

**Ahli United Bank B.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

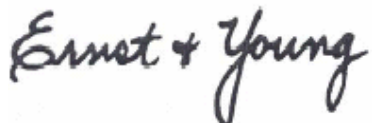
**30 JUNE 2003**

## **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 2003, 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.



23 July 2003  
Manama, Kingdom of Bahrain

# Ahli United Bank B.S.C.

## CONSOLIDATED BALANCE SHEET

30 June 2003 (Unaudited)

	<i>30 June</i> <i>2003</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2002</i> <i>US\$ '000</i>
<b>ASSETS</b>		
Cash and balances with central banks	53,419	52,350
Trading securities	21,169	32,014
Deposits with banks and other financial institutions	880,815	862,354
Loans and advances	2,333,305	2,168,275
Non-trading investments	1,542,474	1,430,483
Investment in associates	466,081	438,205
Premises and equipment	49,676	47,323
Other assets and intangibles	145,532	104,892
	<u>5,492,471</u>	<u>5,135,896</u>
<b>LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Due to banks and other financial institutions	1,540,915	1,395,614
Customers' deposits	2,522,725	2,348,983
Certificates of deposits	71,942	75,293
Floating rate notes and other term debt	205,564	233,083
Other liabilities	160,922	128,985
	<u>4,502,068</u>	<u>4,181,958</u>
<b>SUBORDINATED LIABILITIES</b>	<u>124,591</u>	<u>123,323</u>
<b>EQUITY</b>		
Share capital	650,000	650,000
Reserves	215,812	180,615
	<u>865,812</u>	<u>830,615</u>
	<u>5,492,471</u>	<u>5,135,896</u>

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

Hamad Al-Marzouq  
Deputy Chairman  
Board of Directors

Fahad Al-Rajaan  
Chairman  
Board of Directors

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 2003 (Unaudited)

	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>OPERATING INCOME</b>				
Interest income	<b>54,123</b>	50,967	<b>108,263</b>	101,245
Interest expense	<b>26,509</b>	27,465	<b>53,975</b>	54,545
Net interest income	<b>27,614</b>	23,502	<b>54,288</b>	46,700
Fees and commission – net	<b>9,883</b>	7,389	<b>15,683</b>	15,412
Trading income	<b>600</b>	1,465	<b>1,250</b>	1,088
Gains on sale of non-trading investments	<b>6,045</b>	1,919	<b>9,235</b>	3,831
Share of profit from associates	<b>6,975</b>	1,331	<b>10,994</b>	3,335
Other operating income	<b>5,275</b>	2,554	<b>10,660</b>	5,354
	<b>28,778</b>	14,658	<b>47,822</b>	29,020
<b>NET INTEREST AND OTHER INCOME</b>	<b>56,392</b>	38,160	<b>102,110</b>	75,720
Provision for loan losses - net	<b>5,930</b>	2,782	<b>8,612</b>	6,451
Provision for impairment of non-trading investments, other assets and contingencies	<b>4,769</b>	565	<b>6,344</b>	394
	<b>10,699</b>	3,347	<b>14,956</b>	6,845
<b>OPERATING INCOME AFTER PROVISIONS</b>	<b>45,693</b>	34,813	<b>87,154</b>	68,875
<b>OPERATING EXPENSES</b>				
Staff expenses	<b>10,732</b>	9,681	<b>20,751</b>	18,525
Depreciation and amortisation	<b>1,446</b>	1,269	<b>2,872</b>	2,881
Other operating expenses	<b>5,997</b>	6,164	<b>10,646</b>	11,000
	<b>18,175</b>	17,114	<b>34,269</b>	32,406
<b>PROFIT BEFORE TAXATION</b>	<b>27,518</b>	17,699	<b>52,885</b>	36,469
Income tax expense	<b>1,618</b>	1,938	<b>3,458</b>	3,641
<b>NET PROFIT FOR THE PERIOD</b>	<b>25,900</b>	15,761	<b>49,427</b>	32,828
Basic earnings per share (cents)	<b>1.00</b>	0.87	<b>1.90</b>	1.82
Weighted average number of shares outstanding (in millions)	<b>2,600</b>	1,800	<b>2,600</b>	1,800

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 2003 (Unaudited)

