

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

31 MARCH 2009

**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 2009, comprising of the interim consolidated balance sheet as at 31 March 2009 and the related interim consolidated statements of income, comprehensive income, changes in equity and condensed 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.



10 May 2009
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Three month period ended 31 March 2009 (Unaudited)

	Note	Three months ended	
		31 March	
		2009	2008
		US\$ '000	US\$ '000
Interest income	4	255,002	328,894
Interest expense		147,974	231,313
Net interest income		107,028	97,581
Fees and commissions - net		43,171	38,629
Trading income - net		11,498	18,365
Gains on available-for-sale investments		22,260	6,651
Share of profit from associates		12,165	16,666
Dividend income	3	10,943	12,965
Other operating income		5,572	1,249
		105,609	94,525
OPERATING INCOME		212,637	192,106
Provision for loan losses and contingencies - net		47,074	10,116
NET OPERATING INCOME		165,563	181,990
Staff costs		35,248	39,409
Depreciation		4,535	3,551
Other operating expenses		20,639	25,548
OPERATING EXPENSES		60,422	68,508
PROFIT BEFORE TAX		105,141	113,482
Income tax expense		1,746	1,412
NET PROFIT FOR THE PERIOD		103,395	112,070
Attributable to:			
Bank's equity shareholders		85,939	94,306
Non-controlling interest		17,456	17,764
		103,395	112,070
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD			
Basic earnings per share (US cents)	5	1.8	2.0
Diluted earnings per share (US cents)	5	1.8	2.0

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 2009 (Unaudited)

Note	<i>Three months ended</i>		<i>Three months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2009</i>		<i>2008</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Net profit for the period		103,395		112,070
Other comprehensive income				
Directors' fees paid		(1,168)		(1,002)
Donations approved		(1,000)		(1,000)
Currency translation adjustments		(66,399)		18,818
Available-for-sale investments:				
Gains (losses) arising during the period		41,015		(146,649)
Less: Gains recycled to consolidated statement of income during the period		(20,538)	20,477	(24,900)
				(171,549)
Cash flow hedges:				
Gains (losses) arising during the period		18,375		(3,978)
Less: Gains recycled to consolidated statement of income during the period		(802)	17,573	-
				(3,978)
Revaluation of freehold land			(2,037)	26,023
Share of other comprehensive income of associates	9		(688)	(270)
Other comprehensive income for the period		(33,242)		(132,958)
Total comprehensive income for the period		70,153		(20,888)
Total comprehensive income attributable to:				
Bank's equity shareholders		82,010		(36,146)
Non-controlling interest		(11,857)		15,258
		70,153		(20,888)

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 2009 (Unaudited)

	<i>Note</i>	<i>31 March 2009</i>	<i>Audited 31 December 2008</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		535,591	392,251
Treasury bills and bonds		1,184,549	1,236,997
Trading securities		6,526	23,364
Deposits with banks and other financial institutions		3,695,474	2,867,959
Loans and advances		13,421,466	13,632,220
Non-trading investments		3,076,987	3,353,570
Investment in associates and joint venture		511,477	534,916
Premises and equipment		376,383	389,009
Other assets		538,535	517,871
Goodwill and other intangible assets		606,947	634,570
TOTAL ASSETS		23,953,935	23,582,727
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		4,723,476	5,153,514
Customers' deposits		14,139,676	13,178,079
Term debts		1,350,000	1,350,000
Other liabilities		818,753	882,781
Subordinated liabilities	4	597,865	623,576
TOTAL LIABILITIES		21,629,770	21,187,950
EQUITY			
Ordinary share capital	6	1,194,339	1,126,561
Preference share capital	6	8,627	17,128
Reserves		757,041	851,746
Attributable to the Bank's equity shareholders		1,960,007	1,995,435
Non- controlling interest		364,158	399,342
TOTAL EQUITY		2,324,165	2,394,777
TOTAL LIABILITIES AND EQUITY		23,953,935	23,582,727

Fahad Al-Rajaaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

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

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three month period ended 31 March 2009 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from (used in) operating activities	25,038	(663,562)
Net cash from (used in) investing activities	409,361	(205,197)
Net cash used in financing activities	(166,309)	(113,706)
Foreign currency translation adjustments	(66,399)	18,818
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	201,691	(963,647)
Cash and cash equivalents at 1 January	2,446,908	2,376,886
CASH AND CASH EQUIVALENTS AT 31 MARCH	2,648,599	1,413,239
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	411,121	106,097
Deposits with banks and other financial institutions with an original maturity of three months or less	2,237,478	1,307,142
	2,648,599	1,413,239

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 2009 (Unaudited)

