

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

30 JUNE 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 June 2007, comprising of the interim consolidated balance sheet as at 30 June 2007 and the related interim consolidated statements of income, changes in equity and cash flows for the six-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.



11 July 2007
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Six month period ended 30 June 2007 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
OPERATING INCOME				
Interest income	314,301	220,563	615,913	400,904
Interest expense	234,208	151,362	463,470	271,235
Net interest income	80,093	69,201	152,443	129,669
Fees and commissions - net	37,504	32,808	65,671	57,468
Trading income	14,406	2,370	19,202	4,717
Gains on sale of non-trading investments	22,249	7,115	28,537	17,513
Share of profit from associates	13,469	7,101	28,901	14,051
Dividend income	6,559	1,846	14,952	11,760
Other operating income	1,911	1,488	3,892	3,791
	96,098	52,728	161,155	109,300
NET INTEREST AND OTHER INCOME	176,191	121,929	313,598	238,969
Provisions for loan losses, impairment of non-trading investments, other assets and contingencies-net	9,624	11,894	12,636	11,072
OPERATING INCOME AFTER PROVISIONS	166,567	110,035	300,962	227,897
OPERATING EXPENSES				
Staff costs	39,498	28,720	69,524	54,166
Depreciation	3,258	2,763	6,134	5,430
Other operating expenses	18,955	16,413	34,471	30,731
	61,711	47,896	110,129	90,327
PROFIT BEFORE TAXATION	104,856	62,139	190,833	137,570
Income tax expense	2,822	2,443	5,309	4,175
NET PROFIT FOR THE PERIOD	102,034	59,696	185,524	133,395
Attributable to:				
Bank's equity shareholders	81,778	47,329	150,726	107,856
Minority interest	20,256	12,367	34,798	25,539
	102,034	59,696	185,524	133,395
EARNINGS PER SHARE:				
Basic (US cents)	2.72	1.58	5.02	3.59
Diluted (US cents)	2.15	1.26	3.96	2.87

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 June 2007 (Unaudited)

		<i>30 June</i>	<i>Audited</i>
		<i>2007</i>	<i>31 December</i>
	<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		138,916	137,683
Treasury bills and bonds		986,113	959,713
Trading securities		100,885	75,829
Deposits with banks and other financial institutions		4,810,409	6,011,145
Loans and advances		10,222,109	8,873,357
Non-trading investments		3,515,588	3,339,102
Investment in associates		594,162	554,280
Premises and equipment		240,930	146,501
Other assets		428,506	268,956
Goodwill and other intangible assets		467,411	432,341
TOTAL ASSETS		21,505,029	20,798,907
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		7,540,425	6,919,919
Customers' deposits		9,277,922	9,039,466
Certificates of deposits		-	406,997
Term debt		1,442,500	1,542,497
Other liabilities		511,724	439,779
		18,772,571	18,348,658
SUBORDINATED LIABILITIES		621,019	623,577
EQUITY			
Ordinary share capital	5	750,750	682,500
Preference share capital	5	173,434	148,941
Reserves		899,624	711,677
Attributable to the Bank's equity shareholders		1,823,808	1,543,118
Minority interest		287,631	283,554
		2,111,439	1,826,672
TOTAL LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		21,505,029	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

Six month period ended 30 June 2007 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2007</i>	<i>2006</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash (used in) from operating activities	(846,375)	705,962
Net cash (used in) from investing activities	(272,515)	156,920
Net cash used in financing activities	(141,436)	(180,721)
Foreign currency translation adjustments	10,175	(6,483)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,250,151)	675,678
Cash and cash equivalents at 1 January	4,367,208	2,107,240
CASH AND CASH EQUIVALENTS AT 30 JUNE	3,117,057	2,782,918
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	83,996	94,653
Deposits with banks and other financial institutions with an original maturity of three months or less	3,033,061	2,688,265
	3,117,057	2,782,918

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

Six month period ended 30 June 2007 (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	Revaluation reserve US\$ '000	Translation adjustments US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Cumulative changes in fair values US\$ '000	Total reserves US\$ '000	Minority interest US\$ '000	Total 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	-	-	-	-	-	-	10,175	-	-	-	10,175	-	10,175
Net fair value movements during the period	-	-	-	-	-	-	-	-	-	64,253	64,253	8,855	73,108
Revaluation of freehold land	-	-	-	-	-	97,157	-	-	-	-	97,157	2,576	99,733
Net income recognised directly in equity	-	-	-	-	-	97,157	10,175	-	(1,333)	64,253	170,252	11,431	181,683
Net profit for the period	-	-	-	-	-	-	-	150,726	-	-	150,726	34,798	185,524
Total recognised income and expense for the period	-	-	-	-	-	97,157	10,175	150,726	(1,333)	64,253	320,978	46,229	367,207
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(42,152)	(42,152)
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)	-	24,493	45,983	-	-	-	-	-	-	-	45,983	-	70,476
Balance at 30 June 2007	750,750	173,434	281,803	307	71,420	97,157	5,800	241,377	-	201,760	899,624	287,631	2,111,439

