

**Ahli United Bank B.S.C.**  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2010**

**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 2010, comprising of the interim consolidated balance sheet as at 31 March 2010 and the related interim consolidated statements of income, changes in equity and 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.



29 April 2010  
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Three month period ended 31 March 2010 (Unaudited)

	Note	Three months ended	
		31 March	
		2010	2009
		US\$ '000	US\$ '000
Interest income		208,091	255,002
Interest expense		90,925	147,974
Net interest income		117,166	107,028
Fees and commissions - net		31,936	43,171
Trading income - net		7,020	11,498
Gains on available-for-sale investments		4,615	22,260
Share of profit from associates		9,468	12,165
Dividend income	3	12,642	10,943
Other operating income		1,743	5,572
		67,424	105,609
<b>OPERATING INCOME</b>		<b>184,590</b>	<b>212,637</b>
Provision for loan losses and contingencies - net		51,776	47,074
<b>NET OPERATING INCOME</b>		<b>132,814</b>	<b>165,563</b>
Staff costs		33,679	35,248
Depreciation		5,209	4,535
Other operating expenses		19,975	20,639
<b>OPERATING EXPENSES</b>		<b>58,863</b>	<b>60,422</b>
<b>PROFIT BEFORE TAX</b>		<b>73,951</b>	<b>105,141</b>
Income tax expense		2,451	1,746
<b>NET PROFIT FOR THE PERIOD</b>		<b>71,500</b>	<b>103,395</b>
<b>Attributable to:</b>			
Bank's equity shareholders		65,701	85,939
Non-controlling interest		5,799	17,456
		71,500	103,395
<b>EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD</b>			
Basic and diluted earnings per share (US cents)	4	1.3	1.8

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

Three month period ended 31 March 2010 (Unaudited)

	<i>Three months ended</i>		<i>Three months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2009</i>
<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Net profit for the period</b>		<b>71,500</b>		<b>103,395</b>
<b>Other comprehensive income</b>				
Directors' fees paid		(1,211)		(1,168)
Donations approved		(1,000)		(1,000)
Currency translation adjustments		(21,471)		(66,399)
<b>Available-for-sale investments:</b>				
Gains arising during the period		32,242		41,015
Transfers to interim consolidated statement of income		(3,055)	29,187	(20,538)
				20,477
<b>Cash flow hedges:</b>				
(losses) Gains arising during the period		(2,770)		18,375
Transfers to interim consolidated statement of income		-	(2,770)	(802)
				17,573
Revaluation of freehold land		(34)		(2,037)
Share of other comprehensive income of associates	9	429		(688)
Sale of treasury shares		119		-
<b>Other comprehensive income for the period</b>		<b>3,249</b>		<b>(33,242)</b>
<b>Total comprehensive income for the period</b>		<b>74,749</b>		<b>70,153</b>
<b>Total comprehensive income attributable to:</b>				
Bank's equity shareholders		67,780		82,010
Non-controlling interest		6,969		(11,857)
		<b>74,749</b>		<b>70,153</b>

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 2010 (Unaudited)

	<i>Note</i>	<i>31 March</i> <i>2010</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2009</i> <i>US\$ '000</i>
<b>ASSETS</b>			
Cash and balances with central banks		1,135,367	304,164
Treasury bills and bonds		650,595	969,114
Trading securities		343	376
Deposits with banks and other financial institutions		3,265,176	3,100,446
Loans and advances		13,562,559	13,299,999
Non-trading investments		3,962,712	3,898,592
Investment in associates and joint venture		567,870	537,099
Premises and equipment		355,479	355,956
Other assets		496,151	483,951
Goodwill and other intangible assets		704,233	624,286
<b>TOTAL ASSETS</b>		<b>24,700,485</b>	<b>23,573,983</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from banks and other financial institutions		5,701,447	5,549,518
Customers' deposits		14,112,892	13,241,266
Term debts		947,320	950,054
Other liabilities		758,702	649,498
Subordinated liabilities		618,116	602,216
<b>TOTAL LIABILITIES</b>		<b>22,138,477</b>	<b>20,992,552</b>
<b>EQUITY</b>			
Ordinary share capital	5	1,223,685	1,193,589
Preference share capital	5	-	6,321
Reserves		980,151	1,013,613
Attributable to the Bank's equity shareholders		2,203,836	2,213,523
Non- controlling interest		358,172	367,908
<b>TOTAL EQUITY</b>		<b>2,562,008</b>	<b>2,581,431</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24,700,485</b>	<b>23,573,983</b>

