

Ahli United Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 SEPTEMBER 2007

**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 2007, comprising of the interim consolidated balance sheet as at 30 September 2007 and the related interim consolidated statements of income, changes in equity and 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.



9 October 2007
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Nine month period ended 30 September 2007 (Unaudited)

	Note	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
OPERATING INCOME					
Interest income		338,083	269,546	953,996	670,450
Interest expense		250,228	194,712	713,698	465,947
Net interest income		87,855	74,834	240,298	204,503
Fees and commissions - net		46,402	28,823	112,073	86,291
Trading income		11,112	5,905	30,314	10,622
Gains on sale of non-trading investments		10,519	4,890	39,056	22,403
Share of profit from associates		13,242	7,865	42,143	21,916
Dividend income	3	801	266	15,753	12,026
Other operating income		1,549	1,945	5,441	5,736
		83,625	49,694	244,780	158,994
NET INTEREST AND OTHER INCOME		171,480	124,528	485,078	363,497
Provisions for loan losses, impairment of non-trading investments, other assets and contingencies-net		17,193	5,249	29,829	16,321
OPERATING INCOME AFTER PROVISIONS		154,287	119,279	455,249	347,176
OPERATING EXPENSES					
Staff costs		35,833	31,064	105,357	85,230
Depreciation		3,813	4,061	9,947	9,491
Other operating expenses		18,575	14,284	53,046	45,015
		58,221	49,409	168,350	139,736
PROFIT BEFORE TAXATION		96,066	69,870	286,899	207,440
Income tax expense		6,967	3,282	12,276	7,457
NET PROFIT FOR THE PERIOD		89,099	66,588	274,623	199,983
Attributable to:					
Bank's equity shareholders		75,223	56,486	225,949	164,342
Minority interest		13,876	10,102	48,674	35,641
		89,099	66,588	274,623	199,983
EARNINGS PER SHARE:					
Basic (US cents)	4	2.50	1.88	7.52	5.47
Diluted (US cents)	4	1.98	1.50	5.94	4.37

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED BALANCE SHEET

30 September 2007 (Unaudited)

		<i>Audited</i>
	<i>30 September</i>	<i>31 December</i>
	<i>2007</i>	<i>2006</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Note</i>		
ASSETS		
Cash and balances with central banks	386,737	137,683
Treasury bills and bonds	833,673	959,713
Trading securities	108,493	75,829
Deposits with banks and other financial institutions	4,210,527	6,011,145
Loans and advances	10,884,207	8,873,357
Non-trading investments	3,622,659	3,339,102
Investment in associates	664,486	554,280
Premises and equipment	275,449	146,501
Other assets	416,008	268,956
Goodwill and other intangible assets	479,404	432,341
TOTAL ASSETS	21,881,643	20,798,907
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions	7,395,303	6,919,919
Customers' deposits	9,871,613	9,039,466
Certificates of deposits	-	406,997
Term debt	1,200,000	1,542,497
Other liabilities	571,105	439,779
	19,038,021	18,348,658
SUBORDINATED LIABILITIES		
	622,163	623,577
EQUITY		
Ordinary share capital	5 750,750	682,500
Preference share capital	5 173,198	148,941
Reserves	974,977	711,677
Attributable to the Bank's equity shareholders	1,898,925	1,543,118
Minority interest	322,534	283,554
	2,221,459	1,826,672
TOTAL LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY	21,881,643	20,798,907

Fahad Al-Rajaan
Chairman
Board of Directors

Hamad Al-Marzouq
Deputy Chairman
Board of Directors

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

The attached notes 1 to 8 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 2007 (Unaudited)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2007</i>	<i>2006</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash (used in) from operating activities	(911,973)	1,740,727
Net cash used in investing activities	(374,879)	(120,899)
Net cash used in financing activities	(383,971)	(146,089)
Foreign currency translation adjustments	29,087	(7,129)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,641,736)	1,466,610
Cash and cash equivalents at 1 January	4,367,208	2,107,240
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	2,725,472	3,573,850
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	319,881	80,889
Deposits with banks and other financial institutions with an original maturity of three months or less	2,405,591	3,492,961
	2,725,472	3,573,850

The attached notes 1 to 8 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 2007 (Unaudited)