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

Six month period ended 30 June 2007 (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	Revaluation reserve US\$ '000	Translation adjustments US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Cumulative changes in fair values US\$ '000	Total reserves US\$ '000	Minority interest US\$ '000	Total US\$ '000
Balance at 31 December 2005	650,000	125,000	216,667	307	50,672	-	(5,010)	116,766	89,403	123,813	592,618	255,580	1,623,198
Directors' fees paid	-	-	-	-	-	-	-	-	(617)	-	(617)	-	(617)
Donations approved for payment	-	-	-	-	-	-	-	-	(413)	-	(413)	-	(413)
Currency translation adjustments	-	-	-	-	-	-	(6,483)	-	-	-	(6,483)	-	(6,483)
Net fair value movements during the period	-	-	-	-	-	-	-	-	-	13,988	13,988	3,033	17,021
Net income recognised directly in equity	-	-	-	-	-	-	(6,483)	-	(1,030)	13,988	6,475	3,033	9,508
Net profit for the period	-	-	-	-	-	-	-	107,856	-	-	107,856	25,539	133,395
Total recognised income and expense for the period	-	-	-	-	-	-	(6,483)	107,856	(1,030)	13,988	114,331	28,572	142,903
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(22,088)	(22,088)
Class A preference share dividend paid	-	-	-	-	-	-	-	-	(10,373)	-	(10,373)	-	(10,373)
Class B preference share dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Ordinary share dividend paid	-	-	-	-	-	-	-	-	(78,000)	-	(78,000)	-	(78,000)
Bonus shares issued (Note 5)	32,500	-	-	-	-	-	-	(32,500)	-	-	(32,500)	-	-
Balance at 30 June 2006	682,500	125,000	216,667	307	50,672	-	(11,493)	192,122	-	137,801	586,076	262,064	1,655,640

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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 six-month period ended 30 June 2007 were authorised for issue with a resolution of the directors on 11 July 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 periodically by professional property valuers. The resultant revaluation surplus of US\$ 99.7 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. 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 six months ended 30 June 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\$14,952 thousand for the six months ended 30 June 2007 (2006: US\$11,760 thousand) is of a seasonal nature.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2007 (Unaudited)

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended 30 June</i>		<i>Six months ended</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)	81,778	47,329	150,726	107,856
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	3,003	3,003	3,003	3,003
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the convertible portion of Class A and Class B preference shares	3,805	3,761	3,805	3,761
Basic earnings per ordinary share (US cents)	2.72	1.58	5.02	3.59
Diluted earnings per ordinary share (US cents)	2.15	1.26	3.96	2.87

5 EQUITY

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).

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'.

6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>30 June 2007 US\$ '000</i>	<i>Audited 31 December 2006 US\$ '000</i>
Guarantees	966,340	903,074
Acceptances	52,737	35,962
Letters of credit	459,655	342,764
	1,478,732	1,281,800

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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
Six months ended 30 June 2007:				
Operating income	99,724	140,137	44,836	284,697
	35%	49%	16%	100%
Share of profit of associates				28,901
Operating income before provisions				313,598
Segment result	50,187	94,249	30,132	174,568
	29%	54%	17%	100%
Share of profit from associates				28,901
(Less):Provisions - net				(12,636)
(Less):Income tax expense				(5,309)
(Less):Net profit attributable to minority interest				(34,798)
Net profit attributable to the Bank's equity shareholders				150,726

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2007 (Unaudited)

7 SEGMENT INFORMATION (continued)

	<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	69,576	120,860	34,482	224,918
	31%	54%	15%	100%
Share of profit from associates				14,051
Operating income before provisions				238,969
Segment result	40,360	79,227	15,004	134,591
	30%	59%	11%	100%
Share of profit from associates				14,051
(Less):Provisions - net				(11,072)
(Less):Income tax expense				(4,175)
(Less):Net profit attributable to minority interest				(25,539)
Net profit attributable to the Bank's equity shareholders				107,856

8 POST BALANCE SHEET EVENT

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.