

Ahli United Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2002

**REVIEW REPORT TO THE BOARD OF DIRECTORS
OF AHLI UNITED BANK B.S.C.**

We have reviewed the accompanying consolidated balance sheet of Ahli United Bank B.S.C. (Bank) and its subsidiaries (Group) as of 30 June 2002, and the related consolidated statements of income, cash flows and changes in equity for the six month period then ended. These interim condensed consolidated financial statements are the responsibility of the Bank's Board of Directors. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Bank's personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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 presented fairly, in all material respects, in accordance with International Accounting Standard 34.

25 July 2002
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

CONSOLIDATED BALANCE SHEET

30 June 2002 (Unaudited)

	<i>30</i> <i>June</i> <i>2002</i> <i>US\$ '000</i>	<i>Audited</i> <i>31</i> <i>December</i> <i>2001</i> <i>US\$ '000</i>
ASSETS		
Cash and balances with central banks	48,372	45,294
Treasury bills	23,698	34,531
Trading securities	202	355
Deposits with banks and other financial institutions	643,866	925,613
Loans and advances	2,124,727	1,882,699
Securitised loans	-	38,136
Less: Securities issued	-	(38,136)
Non-trading investments	1,450,971	932,549
Investment in associates	229,187	167,664
Premises and equipment	46,012	43,755
Other assets and intangibles	70,598	70,259
	<u>4,637,633</u>	<u>4,102,719</u>
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks and other financial institutions	1,050,664	738,900
Customers' deposits	2,420,207	2,366,086
Certificate of deposits	101,203	40,205
Floating rate notes and other term debt	321,348	219,718
Other liabilities	93,299	85,273
	<u>3,986,721</u>	<u>3,450,182</u>
SUBORDINATED LIABILITIES	<u>90,067</u>	<u>88,235</u>
EQUITY		
Share capital	450,000	450,000
Reserves	110,845	114,302
	<u>560,845</u>	<u>564,302</u>
	<u>4,637,633</u>	<u>4,102,719</u>

Fahad Al-Rajaan
Chairman
Board of Directors

Mohammed Yousuf Jalal
Deputy Chairman
Board of Directors

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

The attached explanatory notes 1 to 5 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF INCOME

30 June 2002 (Unaudited)

	<i>3 months ended 30 June 2002 US\$ '000</i>	<i>3 months ended 30 June 2001 US\$ '000</i>	<i>6 months ended 30 June 2002 US\$ '000</i>	<i>6 months ended 30 June 2001 US\$ '000</i>
OPERATING INCOME				
Interest income	50,627	63,347	100,314	133,180
Interest expense	27,465	42,697	54,545	92,248
Net interest income	<u>23,162</u>	<u>20,650</u>	<u>45,769</u>	<u>40,932</u>
Fee, commission and other income	12,117	14,446	25,487	26,079
Gain on sale of non-trading investments	1,919	824	3,831	2,974
Trading income	1,941	1,498	2,335	3,033
	<u>15,977</u>	<u>16,768</u>	<u>31,653</u>	<u>32,086</u>
NET INTEREST AND OTHER INCOME	<u>39,139</u>	<u>37,418</u>	<u>77,422</u>	<u>73,018</u>
Provision for losses on loans and advances-net	3,132	3,334	6,862	3,272
Provision for impairment of non-trading investments, other assets and contingencies	701	548	710	1,836
	<u>3,833</u>	<u>3,882</u>	<u>7,572</u>	<u>5,108</u>
OPERATING INCOME AFTER PROVISIONS	<u>35,306</u>	<u>33,536</u>	<u>69,850</u>	<u>67,910</u>
OPERATING EXPENSES				
Staff expenses	9,681	10,768	18,525	19,262
Depreciation and amortisation	1,269	1,609	2,881	3,090
Other operating expenses	6,657	7,945	11,975	14,550
	<u>17,607</u>	<u>20,322</u>	<u>33,381</u>	<u>36,902</u>
PROFIT BEFORE TAXATION	<u>17,699</u>	<u>13,214</u>	<u>36,469</u>	<u>31,008</u>
Income tax expense	1,938	1,570	3,641	3,344
NET PROFIT FOR THE PERIOD	<u>15,761</u>	<u>11,644</u>	<u>32,828</u>	<u>27,664</u>
Weighted average number of shares outstanding (in millions)	<u>1,800</u>	<u>1,294</u>	<u>1,800</u>	<u>1,294</u>
Basic earnings per share (cents)	<u>0.88</u>	<u>0.90</u>	<u>1.82</u>	<u>2.14</u>

The attached explanatory notes 1 to 5 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2002 (Unaudited)

	<i>6 months ended 30 June 2002 US\$ '000</i>	<i>6 months ended 30 June 2001 US\$ '000</i>
Net cash from operating activities	261,873	16,873
Net cash (used in) investing activities	(588,408)	(288,422)
Net cash from (used in) financing activities	61,852	(12,017)
Foreign currency translation adjustments	11,030	12,506
(DECREASE) IN CASH AND CASH EQUIVALENTS	(253,653)	(271,060)
Cash and cash equivalents at 1 January	923,120	989,989
CASH AND CASH EQUIVALENTS AT 30 JUNE	669,467	718,929
Comprising:		
Cash and balances with central banks	18,559	18,241
Treasury bills maturing within three months	23,698	45,379
Deposits with banks and other financial institutions maturing within three months	627,210	655,309
	669,467	718,929

The attached explanatory notes 1 to 5 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2002 (Unaudited)

