

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

30 June 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 30 June 2009, comprising of the interim consolidated balance sheet as at 30 June 2009 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 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.



4 August 2009
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Six month period ended 30 June 2009 (Unaudited)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2009	2008	2009	2008
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
Interest income	4	236,342	320,183	491,344	649,077
Interest expense		119,012	207,593	266,986	438,906
Net interest income		117,330	112,590	224,358	210,171
Fees and commissions - net		38,566	38,735	81,737	77,364
Trading income - net		23,008	13,368	34,506	31,733
Net gains on available-for-sale investments		7,591	80,217	29,851	86,868
Share of profit from associates		11,062	16,860	23,227	33,526
Dividend income	3	1,073	4,987	12,016	17,952
Other operating income		973	2,142	6,545	3,391
		82,273	156,309	187,882	250,834
OPERATING INCOME		199,603	268,899	412,240	461,005
Provision for loan losses and contingencies - net		80,902	38,458	127,976	48,574
NET OPERATING INCOME		118,701	230,441	284,264	412,431
Staff costs		35,639	46,789	70,887	86,198
Depreciation		5,013	4,277	9,548	7,828
Other operating expenses		15,743	29,632	36,382	55,180
OPERATING EXPENSES		56,395	80,698	116,817	149,206
PROFIT BEFORE TAX		62,306	149,743	167,447	263,225
Income tax (credit) expense		(1,951)	2,812	(205)	4,224
NET PROFIT FOR THE PERIOD		64,257	146,931	167,652	259,001
Attributable to:					
Bank's equity shareholders		57,603	117,414	143,542	211,720
Non-controlling interest		6,654	29,517	24,110	47,281
		64,257	146,931	167,652	259,001
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD					
Basic earnings per share (US cents)	5	1.2	2.5	3.0	4.6
Diluted earnings per share (US cents)	5	1.2	2.4	3.0	4.4

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

Six month period ended 30 June 2009 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2009</i>	<i>2008</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	64,257	146,931	167,652	259,001
Other comprehensive income				
Directors' fees paid	-	-	(1,168)	(1,002)
Donations approved	-	-	(1,000)	(1,000)
Currency translation adjustments	22,030	1,831	(44,369)	20,649
Available-for-sale investments:				
Gains (losses) arising during the period	86,440	70,039	127,455	(76,610)
Losses (gains) recycled to consolidated statement of income during the period	10,017	(68,032)	(10,521)	(92,932)
Cash flow hedges:				
Gains arising during the period	6,082	10,151	24,457	6,173
Losses (gains) recycled to consolidated statement of income during the period	37,858	(1,604)	37,056	(1,604)
Revaluation of freehold land	349	13,940	(1,688)	39,963
Share of other comprehensive income of associates	358	10,445	(330)	10,175
Other comprehensive income for the period	163,134	36,770	129,892	(96,188)
Total comprehensive income for the period	227,391	183,701	297,544	162,813
Total comprehensive income attributable to:				
Bank's equity shareholders	212,262	174,890	294,272	138,744
Non-controlling interest	15,129	8,811	3,272	24,069
	227,391	183,701	297,544	162,813

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 June 2009 (Unaudited)

	Note	30 June 2009 US\$ '000	Audited 31 December 2008 US\$ '000
ASSETS			
Cash and balances with central banks		308,120	392,251
Treasury bills and bonds		1,175,158	1,236,997
Trading securities		1,830	23,364
Deposits with banks and other financial institutions		5,389,495	2,867,959
Loans and advances		13,120,387	13,632,220
Non-trading investments		3,741,231	3,353,570
Investment in associates and joint venture		520,176	534,916
Premises and equipment		388,143	389,009
Other assets		590,851	517,871
Goodwill and other intangible assets		615,267	634,570
TOTAL ASSETS		25,850,658	23,582,727
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		5,006,692	5,153,514
Customers' deposits		15,615,908	13,178,079
Term debts		1,350,000	1,350,000
Other liabilities		728,892	882,781
Subordinated liabilities	4	603,844	623,576
TOTAL LIABILITIES		23,305,336	21,187,950
EQUITY			
Ordinary share capital	6	1,193,589	1,126,561
Preference share capital	6	7,237	17,128
Reserves		968,230	851,746
Attributable to the Bank's equity shareholders		2,169,056	1,995,435
Non-controlling interest		376,266	399,342
TOTAL EQUITY		2,545,322	2,394,777
TOTAL LIABILITIES AND EQUITY		25,850,658	23,582,727

