	211,823	179,876	-	3,065,675
Deposits with banks and other financial institutions	258,597	297,734	386,901	854,562	1,501,657	47,026	106,901	504,980	3,958,358
Loans and advances	3,213,791	7,506,582	1,772,254	1,743,395	304,324	1,676,903	234,010	60,581	16,511,840
Financial assets at fair value through profit or loss	-	-	-	-	-	-	10,504	4,974	15,478
Non-trading investments	577,416	-	1,719,434	288,581	443,335	507,470	468,619	783,730	4,788,585
Interest receivable and other assets	64,086	54,829	37,225	91,450	20,572	59,259	6,923	20,318	354,662
Total funded exposures	4,573,531	10,009,794	3,915,814	3,321,433	2,269,888	2,707,177	1,077,477	1,374,583	29,249,697
Contingent liabilities	524,317	1,026,895	741,100	18,924	54,893	332,181	26,935	49,256	2,774,501
Undrawn loan commitments	19,602	11,798	43,511	64,817	48,551	237,305	4,484	7,003	437,071
Total unfunded exposures	543,919	1,038,693	784,611	83,741	103,444	569,486	31,419	56,259	3,211,572
TOTAL	5,117,450	11,048,487	4,700,425	3,405,174	2,373,332	3,276,663	1,108,896	1,430,842	32,461,269
	15.8%	34.0%	14.5%	10.5%	7.3%	10.1%	3.4%	4.4%	100.0%

* Other GCC countries are countries which are part of the Gulf Co-operation Council comprising Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and United Arab Emirates apart from Kingdom of Bahrain and State of Kuwait which are disclosed separately.

TABLE - 7 SECTORAL CLASSIFICATION OF GROSS CREDIT EXPOSURES

	US\$ '000			%
	Funded	Unfunded	Total	
Balances with central banks	3,620,774	-	3,620,774	11.2
Banks and other financial institutions	7,237,818	457,692	7,695,510	23.7
Consumer/personal	3,530,186	14,958	3,545,144	10.9
Residential mortgage	1,433,040	69,337	1,502,377	4.6
Trading and manufacturing	3,926,396	826,323	4,752,719	14.6
Real estate	3,644,066	155,617	3,799,683	11.7
Services	3,061,627	964,245	4,025,872	12.5
Government/public sector	2,577,746	603,848	3,181,594	9.8
Others	218,044	119,552	337,596	1.0
TOTAL	29,249,697	3,211,572	32,461,269	100.0
	90.1%	9.9%	100.0%	

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TABLE - 8 RESIDUAL CONTRACTUAL MATURITY OF GROSS CREDIT EXPOSURES

	US\$ '000							Total
	Up to one month	One month to three months	Over three months to one year	Over one year to five years	Over five to ten years	Over ten to twenty years	Over twenty years	
Balances with central banks	555,099	-	-	-	-	-	-	555,099
Treasury bills and deposits with central banks	1,100,097	974,563	991,015	-	-	-	-	3,065,675
Deposits with banks and other financial institutions	3,193,598	267,871	87,740	409,149	-	-	-	3,958,358
Loans and advances	2,903,488	2,168,750	2,614,294	4,283,102	3,443,516	936,944	161,746	16,511,840
Financial assets at fair value through profit or loss	-	-	15,478	-	-	-	-	15,478
Non-trading investments	43,952	24,960	616,420	2,846,670	917,962	206,850	131,771	4,788,585
Interest receivable and other assets	99,192	70,467	63,568	73,299	48,136	-	-	354,662
Total funded exposures	7,895,426	3,506,611	4,388,515	7,612,220	4,409,614	1,143,794	293,517	29,249,697
Contingent liabilities	479,251	247,983	935,656	1,103,295	6,601	1,312	403	2,774,501
Undrawn loan commitments	14,182	75,051	198,734	138,957	383	9,764	-	437,071
Total unfunded exposures	493,433	323,034	1,134,390	1,242,252	6,984	11,076	403	3,211,572
TOTAL	8,388,859	3,829,645	5,522,905	8,854,472	4,416,598	1,154,870	293,920	32,461,269

TABLE - 9 SECTORAL BREAKDOWN OF IMPAIRED LOANS AND IMPAIRMENT PROVISIONS

	US\$ '000				Collective impairment provision
	Impaired and past due loans	Specific impairment provision	Net specific charge for the period ended 30 June 2013	Write off during the period ended 30 June 2013	
Consumer/personal	144,473	132,916	9,991	13,404	56,189
Trading and manufacturing	43,303	34,783	1,217	-	55,506
Real estate	77,209	66,897	10,324	-	55,079
Residential mortgage	5,313	4,782	-	-	22,809
Banks and other financial institutions	37,558	31,034	10,803	-	15,666
Services	97,100	84,951	7,150	-	48,731
Government/public sector	-	-	-	-	6,697
Others	40,482	36,932	(2,705)	-	2,136
TOTAL	445,438	392,295	36,780	13,404	262,813

TABLE - 10 GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT PROVISIONS FOR LOANS AND ADVANCES

	<i>US\$ '000</i>								<i>Total</i>
	<i>Kingdom of Bahrain</i>	<i>State of Kuwait</i>	<i>Other GCC countries</i>	<i>United Kingdom</i>	<i>Europe (excluding United Kingdom)</i>	<i>Arab Republic of Egypt</i>	<i>Asia (excluding GCC countries)</i>	<i>Rest of the world</i>	
Specific impairment provision	71,183	198,685	64,755	21,276	-	22,711	13,685	-	392,295
Collective impairment provision	34,585	163,863	18,488	13,556	5,375	23,889	2,421	636	262,813
TOTAL	105,768	362,548	83,243	34,832	5,375	46,600	16,106	636	655,108