	Attributable to Bank's equity shareholders									
	Reserves									
	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 9) US\$ '000	Total reserves US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2008	1,126,561	17,128	540,029	126,624	237,887	118,319	(171,113)	851,746	399,342	2,394,777
Class A preference dividend paid	-	-	-	-	-	-	-	-	-	-
Class B preference dividend paid	-	-	-	-	-	(3,493)	-	(3,493)	-	(3,493)
Bonus shares issued	56,917	-	-	-	(56,917)	-	-	(56,917)	-	-
Conversion of preference shares	11,756	(8,998)	2,281	-	-	-	(5,039)	(2,758)	-	-
Class B preference shares surrendered	-	(239)	(889)	-	-	-	-	(889)	-	(1,128)
Equity shares surrendered	(895)	736	-	-	-	-	-	-	-	(159)
Ordinary share dividend paid	-	-	-	-	-	(112,658)	-	(112,658)	(23,327)	(135,985)
Total comprehensive income for the period	-	-	-	-	85,939	(2,168)	(1,761)	82,010	(11,857)	70,153
Balance at 31 March 2009	1,194,339	8,627	541,421	126,624	266,909	-	(177,913)	757,041	364,158	2,324,165

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2009 (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 9) US\$ '000	Total reserves US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2007	844,201	173,001	561,373	101,052	228,472	128,864	272,757	1,292,518	338,401	2,648,121
Class A preference dividend paid	-	-	-	-	-	(15,366)	-	(15,366)	-	(15,366)
Class B preference dividend paid	-	-	-	-	-	(5,716)	-	(5,716)	-	(5,716)
Bonus shares issued	102,417	-	-	-	(102,417)	-	-	(102,417)	-	-
Conversion of preference shares	179,963	(154,963)	(19,008)	-	-	-	(5,992)	(25,000)	-	-
Class B preference shares surrendered	-	(375)	(800)	-	-	-	-	(800)	-	(1,175)
Ordinary share dividend paid	-	-	-	-	-	(105,780)	-	(105,780)	(40,758)	(146,538)
Total comprehensive income for the period	-	-	-	-	94,306	(2,002)	(128,450)	(36,146)	15,258	(20,888)
Balance at 31 March 2008	1,126,581	17,663	541,565	101,052	220,361	-	138,315	1,001,293	312,901	2,458,438

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

1 ACCOUNTING POLICIES

The interim condensed consolidated financial statements of Ahli United Bank B.S.C. ("the Bank") and its subsidiaries (together known as "the Group") are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2009 were authorised for issue in accordance with a resolution of the directors on 10 May 2009.

2 BASIS OF CONSOLIDATION

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 2008 except for the following which relate to disclosures:-

The Group has adopted the following new and amended International Accounting Standards/International Financial Reporting Standards as of 1 January 2009:

- IAS 1 (Revised) - Presentation of financial statements effective 1 January 2009
- IFRS 8 - Operating segments effective 1 January 2009

Adoption of these standards did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures.

The principal effects of these changes are as follows:-

IAS 1 (Revised) - Presentation of financial statements.

The revised IAS 1 was issued by the IASB in September 2007. IAS 1 (Revised) mandates the presentation of the income (expenses) recognised directly in equity to be presented in a separate statement "Statement of Other Comprehensive Income" which is a part of the interim condensed consolidated financial statements for the three month

IFRS 8 - Operating Segments

The IASB issued IFRS 8 in November 2006. IFRS 8 replaces IAS 14 *Segment Reporting* (IAS 14) upon its effective date. The Group concluded that the segments determined in accordance with IFRS 8 are identical to the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in note 8 to the interim condensed consolidated financial statements.

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 2008. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. In addition, results for the three months ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

The Group's investments in Ahli United Bank (Egypt) S.A.E. (AUBE) and in Commercial Bank of Iraq P.S.C. (CBIQ) were equity accounted upto 31 December 2008 in accordance with IAS 28 "Investment in Associates". These entities became subsidiaries of the Group as at 31 December 2008. Accordingly, the operating results of these two entities are consolidated on a line by line basis effective 1 January 2009.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

3 SEASONALITY OF RESULTS

Dividend income of US\$ 10,943 thousand for the three months ended 31 March 2009 (31 March 2008: US\$ 12,965 thousand) is of a seasonal nature.

4 SUBORDINATED LIABILITIES

During the period, the Bank repurchased a portion of its subordinated liabilities with a nominal value of US\$ 25 million (2008 : nil). The resultant net gain on the repurchase amounting to US\$ 8.2 million (2008 : nil) is included as a part of "Interest income" in the interim condensed consolidated financial statements for the three month period ending 31 March 2009.

5 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2009</i>	<i>2008</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for basic earnings per share computation (US\$ '000)	<u>85,939</u>	<u>94,306</u>
Add: Staff costs - fair value amortisation of share based transactions	<u>277</u>	<u>1,957</u>
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	<u>86,216</u>	<u>96,263</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	<u>4,781</u>	<u>4,732</u>
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the convertible portion of Class B preference shares (million)	<u>4,830</u>	<u>4,831</u>
Basic earnings per ordinary share (US cents)	<u>1.8</u>	<u>2.0</u>
Diluted earnings per ordinary share (US cents)	<u>1.8</u>	<u>2.0</u>

6 EQUITY

The Annual General Assembly of Shareholders' meeting held on 11 March 2009 approved a bonus share issue of 5% (1 ordinary share for every 20 shares held) (2008 : 10%) resulting in an increase in the ordinary share capital by US\$ 57 million comprising 228 million ordinary shares of US cents 25 each. The convertible portion of all issued and outstanding Class B Preference Shares are automatically adjusted by these bonus share issues upon their conversion into ordinary shares under the terms of the respective issues.

