

Press Release

AHLI UNITED BANK B.S.C. REPORTS A NET PROFIT OF US\$ 357.4 MILLION ATTRIBUTABLE TO OWNERS OF THE BANK FOR H1/2018

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Ahli United Bank B.S.C. (AUB) reported a net profit attributable to its equity shareholders of US\$ 357.4 million for the six months ended 30 June 2018. The net profit reflected a robust growth of 14.8% in H1/2018 as compared to the net profit of US\$ 311.3 million achieved in H1/2017. The Q2/2018 net profit of US\$ 182.7 million represents a 20.3% improvement over the Q2/2017 quarter reported profit of US\$ 151.9 million. The Basic Earnings per Share (EPS) in H1/2018 were US 4.3 cents, compared to US 3.7 cents in H1/2017 (EPS US 2.1 cents in Q2/2018 versus US 1.7 cents in Q2/2017).

Net interest income improved by 12.3% to US\$ 467.2 million during the first six months of 2018 (Q2/2018: +12.3% versus Q2/2017) driven by improved margins and prudent growth in loan and investments. Increases in net interest income and other fee, trading and investment income resulted in a rise in operating income by 11.8% (Q2/2018: +16.0% versus Q2/2017). Furthermore, adoption of a consistent and disciplined intelligent spend approach together with operational efficiencies resulted in a lower cost to income ratio of 26.1% (H1/2017: 27.3%).

Solid asset quality levels were sustained with a gross non-performing loans ratio of 2.0% (31 December 2017: 1.9%) while specific provision coverage ratio increased to 89.2% (31 December 2017: 85.1%). The total provision coverage ratio, inclusive of expected credit loss provisioning under IFRS 9 but excluding significant non-cash collaterals available, improved to 228.9% as at 30 June 2018 (31 December 2017: 154.3%).

The Group's Return on Average Equity (ROAE) for H1/2018, increased to 18.8%, compared to 16.7% achieved in the first half of 2017. Return on Average Assets also increased to 2.3% for H1/2018 (H1/2017: 2.1%).

Mr. Hamad Al-Humaidhi, AUB Chairman, commented: "Our results demonstrate AUB's strong ability to deliver sustainable core earnings on a consistent basis through its diversified business initiatives and strategic investments across the Gulf and MENA region. Growth was underpinned by robust risk management, effective cost efficiency measures and continuing focus on the sourcing of remunerative cross border business flows."

Mr. Al-Humaidhi also commented that "the MOU signed today with Kuwait Finance House (KFH) provides a non-binding framework to explore the establishment, in a structured manner, of a major regional banking institution capable of competing more effectively in its existing and new potential markets."

He explained that the proposed transaction comprised three stages. The first stage involves both banks agreeing a fair exchange ratio for their shares based on valuation studies to be conducted by the selected international investment banks. Subject to such agreement on valuation and securing the necessary regulatory approvals, the second stage would commence in terms of conducting detailed due diligence on both banks with a view to finalizing the share exchange ratio. The third stage will involve the assessment of the business prospects and opportunities of the combined entity and the submission of necessary applications to secure the required regulatory and statutory consents to consummate the combination.

Mr. Al-Humaidhi added "The signed MOU is in line with the longstanding strategy adopted by AUB's Board of Directors since inception in 2000, for pursuing inorganic growth in our targeted markets through mergers and acquisitions. This particular transaction involves a potential transformational deal to create a market leader in the regional and global banking space and to provide a very solid platform for achieving shareholder aspirations".

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