

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

30 JUNE 2006

**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 (together known as “the Group”) at 30 June 2006, and the related consolidated income statement, 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 Review Engagements 2400. 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 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.



15 July 2006
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

CONSOLIDATED INCOME STATEMENT

Period ended 30 June 2006 (Unaudited)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2006	2005	2006	2005
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
OPERATING INCOME					
Interest income		220,563	97,662	400,904	180,250
Interest expense		151,362	68,352	271,235	121,140
Net interest income		69,201	29,310	129,669	59,110
Fees and commission - net		32,808	10,614	57,468	21,450
Trading income		2,370	2,344	4,717	4,217
Gains on sale of non-trading investments		7,115	4,983	17,513	6,869
Share of profit from associates	2	7,101	19,890	14,051	35,253
Dividend income	3	1,846	122	11,760	634
Other operating income		1,488	265	3,791	754
		52,728	38,218	109,300	69,177
NET INTEREST AND OTHER INCOME		121,929	67,528	238,969	128,287
Provision for loan losses, impairment of non-trading investments, other assets and contingencies - net		11,894	4,486	11,072	4,649
OPERATING INCOME AFTER PROVISIONS		110,035	63,042	227,897	123,638
OPERATING EXPENSES					
Staff costs		28,720	12,310	54,166	24,701
Depreciation		2,763	1,432	5,430	2,924
Other operating expenses		16,413	8,059	30,731	14,073
		47,896	21,801	90,327	41,698
PROFIT BEFORE TAXATION		62,139	41,241	137,570	81,940
Income tax expense		2,443	1,458	4,175	3,304
NET PROFIT FOR THE PERIOD		59,696	39,783	133,395	78,636
Attributable to:					
Bank's equity shareholders		47,329	39,783	107,856	78,636
Minority interest	2	12,367	-	25,539	-
		59,696	39,783	133,395	78,636
EARNINGS PER SHARE:					
Basic (US cents)	4	1.73	1.46	3.95	2.88
Diluted (US cents)	4	1.45	1.22	3.31	2.42

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.
CONSOLIDATED BALANCE SHEET
30 June 2006 (Unaudited)

	<i>Note</i>	<i>30 June</i> 2006 US\$ '000	<i>Audited</i> <i>31 December</i> 2005 US\$ '000
ASSETS			
Cash and balances with central banks		170,688	140,575
Treasury bills and bonds		1,086,403	982,850
Trading securities		54,217	52,765
Deposits with banks and other financial institutions		3,645,064	3,028,965
Loans and advances		7,734,855	5,986,396
Non-trading investments		2,124,651	2,215,828
Kuwait Government Debt Bonds		264,269	318,712
Investment in associates		339,589	351,012
Premises and equipment		137,878	127,312
Interest receivable		81,435	108,663
Other assets		233,768	165,787
Goodwill		388,741	393,364
TOTAL ASSETS		16,261,558	13,872,229
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		4,131,040	3,797,163
Customers' deposits		8,319,775	6,663,104
Certificates of deposits		433,495	43,034
Term debt		875,821	966,937
Interest payable		115,550	119,127
Other liabilities		286,957	220,663
		14,162,638	11,810,028
SUBORDINATED LIABILITIES		443,280	439,003
EQUITY			
Ordinary share capital	5	682,500	650,000
Preference share capital		125,000	125,000
Reserves		586,076	592,618
Attributable to the Bank's equity shareholders		1,393,576	1,367,618
Minority interest		262,064	255,580
		1,655,640	1,623,198
TOTAL LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		16,261,558	13,872,229

Fahad Al-Raja'an
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 7 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

Period ended 30 June 2006 (Unaudited)

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from (used in) operating activities	611,868	(346,150)
Net cash from (used in) investing activities	103,850	(195,716)
Net cash (used in) from financing activities	(33,557)	391,727
Foreign currency translation adjustments	(6,483)	2,152
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	675,678	(147,987)
Cash and cash equivalents at 1 January	2,107,240	2,146,149
CASH AND CASH EQUIVALENTS AT 30 JUNE	2,782,918	1,998,162
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	94,653	26,272
Deposits with banks and other financial institutions with an original maturity of three months or less	2,688,265	1,971,890
	2,782,918	1,998,162

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2006 (Unaudited)