	<i>Share capital US\$ '000</i>	<i>Share premium US\$ '000</i>	<i>Capital reserve US\$ '000</i>	<i>Statutory reserve US\$ '000</i>	<i>Foreign Currency translation adjustments US\$ '000</i>	<i>Retained earnings US\$ '000</i>	<i>Proposed appropriations US\$ '000</i>	<i>Cumulative changes in fair values US\$ '000</i>	<i>Total US\$ '000</i>
Balance at 31 December 2001	450,000	80,781	307	8,849	(25,384)	2,786	41,610	5,353	564,302
Dividends and other appropriations paid	-	-	-	-	-	-	(41,610)	-	(41,610)
Net profit for the period	-	-	-	-	-	32,828	-	-	32,828
Currency translation adjustments	-	-	-	-	11,030	-	-	-	11,030
Net fair value movements during the period	-	-	-	-	-	-	-	(5,705)	(5,705)
Balance at 30 June 2002	450,000	80,781	307	8,849	(14,354)	35,614	-	(352)	560,800
Balance at 31 December 2000	323,500	53,589	307	4,013	(17,785)	3,730	32,383	-	399,737
Transition adjustment on adoption of IAS 39	-	-	-	-	-	4,482	-	-	4,482
Merger expenses paid	-	(124)	-	-	-	-	-	-	(124)
Dividends and other appropriations paid	-	-	-	-	-	-	(32,383)	-	(32,383)
Net profit for the period	-	-	-	-	-	27,664	-	-	27,664
Currency translation adjustments	-	-	-	-	(12,506)	-	-	-	(12,506)
Net gain on sale of available-for-sale investments (previously included in retained earnings on adoption of IAS 39)	-	-	-	-	-	(1,025)	-	-	(1,025)
Net fair value movements during the period	-	-	-	-	-	-	-	3,156	3,156
Balance at 30 June 2001	323,500	53,465	307	4,013	(30,291)	34,851	-	3,156	389,001

The movements in foreign currency translation adjustments represent gains (losses) arising from translating the net investment in a subsidiary into US dollars.

The attached explanatory notes 1 to 5 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

30 June 2002 (Unaudited)

1 ACTIVITIES

The parent company, Ahli United Bank B.S.C. (the 'Bank') was incorporated in the Kingdom of Bahrain on 31 May 2000 originally as a closed company and changed on 12 July 2000 to a public shareholding company by Amiri Decree no. 16/2000, and carries out commercial and investment banking business, global fund management and private banking services through its subsidiaries. The Bank operates under an offshore banking unit licence issued by the Bahrain Monetary Agency. The registered office of Ahli United Bank B.S.C. is located at 120 Government Avenue, P O Box 2424, Manama, Bahrain.

The Bank, effective 1 January 2000, combined the businesses of Ahli United Bank (Bahrain) B.S.C. (c) [formerly known as Al-Ahli Commercial Bank B.S.C. (c)], a bank incorporated in the Kingdom of Bahrain, and The United Bank of Kuwait PLC, a bank incorporated in the United Kingdom. The combination was formally completed on 30 July 2000 when shares in Ahli United Bank B.S.C. were distributed to the shareholders of the combining banks.

Ahli United Bank (Bahrain) B.S.C. (c) [formerly known as Al-Ahli Commercial Bank B.S.C. (c)] was incorporated in the Kingdom of Bahrain in 1977 as a public shareholding company and on 2 August 2000 changed its legal status to a closed shareholding company. The bank operates under a commercial banking licence issued by the Bahrain Monetary Agency.

The United Bank of Kuwait PLC was incorporated in the United Kingdom in 1966 as a public shareholding company and is an authorised institution under the U.K. Banking Act 1987. The bank undertakes international commercial and investment banking business.

2 ACCOUNTING POLICIES

The interim condensed consolidated financial statements of Ahli United Bank B.S.C. (the Bank) and its subsidiaries (the Group) are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. 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 2001.

3 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities at the balance sheet date:

	<i>30 June 2002 US\$ '000</i>	<i>Audited 31 December 2001 US\$ '000</i>
Guarantees	289,147	250,461
Acceptances	11,445	14,041
Letters of credit	65,395	71,122
	365,987	335,624

There have been no other significant changes in the contingent liabilities subsequent to 31 December 2001.

NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
30 June 2002 (Unaudited)

4 SEGMENT INFORMATION

Primary segment information

For management purposes the Group is organised into three major business segments:

Retail banking
Corporate banking, treasury and investments
Private banking and wealth management

These segments are the basis on which the Group reports its primary segment information. 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 marginal cost of funds.

Segmental information for the period was as follows:

	<i>Retail banking US\$ '000</i>	<i>Corporate banking, treasury and investments US\$ '000</i>	<i>Private banking and wealth management US\$ '000</i>	<i>Total US\$ '000</i>
Six months ended 30 June 2002				
Operating income before provisions	16,807	51,693	8,942	77,442
Segment result	9,512	30,254	4,275	44,041
Profit for the period before provisions and tax				44,041
Provisions				7,572
Taxation				3,641
Net profit				32,828
Six months ended 30 June 2001				
Operating income before provisions	12,246	49,942	10,830	73,018
Segment result	4,644	27,290	4,182	36,116
Profit for the period before provisions and tax				36,116
Provisions				5,108
Taxation				3,344
Net profit				27,664

5 SEASONALITY OF RESULTS

Dividend income of USD 3,480,000 (2001: USD 6,724,000), included in fee, commission and other income, is of a seasonal nature.