Fahad Al-Rajaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

Kdel 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

Six month period ended 30 June 2009 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2009</i>	<i>2008</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash (used in) from operating activities	(559,002)	1,918,834
Net cash used in investing activities	(134,146)	(76,477)
Net cash used in financing activities	(159,662)	(113,336)
Foreign currency translation adjustments	(44,369)	20,649
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(897,179)	1,749,670
Cash and cash equivalents at 1 January	2,446,908	2,376,886
CASH AND CASH EQUIVALENTS AT 30 JUNE	1,549,729	4,126,556
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	156,481	73,732
Deposits with banks and other financial institutions with an original maturity of three months or less	1,393,248	4,052,824
	1,549,729	4,126,556

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

Six month period ended 30 June 2009 (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	126,624	237,887	118,319	(171,113)	851,746	399,342	2,394,777
Class B preference dividend paid	-	-	-	-	-	-	(3,493)	-	(3,493)	-	(3,493)
Bonus shares issued	56,917	-	-	-	-	(56,917)	-	-	(56,917)	-	-
Conversion of preference shares	11,756	(8,998)	-	2,281	-	-	(5,039)	-	(2,758)	-	-
Class B preference shares surrendered	20	(893)	-	(1,962)	-	-	-	-	(1,962)	-	(2,835)
Treasury shares purchased	-	-	(1,665)	-	-	-	-	-	-	-	(1,665)
Ordinary share dividend paid	-	-	-	-	-	-	(112,658)	-	(112,658)	(26,348)	(139,006)
Total comprehensive income for the period	-	-	-	-	-	143,542	(2,168)	152,898	294,272	3,272	297,544
Balance at 30 June 2009	1,195,254	7,237	(1,665)	540,348	126,624	324,512	-	(23,254)	968,230	376,266	2,545,322

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six month period ended 30 June 2008 (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 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 Class B preference shares surrendered	179,963	(154,963)	-	(19,008)	-	-	-	(5,992)	(25,000)	-	-
Ordinary share dividend paid	-	(751)	-	(1,563)	-	-	-	-	(1,563)	-	(2,314)
Total comprehensive income for the period	-	-	-	-	-	-	(105,780)	-	(105,780)	(40,758)	(146,538)
Balance at 30 June 2008	1,126,581	17,287	-	540,802	101,052	337,775	-	195,791	1,175,420	321,712	2,641,000

30 June 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 six-month period ended 30 June 2009 were authorised for issue in accordance with a resolution of the directors on 4 August 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 financial statements for the six month period ended 30 June 2009.

IFRS 8 - Operating Segments

The IASB issued IFRS 8 - Operating segments 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 - Operating segments 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 six months ended 30 June 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.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2009 (Unaudited)

3 SEASONALITY OF RESULTS

Dividend income of US\$ 12,016 thousand for the six months ended 30 June 2009 (30 June 2008: US\$ 17,952 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 six month period ended 30 June 2009.