TABLE - 11 MOVEMENT IN IMPAIRMENT PROVISION FOR LOANS AND ADVANCES

	<i>US\$ '000</i>		
	<i>Specific</i>	<i>Collective</i>	<i>Total</i>
Balance at 1 January 2013	356,012	252,042	608,054
Amounts written off during the period	(13,404)	-	(13,404)
Net charge for the period	36,780	14,076	50,856
Interest suspended during the period (net)	14,299	-	14,299
Exchange rate adjustments / other movements	(1,392)	(3,305)	(4,697)
Balance at 30 June 2013	392,295	262,813	655,108

TABLE - 12 PAST DUE AND IMPAIRED LOANS - AGE ANALYSIS

i) By Geographical area

	<i>US\$ '000</i>			<i>Total</i>
	<i>Three months to one year</i>	<i>One to three years</i>	<i>Over three years</i>	
Kingdom of Bahrain	65,659	17,659	2,328	85,646
State of Kuwait	125,044	34,495	57,586	217,125
Other GCC Countries	-	-	64,750	64,750
United Kingdom	546	11,817	19,788	32,151
Arab Republic of Egypt	11,301	2,789	18,040	32,130
Asia (excluding GCC countries)	-	-	13,636	13,636
TOTAL	202,550	66,760	176,128	445,438
	45.5%	15.0%	39.5%	100.0%

ii) By Sector

	<i>US\$ '000</i>			<i>Total</i>
	<i>Three months to one year</i>	<i>One to three years</i>	<i>Over three years</i>	
Consumer/personal	106,461	6,584	31,428	144,473
Trading and manufacturing	13,887	3,150	26,266	43,303
Real estate	35,805	19,439	21,966	77,210
Residential mortgage	-	5,313	-	5,313
Banks and other financial institutions	11,281	26,277	-	37,558
Services	35,116	4,393	57,592	97,101
Others	-	1,604	38,876	40,480
TOTAL	202,550	66,760	176,128	445,438
	45.5%	15.0%	39.5%	100.0%

TABLE - 13 RESTRUCTURED CREDIT FACILITIES

	<i>US\$ '000</i>
Balance of any restructured credit facilities as at period end	75,281
Loans restructured during the period	20,256

The above restructurings did not have any significant impact on the present or future earnings and were primarily extensions of the loan tenor.

TABLE - 14 COUNTERPARTY CREDIT RISK IN DERIVATIVE TRANSACTIONS

i) Breakdown of the credit exposure

	<i>US\$ '000</i>		
	<i>Notional amount</i>	<i>Gross positive fair value</i>	<i>Credit conversion factor</i>
Foreign exchange related	4,565,085	29,795	75,458
Interest rate related	13,038,983	88,068	137,956
Options	22,574	-	1,354
Derivatives credit exposure	17,626,642	117,863	214,768

Gross positive fair value represents the replacement cost of the derivatives

US\$ '000

ii) Amounts of collateral

20,827

TABLE - 15 RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, associates, directors, senior management and companies which are controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business at arm's length. All the loans and advances to related parties are performing and are free of any provision for possible loan losses.

The income, expense and the six months period ended 30 June 2013 and the period end balances at 30 June 2013 in respect of related parties were as follows:

	<i>US\$ '000</i>			<i>Total</i>
	<i>Major shareholders</i>	<i>Associates</i>	<i>Directors and senior management</i>	
Interest income	-	60	4,105	4,165
Interest expense	35,192	51	20	35,263
Fees and commissions	-	883	-	883
Deposits with banks and other financial institutions	-	37,594	-	37,594
Loans and advances	-	-	223,805	223,805
Deposits from banks and other financial institutions	-	6,331	-	6,331
Customers' deposits	7,810,897	1,355	26,145	7,838,397
Subordinated liabilities	10,598	-	-	10,598
Commitments and contingent liabilities (notional)	-	28,793	41,258	70,051
Derivatives (notional)	-	25,199	-	25,199

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TABLE - 16 INTEREST RATE RISK

	<i>US\$'000</i>			<i>Total</i>
	<i>Less than three months</i>	<i>Three months to one year</i>	<i>Over one year</i>	
ASSETS				
Treasury bills and deposits with central banks	2,074,660	991,015	-	3,065,675
Deposits with banks and other financial institutions	3,391,901	85,697	409,149	3,886,747
Loans and advances	9,718,002	3,073,843	3,682,384	16,474,229
Financial assets at fair value through profit or loss	2,413	15,478	-	17,891
Non-trading investments	635,032	629,770	3,686,563	4,951,365
	15,822,008	4,795,803	7,778,096	28,395,907
LIABILITIES				
Deposits from banks and other financial institutions	4,091,273	1,010,994	40,649	5,142,916
Borrowings under repurchase agreements	544,368	15,204	-	559,572
Customers' deposits	12,345,973	6,905,141	481,912	19,733,026
Subordinated liabilities	79,616	562,063	-	641,679
	17,061,230	8,493,402	522,561	26,077,193
On - balance sheet gap	(1,239,222)	(3,697,599)	7,255,535	
Off - balance sheet gap	3,520,625	850,985	(4,371,610)	
Total interest sensitivity gap	2,281,403	(2,846,614)	2,883,925	
Cumulative interest sensitivity gap	2,281,403	(565,211)	2,318,714	

TABLE - 17 GAINS ON EQUITY INSTRUMENTS

	<i>US\$ '000</i>
Unrealised (loss) gains recognised in the balance sheet:	
- Tier one	(1,902)
- Tier two (eligible portion)	7,184

TABLE - 18 SENSITIVITY ANALYSIS - INTEREST RATE RISK

ANNUALISED	<i>US\$ '000</i>
	<i>Total</i>
at 25 bps increase	5,427
at 10 bps increase	2,171