

Ahli United Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 September 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 September 2009, comprising of the interim consolidated balance sheet as at 30 September 2009 and the related interim consolidated statements of income, comprehensive income, changes in equity and condensed 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 2009
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Nine month period ended 30 September 2009 (Unaudited)

	Note	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</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>
Interest income	4	222,856	312,207	714,200	961,284
Interest expense		103,663	197,971	370,649	636,877
Net interest income		119,193	114,236	343,551	324,407
Fees and commissions - net		28,412	47,362	110,149	124,726
Trading income - net		8,575	(4,283)	43,081	27,450
Net gains on available-for-sale investments		7,420	(40,226)	37,271	46,642
Share of profit from associates		5,434	15,721	28,661	49,247
Dividend income	3	681	1,154	12,697	19,106
Other operating income		1,796	6,313	8,341	9,704
		52,318	26,041	240,200	276,875
OPERATING INCOME		171,511	140,277	583,751	601,282
Provision for loan losses and contingencies - net		68,148	10,234	196,124	58,808
NET OPERATING INCOME		103,363	130,043	387,627	542,474
Staff costs		36,013	34,569	106,900	120,767
Depreciation		5,288	4,726	14,836	12,554
Other operating expenses		16,897	14,568	53,279	69,748
OPERATING EXPENSES		58,198	53,863	175,015	203,069
PROFIT BEFORE TAX		45,165	76,180	212,612	339,405
Income tax expense (credit)		1,640	(2,814)	1,435	1,410
NET PROFIT FOR THE PERIOD		43,525	78,994	211,177	337,995
Attributable to:					
Bank's equity shareholders		40,119	68,381	183,661	280,101
Non-controlling interest		3,406	10,613	27,516	57,894
		43,525	78,994	211,177	337,995
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD					
Basic earnings per share (US cents)	5	0.8	1.4	3.8	5.9
Diluted earnings per share (US cents)	5	0.8	1.4	3.8	5.9

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine month period ended 30 September 2009 (Unaudited)

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</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	43,525	78,994	211,177	337,995
Other comprehensive income				
Directors' fees paid	-	-	(1,168)	(1,002)
Donations approved	-	-	(1,000)	(1,000)
Currency translation adjustments	3,333	(8,495)	(41,036)	12,154
Available-for-sale investments:				
Gains (losses) arising during the period	(3,706)	(199,659)	123,750	(276,269)
Losses recycled to consolidated statement of income during the period	(3,636)	(5,905)	(14,158)	(98,837)
Cash flow hedges:				
Gains arising during the period	(3,632)	(6,025)	20,825	148
Gains (losses) recycled to consolidated statement of income during the period	(802)	(802)	36,254	(2,406)
Revaluation of freehold land	60	(4,034)	(1,628)	35,929
Share of other comprehensive income of associates	398	(28,288)	68	(18,113)
Other comprehensive income for the period	(7,985)	(253,208)	121,907	(349,396)
Total comprehensive income for the period	35,540	(174,214)	333,084	(11,401)
Total comprehensive income attributable to:				
Bank's equity shareholders	38,461	(173,537)	332,733	(34,793)
Non-controlling interest	(2,921)	(677)	351	23,392
	35,540	(174,214)	333,084	(11,401)

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED BALANCE SHEET

30 September 2009 (Unaudited)

	<i>Note</i>	<i>30 September 2009</i>	<i>Audited 31 December 2008</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		337,091	392,251
Treasury bills and bonds		1,120,911	1,236,997
Trading securities		1,129	23,364
Deposits with banks and other financial institutions		2,612,252	2,867,959
Loans and advances		12,889,638	13,632,220
Non-trading investments		3,857,579	3,353,570
Investment in associates and joint venture		525,986	534,916
Premises and equipment		401,766	389,009
Other assets		504,741	517,871
Goodwill and other intangible assets		618,953	634,570
TOTAL ASSETS		22,870,046	23,582,727
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		5,044,200	5,153,514
Customers' deposits		12,931,971	13,178,079
Term debts		950,000	1,350,000
Other liabilities		760,954	882,781
Subordinated liabilities	4	602,323	623,576
TOTAL LIABILITIES		20,289,448	21,187,950
EQUITY			
Ordinary share capital	6	1,193,589	1,126,561
Preference share capital	6	7,212	17,128
Reserves		1,006,634	851,746
Attributable to the Bank's equity shareholders		2,207,435	1,995,435
Non-controlling interest		373,163	399,342
TOTAL EQUITY		2,580,598	2,394,777
TOTAL LIABILITIES AND EQUITY		22,870,046	23,582,727

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 2009 (Unaudited)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2009	2008
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash (used in) from operating activities	(377,687)	1,264,743
Net cash (used in) from investing activities	(282,107)	137,451
Net cash used in financing activities	(558,621)	(117,831)
Foreign currency translation adjustments	(41,036)	12,154
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,259,451)	1,296,517
Cash and cash equivalents at 1 January	2,446,908	2,376,886
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	1,187,457	3,673,403
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	194,001	179,610
Deposits with banks and other financial institutions with an original maturity of three months or less	993,456	3,493,793
	1,187,457	3,673,403

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 2009 (Unaudited)

	Attributable to Bank's equity shareholders										
	Ordinary share capital USS '000	Preference share capital USS '000	Treasury shares USS '000	Share premium USS '000	Statutory reserve USS '000	Retained earnings USS '000	Proposed appropriations USS '000	Other reserves (Note 9) USS '000	Total reserves USS '000	Non-controlling interest USS '000	Total USS '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	(918)	-	(2,019)	-	-	-	-	(2,019)	-	(2,917)
Treasury shares purchased	-	-	(1,665)	-	-	-	-	-	-	-	(1,665)
Ordinary share dividend paid	-	-	-	-	-	-	(112,658)	-	(112,658)	(26,530)	(139,188)
Total comprehensive income for the period	-	-	-	-	-	183,661	(2,168)	151,240	332,733	351	333,084
Balance at 30 September 2009	1,195,254	7,212	(1,665)	540,291	126,624	364,631	-	(24,912)	1,006,634	373,163	2,580,598