	Attributable to Bank's equity shareholders														
	Ordinary share capital		Preference share capital		Share premium		Capital reserve		Statutory reserve		Retained earnings	Proposed appropriations	Cumulative changes in fair values	Total	Minority interest
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000					
Balance at 31 December 2005	650,000	125,000	216,667	307	50,672	(5,010)	116,766	89,403	123,813	1,367,618	255,580				
Directors' fees paid	-	-	-	-	-	-	-	(617)	-	(617)	-				
Donations approved	-	-	-	-	-	-	-	(413)	-	(413)	-				
Currency translation adjustments	-	-	-	-	-	(6,483)	-	-	-	(6,483)	-				
Net fair value movements during the period	-	-	-	-	-	-	-	-	13,988	13,988	-				
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	-	-			3,033	
Net income recognised directly in equity	-	-	-	-	-	(6,483)	-	(1,030)	13,988	6,475	(19,055)				
Net profit for the period	-	-	-	-	-	-	107,856	-	-	107,856	-			25,539	
Total recognised income and expense for the period	-	-	-	-	-	(6,483)	107,856	(1,030)	13,988	114,331	6,484				
Class A preference share dividend declared	-	-	-	-	-	-	-	(10,373)	-	(10,373)	-			-	
Ordinary share dividend declared	-	-	-	-	-	-	-	(78,000)	-	(78,000)	-			-	
Bonus shares issued (Note 5)	32,500	-	-	-	-	-	(32,500)	-	-	-	-			-	
Balance at 30 June 2006	682,500	125,000	216,667	307	50,672	(11,493)	192,122	-	137,801	1,393,576	262,064				

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Period ended 30 June 2006 (Unaudited)

	Attributable to Bank's equity shareholders									
	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Share premium US\$ '000	Capital reserve US\$ '000	Statutory reserve US\$ '000	Translation adjustments US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Cumulative changes in fair values US\$ '000	Total US\$ '000
Balance at 31 December 2004 (restated)	650,000	-	123,752	307	34,185	(7,258)	57,791	70,666	71,460	1,000,903
Directors' fees paid	-	-	-	-	-	-	-	(466)	-	(466)
Currency translation adjustments	-	-	-	-	-	2,152	-	-	-	2,152
Net fair value movements during the period	-	-	-	-	-	-	-	-	(2,885)	(2,885)
Net income recognised directly in equity	-	-	-	-	-	2,152	-	(466)	(2,885)	(1,199)
Net profit for the period	-	-	-	-	-	-	78,636	-	-	78,636
Total recognised income and expense for the period	-	-	-	-	-	2,152	78,636	(466)	(2,885)	77,437
Class A Preference Shares issued	-	125,000	92,915	-	-	-	-	-	-	217,915
Dividend declared	-	-	-	-	-	-	-	(70,200)	-	(70,200)
Balance at 30 June 2005	650,000	125,000	216,667	307	34,185	(5,106)	136,427	-	68,575	1,226,055

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2006 (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 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 2005.

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. 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 6 months ended 30 June 2006 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2006. For more details please refer to the consolidated financial statements and its related disclosure for the year ended 31 December 2005.

2 SHARE OF PROFIT FROM ASSOCIATES

Until 7 August 2005, the Bank's investment in Bank of Kuwait and the Middle East KSC (BKME) was equity accounted with the Bank's income from that investment reflected as "share of profit from associates". Following a circa 27% additional share acquisition on 8 August 2005, BKME became a subsidiary. As a result, BKME's financial statements have been consolidated on a line-by-line basis from that date.

3 SEASONALITY OF RESULTS

Dividend income of US\$11,760,000 for the six months ended 30 June 2006 (2005: US\$634,000) is of a seasonal nature.

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2006	<i>2005</i>	2006	<i>2005</i>
Net profit for the period attributable to Bank's ordinary equity shareholders (US\$'000)	47,329	39,783	107,856	78,636
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	2,730	2,730	2,730	2,730
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the convertible portion of Class A	3,255	3,255	3,255	3,255
Basic earnings per ordinary share (US cents)	1.73	1.46	3.95	2.88
Diluted earnings per ordinary share (US cents)	1.45	1.22	3.31	2.42

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2006 (Unaudited)

5 ORDINARY SHARE CAPITAL

The Annual General Meeting held on 27 March 2006 approved a bonus dividend of 5% (1 ordinary share for every 20 shares held) resulting in an increase in the ordinary share capital by 130 million ordinary shares to 2,730 million ordinary shares.

6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>30 June</i> <i>2006</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2005</i> <i>US\$ '000</i>
Guarantees	897,547	826,543
Acceptances	46,094	38,749
Letters of credit	306,561	227,957
	<u>1,250,202</u>	<u>1,093,249</u>

There have been no other significant changes in the contingent liabilities subsequent to 31 December 2005.

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.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2006 (Unaudited)

7 SEGMENT INFORMATION (continued)

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
Six months ended 30 June 2006:				
Operating income before provisions	69,576	120,860	34,482	224,918
	31%	54%	15%	100%
Segment result	40,360	79,227	15,004	134,591
	30%	59%	11%	100%
Unallocated items				2,979
Taxation				(4,175)
Minority interest				(25,539)
Net profit attributable to the Bank's equity shareholders				<u>107,856</u>
Six months ended 30 June 2005:				
Operating income before provisions	26,698	88,902	12,687	128,287
	21%	69%	10%	100%
Segment result	14,960	67,579	5,018	87,557
	17%	77%	6%	100%
Unallocated items				(5,617)
Taxation				(3,304)
Net profit attributable to the Bank's equity shareholders				<u>78,636</u>