	Attributable to Bank's equity shareholders														
	Ordinary share				Preference			Cumulative				Total reserves	Minority interest	Total	
	capital	share	premium	reserve	Capital	Statutory	Revaluation	Translation	Retained	Proposed	changes in				
US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 31 December 2006	682,500	148,941	235,820	307	71,420	-	(4,375)	158,901	112,097	137,507	711,677	283,554	1,826,672		
Directors' fees paid	-	-	-	-	-	-	-	-	(833)	-	(833)	-	(833)		
Donations approved for payment	-	-	-	-	-	-	-	-	(500)	-	(500)	-	(500)		
Currency translation adjustments	-	-	-	-	-	-	29,087	-	-	-	29,087	-	29,087		
Net fair value movements during the period	-	-	-	-	-	-	-	-	-	45,291	45,291	21,352	66,643		
Revaluation of freehold land	-	-	-	-	-	97,524	-	-	-	-	97,524	2,653	100,177		
Net income recognised directly in equity	-	-	-	-	-	97,524	29,087	-	(1,333)	45,291	170,569	24,005	194,574		
Net profit for the period	-	-	-	-	-	-	-	225,949	-	-	225,949	48,674	274,623		
Total recognised income and expense for the period	-	-	-	-	-	97,524	29,087	225,949	(1,333)	45,291	396,518	72,679	469,197		
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(33,699)	(33,699)		
Class A preference share dividend paid	-	-	-	-	-	-	-	-	(14,288)	-	(14,288)	-	(14,288)		
Class B preference share dividend paid	-	-	-	-	-	-	-	-	(926)	-	(926)	-	(926)		
Ordinary share dividend paid	-	-	-	-	-	-	-	-	(95,550)	-	(95,550)	-	(95,550)		
Bonus shares issued (Note 5)	68,250	-	-	-	-	-	-	(68,250)	-	-	(68,250)	-	-		
Class B preference shares issued (Note 5)	-	24,257	45,796	-	-	-	-	-	-	-	45,796	-	70,053		
Balance at 30 September 2007	750,750	173,198	281,616	307	71,420	97,524	24,712	316,600	-	182,798	974,977	322,534	2,221,459		

The attached notes 1 to 8 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 2007 (Unaudited)

	Atributable to Bank's equity shareholders											
	Ordinary share			Preference share			Cumulative changes in fair values					Minority interest
	share capital US\$ '000	share premium US\$ '000	Share capital US\$ '000	Capital reserve US\$ '000	Statutory reserve US\$ '000	Revaluation reserve US\$ '000	Translation adjustments US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Total reserves US\$ '000	Minority interest US\$ '000	Total US\$ '000
Balance at 31 December 2005	650,000	216,667	125,000	307	50,672	-	(5,010)	116,766	89,403	592,618	255,580	1,623,198
Directors' fees paid	-	-	-	-	-	-	-	-	(617)	(617)	-	(617)
Donations approved for payment	-	-	-	-	-	-	-	-	(413)	(413)	-	(413)
Currency translation adjustments	-	-	-	-	-	-	(7,129)	-	-	(7,129)	-	(7,129)
Net fair value movements during the period	-	-	-	-	-	-	-	-	-	13,115	3,032	16,147
Net income recognised directly in equity	-	-	-	-	-	-	(7,129)	-	(1,030)	13,115	3,032	7,988
Net profit for the period	-	-	-	-	-	-	-	164,342	-	164,342	35,641	199,983
Total recognised income and expense for the period	-	-	-	-	-	-	(7,129)	164,342	(1,030)	13,115	38,673	207,971
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	-	(19,390)	(19,390)
Class A preference share dividend paid	-	-	-	-	-	-	-	-	(10,373)	(10,373)	-	(10,373)
Ordinary share dividend paid	-	-	-	-	-	-	-	-	(78,000)	(78,000)	-	(78,000)
Bonus shares issued (Note 5)	32,500	-	-	-	-	-	-	(32,500)	-	(32,500)	-	-
Class B preference shares issued (Note 5)	-	18,974	23,718	-	-	-	-	-	-	18,974	-	42,692
Balance at 30 September 2006	682,500	235,641	148,718	307	50,672	-	(12,139)	248,608	-	660,017	274,863	1,766,098

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2007 (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 Bank for the nine-month period ended 30 September 2007 were authorised for issue with a resolution of the directors on 9 October 2007.