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 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 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	-	(949)	-	(2,005)	-	-	-	-	(2,005)	-	(2,954)
Ordinary share dividend paid	-	-	-	-	-	-	(105,780)	-	(105,780)	(40,758)	(146,538)
Total comprehensive income for the period	-	-	-	-	-	280,101	(2,002)	(312,892)	(34,793)	23,392	(11,401)
Balance at 30 September 2008	1,126,581	17,089	-	540,360	101,052	406,156	-	(46,127)	1,001,441	321,035	2,466,146

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

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 nine-month period ended 30 September 2009 were authorised for issue in accordance with a resolution of the directors on 25 October 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 nine month period ended 30 September 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 nine months ended 30 September 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.

30 September 2009 (Unaudited)

3 SEASONALITY OF RESULTS

Dividend income of US\$ 12,697 thousand for the nine months period ended 30 September 2009 (30 September 2008: US\$ 19,106 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 nine month period ended 30 September 2009.

5 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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)	40,119	68,381	183,661	280,101
Add: Staff costs - fair value amortisation of share based transaction (US\$ '000)	277	459	831	2,875
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	40,396	68,840	184,492	282,976
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	4,781	4,732	4,781	4,732
Less :- Weighted average treasury shares purchased (million)	(1)	-	(1)	-
Net weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	4,780	4,732	4,780	4,732
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the convertible portion of Class B preference shares (million)	4,824	4,829	4,824	4,829
Basic earnings per ordinary share (US cents)	0.8	1.4	3.8	5.9
Diluted earnings per ordinary share (US cents)	0.8	1.4	3.8	5.9

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 September 2009 (Unaudited)

7 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>Audited</i>	
	<i>30 September 2009</i>	
	<i>31 December 2008</i>	
	<i>US\$ '000</i>	
	<i>US\$ '000</i>	
Guarantees	1,043,375	1,880,235
Acceptances	51,977	65,670
Letters of credit	280,140	578,635
	<u>1,375,492</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>
Nine months ended 30 September 2009:				
Net interest income	104,386	213,436	25,729	343,551
Intersegment interest	(6,410)	11,756	(5,346)	-
Fees and commissions - net	41,394	50,079	18,676	110,149
Other operating income	1,579	128,194	278	130,051
OPERATING INCOME	<u>140,949</u>	<u>403,465</u>	<u>39,337</u>	<u>583,751</u>
Provision for loan losses and contingencies - net	34,499	148,840	12,785	196,124
NET OPERATING INCOME	<u>106,450</u>	<u>254,625</u>	<u>26,552</u>	<u>387,627</u>
Operating expenses	73,699	82,168	19,148	175,015
PROFIT BEFORE TAX	<u>32,751</u>	<u>172,457</u>	<u>7,404</u>	<u>212,612</u>
Income tax expense (credit)	1,162	(1,741)	2,014	1,435
NET PROFIT FOR THE PERIOD	<u>31,589</u>	<u>174,198</u>	<u>5,390</u>	<u>211,177</u>
Less : Non-controlling interest				<u>27,516</u>
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				<u>183,661</u>

30 September 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>
Nine months ended 30 September 2008:				
Net interest income	143,545	140,161	40,701	324,407
Intersegment interest	(34,948)	46,360	(11,412)	-
Fees and commissions - net	41,378	61,285	22,063	124,726
Other operating income	3,674	148,370	105	152,149
OPERATING INCOME	153,649	396,176	51,457	601,282
Provision (recoveries) for loan losses and contingencies - net	25,941	33,168	(301)	58,808
NET OPERATING INCOME	127,708	363,008	51,758	542,474
Operating expenses	76,660	97,633	28,776	203,069
PROFIT BEFORE TAX	51,048	265,375	22,982	339,405
Income tax expense (credit)	1,493	(2,105)	2,022	1,410
NET PROFIT FOR THE PERIOD	49,555	267,480	20,960	337,995
Less : Non-controlling interest				57,894
NET PROFIT ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS				280,101

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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>	<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	-	-	(28,183)	-	-	-	(28,183)
Share of changes in fair value reserve of associates	-	-	-	68	-	-	68
Net realised (gains) losses recycled to consolidated statement of income	-	-	-	(6,783)	36,254	-	29,471
Net fair value movements during the period	-	-	-	129,856	20,825	-	150,681
Fair value amortisation of share based transaction	-	-	-	-	-	831	831
Conversion of preference shares	-	-	-	-	-	(5,039)	(5,039)
Revaluation of freehold land	-	(1,628)	-	-	-	-	(1,628)
Balance at 30 September 2009	307	119,478	10,236	(128,480)	(28,573)	2,120	(24,912)

	<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>	<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	-	-	21,997	-	-	-	21,997
Share of changes in fair value reserve of associates	-	-	-	(18,113)	-	-	(18,113)
Net realised (gains) recycled to consolidated statement of income	-	-	-	(75,708)	(2,406)	-	(78,114)
Net fair value movements during the period	-	-	-	(272,604)	148	-	(272,456)
Fair value amortisation of share based transaction	-	-	-	-	-	2,875	2,875
Conversion of preference shares	-	-	-	-	-	(5,992)	(5,992)
Revaluation of freehold land	-	30,919	-	-	-	-	30,919
Balance at 30 September 2008	307	125,209	58,077	(217,350)	(16,843)	4,473	(46,127)