**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

Three month period ended 31 March 2010 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	905,466	25,038
Net cash (used in) from investing activities	(136,522)	409,361
Net cash from (used in) financing activities	12,037	(166,309)
Foreign currency translation adjustments	(21,471)	(66,399)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>759,510</b>	<b>201,691</b>
Cash and cash equivalents at 1 January	2,179,485	2,446,908
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>2,938,995</b>	<b>2,648,599</b>
<b>Comprising:</b>		
Cash and balances with central banks, excluding mandatory reserve deposits	999,107	411,121
Deposits with banks and other financial institutions with an original maturity of three months or less	1,939,888	2,237,478
	<b>2,938,995</b>	<b>2,648,599</b>

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 2010 (Unaudited)

	Attributable to Bank's equity shareholders										
	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 dividend paid	-	-	-	-	-	-	(1,129)	-	(1,129)	-	(1,129)
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-
Issue of shares on ALIBE acquisition (note 8)	18,540	-	-	16,882	-	-	-	-	16,882	-	35,422
Sale of treasury shares	-	-	1,665	-	-	-	-	-	-	-	1,665
Conversion of preference shares (note 5)	13,171	(9,681)	-	(1,173)	-	-	-	(2,397)	(3,570)	-	-
Equity shares surrendered	(3,280)	3,280	-	-	-	-	-	-	-	-	-
Ordinary share dividend paid	-	-	-	-	-	-	(97,943)	-	(97,943)	-	(97,043)
Additional acquisition in subsidiaries (note 8)	-	-	-	(16,382)	-	-	-	-	(16,382)	(16,705)	(33,087)
Total comprehensive income for the period	-	-	-	-	-	65,701	(2,211)	4,230	67,780	6,969	74,749
Balance at 31 March 2010	1,223,685	-	-	537,624	146,696	326,934	-	(31,103)	980,151	358,172	2,562,008

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2010 (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 2008	1,126,561	17,128	-	540,029	126,024	237,887	118,319	(171,113)	851,746	399,342	1,394,777
Class B preference dividend paid	-	-	-	-	-	-	(3,493)	-	(3,493)	-	(3,493)
Bonus shares issued	56,917	-	-	-	-	(56,917)	-	-	(56,917)	-	-
Conversion of preference shares (note 5)	11,756	(8,998)	-	2,281	-	-	-	(5,039)	(2,758)	-	-
Class B preference shares surrendered	-	(239)	-	(880)	-	-	-	-	(889)	-	(1,128)
Equity shares surrendered	(895)	736	-	-	-	-	(112,658)	-	(112,658)	(23,327)	(159)
Ordinary share dividend paid	-	-	-	-	-	-	-	-	-	(11,857)	(11,857)
Total comprehensive income for the period	-	-	-	-	-	85,939	(2,168)	(1,761)	82,010	(11,857)	70,153
<b>Balance at 31 March 2009</b>	<b>1,194,339</b>	<b>8,627</b>	<b>-</b>	<b>541,421</b>	<b>126,024</b>	<b>266,909</b>	<b>-</b>	<b>(177,913)</b>	<b>757,041</b>	<b>364,158</b>	<b>2,324,165</b>

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



## Ahli United Bank B.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (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 2010 were authorised for issue in accordance with a resolution of the directors on 29 April 2010.

#### 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 2009 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 2010.

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.

Refer to note 8 for the impact of application of this standard to the Group's additional acquisition in Ahli United Bank Egypt S.A.E. (AUBE).

#### 3 SEASONALITY OF RESULTS

Dividend income of US\$ 12,642 thousand for the three months ended 31 March 2010 (31 March 2009: US\$ 10,943 thousand) is of a seasonal nature.

#### 4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2010</i>	<i>2009</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for basic earnings per share computation (US\$ '000)	<u>65,701</u>	<u>85,939</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million) and including the shares issued for purchase of additional shares of AUBE (note 8)	<u>4,888</u>	<u>4,781</u>
Basic and diluted earnings per share (US cents)	<u>1.3</u>	<u>1.8</u>

#### 5 EQUITY

##### Conversion of Tranche III of Class B preference shares

As per the terms of the issue of the Employee Share Purchase Plan (ESPP), tranche-III of the Class B preference shares issued under the ESPP were due for conversion to ordinary shares on 1 January 2010. Accordingly, on 1 January 2010, 52.7 million ordinary shares were issued on conversion of tranche-III 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (Unaudited)

**6 CONTINGENT LIABILITIES**

The Group had the following credit related contingent liabilities:

	<i>31 March</i> <i>2010</i>	<i>Audited</i> <i>31 December</i> <i>2009</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	1,276,088	1,395,462
Acceptances	78,849	45,394
Letters of credit	264,917	248,337
	<u>1,619,854</u>	<u>1,689,193</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.