5 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2009</i>	<i>2008</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>57,603</u>	<u>117,414</u>	<u>143,542</u>	<u>211,720</u>
Add: Staff costs - fair value amortisation of share based transaction (US\$ '000)	<u>277</u>	<u>459</u>	<u>554</u>	<u>2,416</u>
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	<u>57,880</u>	<u>117,873</u>	<u>144,096</u>	<u>214,136</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	<u>4,781</u>	<u>4,732</u>	<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>4,824</u>	<u>4,829</u>	<u>4,824</u>	<u>4,829</u>
Basic earnings per ordinary share (US cents)	<u>1.2</u>	<u>2.5</u>	<u>3.0</u>	<u>4.5</u>
Diluted earnings per ordinary share (US cents)	<u>1.2</u>	<u>2.4</u>	<u>3.0</u>	<u>4.4</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.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2009 (Unaudited)

7 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>Audited</i>	
	<i>30 June 2009</i>	<i>31 December 2008</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	1,412,526	1,880,235
Acceptances	55,917	65,670
Letters of credit	215,514	578,635
	<u>1,683,957</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>
Six months ended 30 June 2009:				
Net interest income	85,610	117,805	20,943	224,358
Intersegment interest	(5,185)	9,467	(4,282)	-
Fees and commissions - net	17,714	51,647	12,376	81,737
Other operating income	1,024	104,857	264	106,145
OPERATING INCOME	<u>99,163</u>	<u>283,776</u>	<u>29,301</u>	<u>412,240</u>
Provision for loan losses and contingencies - net	16,204	99,954	11,818	127,976
NET OPERATING INCOME	<u>82,959</u>	<u>183,822</u>	<u>17,483</u>	<u>284,264</u>
Operating expenses	48,787	55,647	12,383	116,817
PROFIT BEFORE TAX	<u>34,172</u>	<u>128,175</u>	<u>5,100</u>	<u>167,447</u>
Income tax expense	772	(2,481)	1,504	(205)
NET PROFIT FOR THE PERIOD	<u>33,400</u>	<u>130,656</u>	<u>3,596</u>	<u>167,652</u>
Less : Non-controlling interest				24,110
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				<u>143,542</u>

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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>
Six months ended 30 June 2008:				
Net interest income	98,320	86,903	24,948	210,171
Intersegment interest	(24,001)	31,450	(7,449)	-
Fees and commissions - net	28,987	26,866	21,511	77,364
Other operating income	3,198	170,186	86	173,470
OPERATING INCOME	106,504	315,405	39,096	461,005
Provision (recoveries) for loan losses and contingencies - net	17,659	30,894	21	48,574
NET OPERATING INCOME	88,845	284,511	39,075	412,431
Operating expenses	52,984	75,896	20,326	149,206
PROFIT BEFORE TAX	35,861	208,615	18,749	263,225
Income tax expense	855	1,947	1,422	4,224
NET PROFIT FOR THE PERIOD	35,006	206,668	17,327	259,001
Less : Non-controlling interest				47,281
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				211,720

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2009 (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 2009	307	121,106	38,419	(251,621)	(85,652)	6,328	(171,113)
Currency translation adjustments	-	-	(31,681)	-	-	-	(31,681)
Share of changes in fair value reserve of associates	-	-	-	(330)	-	-	(330)
Net realised (gains) losses consolidated statement of income	-	-	-	(862)	37,056	-	36,194
Net fair value movements during the period	-	-	-	125,392	24,457	-	149,849
Fair value amortisation of share based transaction	-	-	-	-	-	554	554
Conversion of preference shares	-	-	-	-	-	(5,039)	(5,039)
Revaluation of freehold land	-	(1,688)	-	-	-	-	(1,688)
Balance at 30 June 2009	307	119,418	6,738	(127,421)	(24,139)	1,843	(23,254)

	<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 2008	307	94,290	36,080	149,075	(14,585)	7,590	272,757
Currency translation adjustments	-	-	26,031	-	-	-	26,031
Share of changes in fair value reserve of associates	-	-	-	10,175	-	-	10,175
Net realised (gains) losses consolidated statement of income	-	-	-	(70,044)	(1,604)	-	(71,648)
Net fair value movements during the period	-	-	-	(79,030)	6,173	-	(72,857)
Fair value amortisation of share based transaction	-	-	-	-	-	2,416	2,416
Conversion of preference shares	-	-	-	-	-	(5,992)	(5,992)
Revaluation of freehold land	-	34,909	-	-	-	-	34,909
Balance at 30 June 2008	307	129,199	62,111	10,176	(10,016)	4,014	195,791