2 BASIS OF PREPARATION

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 2006 except for the revaluation of freehold land as set out below:

Freehold land is initially recognised at cost. After initial recognition, freehold land is carried at the revalued amount. The revaluation is carried out periodically by professional property valuers. The resultant revaluation surplus of US\$ 100.2 million is recognised as a separate component under equity. Revaluation deficit, if any, is recognised in the income statement, except that a deficit directly offsetting a previously recognised surplus on the same asset is directly offset against the surplus in the revaluation reserve.

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 Bank's annual financial statements as at 31 December 2006. 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 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

3 SEASONALITY OF RESULTS

Dividend income of US\$ 15,753 thousand for the nine months ended 30 September 2007 (2006: US\$ 12,026 thousand) is of a seasonal nature.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2007 (Unaudited)

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Net profit for the period attributable to Bank's ordinary equity shareholders (US\$ '000)	<u>75,223</u>	<u>56,486</u>	<u>225,949</u>	<u>164,342</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	<u>3,003</u>	<u>3,003</u>	<u>3,003</u>	<u>3,003</u>
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the convertible portion of Class A and Class B preference shares (million)	<u>3,805</u>	<u>3,761</u>	<u>3,805</u>	<u>3,761</u>
Basic earnings per ordinary share (US cents)	<u>2.50</u>	<u>1.88</u>	<u>7.52</u>	<u>5.47</u>
Diluted earnings per ordinary share (US cents)	<u>1.98</u>	<u>1.50</u>	<u>5.94</u>	<u>4.37</u>

5 EQUITY

During the period, the Bank issued 23.6 million, 36 million and 38.4 million Class B Preference Shares to its employees under Tranches I, II and III, respectively, of the 'Employees' Share Purchase Plan' (2006: 95.8 million shares issued under Tranche I).

The Annual General Assembly of Shareholders' meeting held on 25 March 2007 approved a bonus share issue of 10% (1 ordinary share for every 10 shares held) resulting in an increase in the ordinary share capital by 273 million ordinary shares to 3,003 million ordinary shares. In 2006, the bonus share issue was 5% (1 ordinary share for every 20 shares held). The 50% convertible portion of all issued Class A Preference Shares and all 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.

6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>30 September</i>	<i>Audited 31 December</i>
	<i>2007</i>	<i>2006</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	963,685	903,074
Acceptances	76,468	35,962
Letters of credit	410,425	342,764
	<u>1,450,578</u>	<u>1,281,800</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2007 (Unaudited)

7 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.

Segmental information for the period was as follows:

	<i>Retail banking</i> US\$ '000	<i>Corporate banking, treasury and investments</i> US\$ '000	<i>Private banking and wealth management</i> US\$ '000	<i>Total</i> US\$ '000
Nine months ended 30 September 2007:				
Operating income	150,520	231,152	61,263	442,935
	34%	52%	14%	100%
Share of profit of associates				42,143
Operating income before provisions				485,078
Segment result	89,198	145,946	39,441	274,585
	33%	53%	14%	100%
Share of profit from associates				42,143
(Less):Provisions - net				(29,829)
(Less):Income tax expense				(12,276)
(Less):Net profit attributable to minority interest				(48,674)
Net profit attributable to the Bank's equity shareholders				225,949

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2007 (Unaudited)

7 SEGMENT INFORMATION (continued)

	<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>
Nine months ended 30 September 2006:				
Operating income	107,387	183,501	50,693	341,581
	31%	54%	15%	100%
Share of profit from associates				21,916
Operating income before provisions				363,497
Segment result	57,314	122,319	22,212	201,845
	28%	61%	11%	100%
Share of profit from associates				21,916
(Less):Provisions - net				(16,321)
(Less):Income tax expense				(7,457)
(Less):Net profit attributable to minority interest				(35,641)
Net profit attributable to the Bank's equity shareholders				164,342

8 EXTRAORDINARY GENERAL ASSEMBLY

The Extraordinary General Assembly of Shareholders' Meeting held on 3 July 2007 approved an increase in the authorised share capital of the Bank from US\$ 1 billion (4,000 million shares of US\$ 0.25 each) to US\$ 2 billion (8,000 million shares of US\$ 0.25 each).

The shareholders also approved an increase of the Group's holding of up to 100% in Ahli United Bank (Egypt) S.A.E. (AUBE) [formerly known as Delta International Bank S.A.E.], through a tender offer as required by the Capital Market Law in Egypt. This will be achieved through a dual offer of *either* (a) the issuance of ordinary shares of AUB and a subordinated debt option in the ratio of 2:1, *or* (b) a cash equivalent option, subject to regulatory approvals.