Segmental information for the period was as follows:

	<i>Retail</i> <i>banking</i>	<i>Corporate</i> <i>banking,</i> <i>treasury and</i> <i>investments</i>	<i>Private</i> <i>banking</i> <i>and wealth</i> <i>management</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Three months ended 31 March 2010:</b>				
Net interest income	31,052	78,115	7,999	117,166
Intersegment interest	785	(243)	(542)	-
Fees and commissions - net	8,450	17,859	5,627	31,936
Other operating income	601	34,856	31	35,488
<b>OPERATING INCOME</b>	<u>40,888</u>	<u>130,587</u>	<u>13,115</u>	<u>184,590</u>
Provision for loan losses and contingencies - net	5,639	29,156	16,981	51,776
<b>NET OPERATING INCOME</b>	<u>35,249</u>	<u>101,431</u>	<u>(3,866)</u>	<u>132,814</u>
Operating expenses	23,414	29,491	5,958	58,863
<b>PROFIT BEFORE TAX</b>	<u>11,835</u>	<u>71,940</u>	<u>(9,824)</u>	<u>73,951</u>
Income tax expense	683	1,244	524	2,451
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<u>11,152</u>	<u>70,696</u>	<u>(10,348)</u>	<u>71,500</u>
Less : Non-controlling interest				5,799
<b>NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS</b>				<u>65,701</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (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>
<b>Three months ended 31 March 2009:</b>				
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
<b>OPERATING INCOME</b>	<b>54,843</b>	<b>145,531</b>	<b>12,263</b>	<b>212,637</b>
Provision (recoveries) for loan losses and contingencies - net	8,198	38,893	(17)	47,074
<b>NET OPERATING INCOME</b>	<b>46,645</b>	<b>106,638</b>	<b>12,280</b>	<b>165,563</b>
Operating expenses	23,600	30,603	6,219	60,422
<b>PROFIT BEFORE TAX</b>	<b>23,045</b>	<b>76,035</b>	<b>6,061</b>	<b>105,141</b>
Income tax expense	417	715	614	1,746
<b>NET PROFIT FOR THE PERIOD</b>	<b>22,628</b>	<b>75,320</b>	<b>5,447</b>	<b>103,395</b>
Less : Non-controlling interest				17,456
<b>NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS</b>				<b>85,939</b>

## 8 Ahli United Bank Egypt S.A.E. (AUBE) acquisition

During the year, AUB's equity stake in AUBE increased to 79.6% following a Mandatory Dual Tender Offer to AUBE's shareholders which concluded on 17 January 2010. This resulted in AUB acquiring 26.6 million AUBE shares at Egyptian Pounds (LE) 37 per share. The purchase consideration was settled by payment in cash LE 688.8 million (under the cash offer), issue of 74.2 million AUB ordinary shares and issue of US\$ 18.0 million subordinated bonds under the securities offer. The excess of the purchase consideration over the share of net asset value acquired was debited to shareholders' equity in the period as prescribed under IAS 27 - Consolidated and Separate Financial Statements.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010 (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>ESPP reserve</i>	<i>Total other reserves</i>
				<i>Available- for-sale reserve</i>	<i>Cash flow hedge 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	-	-	(16,332)	-	-	-	(16,332)
Share of changes in fair value reserve of associates	-	-	-	429	-	-	429
Net realised gain recycled to interim consolidated statement of income	-	-	-	(3,082)	-	-	(3,082)
Net fair value movements during the period	-	-	-	25,960	(2,770)	-	23,190
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	-	(34)	-	-	-	-	(34)
<b>Balance at 31 March 2010</b>	<b>426</b>	<b>73,350</b>	<b>(4,704)</b>	<b>(67,580)</b>	<b>(32,595)</b>	<b>-</b>	<b>(31,103)</b>

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>		<i>ESPP reserve</i>	<i>Total other reserves</i>
				<i>Available- for-sale reserve</i>	<i>Cash flow hedge 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 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 interim 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 transaction	-	-	-	-	-	277	277
Conversion of preference shares	-	-	-	-	-	(5,039)	(5,039)
Revaluation of freehold land	-	(2,037)	-	-	-	-	(2,037)
<b>Balance at 31 March 2009</b>	<b>307</b>	<b>119,069</b>	<b>(6,986)</b>	<b>(223,790)</b>	<b>(68,079)</b>	<b>1,566</b>	<b>(177,913)</b>