	<i>6 months ended 30 June 2003 US\$ ' 000</i>	<i>6 months ended 30 June 2002 US\$ '000</i>
Net cash from operating activities	<b>230,163</b>	261,873
Net cash (used in) investing activities	<b>(103,184)</b>	(588,408)
Net cash (used in) from financing activities	<b>(67,804)</b>	61,852
Foreign currency translation adjustments	-	11,030
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>59,175</b>	(253,653)
Cash and cash equivalents at 1 January	<b>824,538</b>	923,120
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>883,713</b>	669,467
<b>Comprising:</b>		
Cash and balances with central banks	<b>22,397</b>	18,559
Treasury bills maturing within three months	-	23,698
Deposits with banks and other financial institutions maturing within three months	<b>861,316</b>	627,210
	<b>883,713</b>	669,467

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 2003 (Unaudited)

	<i>Share capital</i> US\$ '000	<i>Share premium</i> US\$ '000	<i>Capital reserve</i> US\$ '000	<i>Statutory reserve</i> US\$ '000	<i>Foreign currency translation adjustments</i> US\$ '000	<i>Retained earnings</i> US\$ '000	<i>Proposed appropriations</i> US\$ '000	<i>Cumulative changes in fair values</i> US\$ '000	<i>Total</i> US\$ '000
Balance at 31 December 2002	650,000	123,752	307	14,822	(11,514)	13,858	41,871	(2,481)	830,615
Dividends paid	-	-	-	-	-	-	(41,553)	-	(41,553)
Directors' fees paid	-	-	-	-	-	-	(318)	-	(318)
Net profit for the period	-	-	-	-	-	49,427	-	-	49,427
Net gain on sale of available-for-sale investments (previously included in retained earnings on adoption of IAS 39)	-	-	-	-	-	(968)	-	-	(968)
Net fair value movements during the period	-	-	-	-	-	-	-	28,609	28,609
<b>Balance at 30 June 2003</b>	<b>650,000</b>	<b>123,752</b>	<b>307</b>	<b>14,822</b>	<b>(11,514)</b>	<b>62,317</b>	<b>-</b>	<b>26,128</b>	<b>865,812</b>
Balance at 31 December 2001	450,000	80,781	307	8,849	(25,384)	2,786	41,610	5,353	564,302
Dividends paid	-	-	-	-	-	-	(41,400)	-	(41,400)
Directors' fees paid	-	-	-	-	-	-	(210)	-	(210)
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)	560,845

The movement in foreign currency translation adjustments in the prior period represents gains arising from translating the net investment in a subsidiary into US dollars. The investment in this subsidiary has since been converted 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 2003 (Unaudited)

**1 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 2002.

**2 CONTINGENT LIABILITIES**

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

	<i>30 June 2003 US\$ '000</i>	<i>Audited 31 December 2002 US\$ '000</i>
Guarantees	273,156	251,471
Acceptances	9,439	10,790
Letters of credit	58,409	99,272
	<hr/> <b>341,004</b> <hr/>	<hr/> <b>361,533</b> <hr/>

There have been no other significant changes in the contingent liabilities subsequent to 31 December 2002.

**3 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 cost of funds.

NOTES TO THE INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
30 June 2003 (Unaudited)

**3 SEGMENT INFORMATION (continued)**

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>
<b>Six months ended 30 June 2003</b>				
<b>Operating income before provisions</b>	<b>19,188</b>	<b>73,489</b>	<b>9,433</b>	<b>102,110</b>
<b>Profit before provisions and tax</b>	<b>11,472</b>	<b>53,118</b>	<b>3,251</b>	<b>67,841</b>
<b>Provisions</b>				<b>(14,956)</b>
<b>Taxation</b>				<b>(3,458)</b>
<b>Net profit</b>				<b>49,427</b>
<b>Six months ended 30 June 2002</b>				
Operating income before provisions	15,998	49,516	10,206	75,720
Profit before provisions and tax	8,703	29,052	5,559	43,314
Provisions				(6,845)
Taxation				(3,641)
Net profit				32,828

**4 SEASONALITY OF RESULTS**

Dividend income of USD1,891,000 (2002: USD3,480,000), included in other operating income, is of a seasonal nature.

**5 COMPARATIVES**

Certain of the prior period amounts have been reclassified to conform to the presentation in the current period. Such reclassifications do not affect previously reported net profit or shareholders' equity.