Conversion of Tranche II of Class B preference shares

As per the terms of the issue of the Employee Share Purchase Plan (ESPP), tranche-II of the Class B preference shares issued under the ESPP were due for conversion to ordinary shares on 1 January 2009. Accordingly, on 1 January 2009, 47.0 million ordinary shares were issued on conversion of tranche-II of the Class B preference shares, including the bonus adjustment for the years 2005, 2006, 2007 and the rights issue adjustment factor for 2007.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

7 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>31 March 2009</i>	<i>Audited 31 December 2008</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	1,687,222	1,880,235
Acceptances	70,822	65,670
Letters of credit	344,991	578,635
	<u>2,103,035</u>	<u>2,524,540</u>

8 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.

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 2009:				
Net interest income	34,798	62,764	9,466	107,028
Intersegment interest	(3,038)	5,691	(2,653)	-
Fees and commissions - net	22,579	15,166	5,426	43,171
Other operating income	504	61,910	24	62,438
OPERATING INCOME	<u>54,843</u>	<u>145,531</u>	<u>12,263</u>	<u>212,637</u>
Provision (recoveries) for loan losses and contingencies - net	8,198	38,893	(17)	47,074
NET OPERATING INCOME	<u>46,645</u>	<u>106,638</u>	<u>12,280</u>	<u>165,563</u>
Operating expenses	23,600	30,603	6,219	60,422
PROFIT BEFORE TAX	<u>23,045</u>	<u>76,035</u>	<u>6,061</u>	<u>105,141</u>
Income tax expense	417	715	614	1,746
NET PROFIT FOR THE PERIOD	<u>22,628</u>	<u>75,320</u>	<u>5,447</u>	<u>103,395</u>
Less : Non-controlling interest				17,456
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				<u>85,939</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009 (Unaudited)

8 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 2008:				
Net interest income	50,139	36,748	10,694	97,581
Intersegment interest	(12,185)	15,069	(2,884)	-
Fees and commissions - net	15,386	12,612	10,631	38,629
Other operating income	1,037	54,792	67	55,896
OPERATING INCOME	54,377	119,221	18,508	192,106
Provision (recoveries) for loan losses and contingencies - net	11,394	(1,533)	255	10,116
NET OPERATING INCOME	42,983	120,754	18,253	181,990
Operating expenses	23,117	36,305	9,086	68,508
PROFIT BEFORE TAX	19,866	84,449	9,167	113,482
Income tax expense	503	176	733	1,412
NET PROFIT FOR THE PERIOD	19,363	84,273	8,434	112,070
Less : Non-controlling interest				17,764
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				94,306

31 March 2009 (Unaudited)

9 MOVEMENT IN OTHER RESERVES

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in		ESPP reserve	Total other reserves
				Available- for-sale reserve	Cash flow hedge reserve		
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2009	307	121,106	38,419	(251,621)	(85,652)	6,328	(171,113)
Currency translation adjustments	-	-	(45,405)	-	-	-	(45,405)
Share of changes in fair value reserve of associates	-	-	-	(688)	-	-	(688)
Net realised gain recycled to consolidated statement of income	-	-	-	(10,965)	(802)	-	(11,767)
Net fair value movements during the period	-	-	-	39,484	18,375	-	57,859
Fair value amortisation of share based transactions	-	-	-	-	-	277	277
Conversion of preference shares	-	-	-	-	-	(5,039)	(5,039)
Revaluation of freehold land	-	(2,037)	-	-	-	-	(2,037)
Balance at 31 March 2009	307	119,069	(6,986)	(223,790)	(68,079)	1,566	(177,913)
	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in		ESPP reserve	Total other reserves
	US\$ '000	US\$ '000	US\$ '000	Available- for-sale reserve	Cash flow hedge reserve	US\$ '000	US\$ '000
Balance at 1 January 2008	307	94,290	36,080	149,075	(14,585)	7,590	272,757
Currency translation adjustments	-	-	15,322	-	-	-	15,322
Share of changes in fair value reserve of associates	-	-	-	(270)	-	-	(270)
Net realised gain recycled to consolidated statement of income	-	-	-	(19,101)	-	-	(19,101)
Net fair value movements during the period	-	-	-	(145,609)	(3,978)	-	(149,587)
Fair value amortisation of share based transactions	-	-	-	-	-	1,957	1,957
Conversion of preference shares	-	-	-	-	-	(5,992)	(5,992)
Revaluation of freehold land	-	23,229	-	-	-	-	23,229
Balance at 31 March 2008	307	117,519	51,402	(15,905)	(18,563)	3,555	138,315