

Ahli United Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 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 31 March 2002, and the related consolidated statements of income, cash flows and changes in equity for the three 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 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 April 2002
Manama, Kingdom of Bahrain

CONSOLIDATED BALANCE SHEET

31 March 2002 (Unaudited)

	<i>31</i>	<i>Audited</i>
	<i>March</i>	<i>31</i>
	<i>2002</i>	<i>December</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS		
Cash and balances with central banks	44,839	45,294
Treasury bills	28,841	34,531
Trading securities	398	355
Deposits with banks and other financial institutions	808,710	925,613
Loans and advances	1,943,458	1,882,699
Securitised loans	-	38,136
Less: Securities issued	-	(38,136)
Non-trading investments	1,212,404	932,549
Investment in associates	169,209	167,664
Premises and equipment	43,025	43,755
Other assets and intangibles	67,674	70,259
	4,318,558	4,102,719
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks and other financial institutions	923,333	738,900
Customers' deposits	2,394,210	2,366,086
Certificate of deposits	105,689	40,205
Floating rate notes and other long term debt	220,450	219,718
Other liabilities	58,690	85,273
	3,702,372	3,450,182
SUBORDINATED LIABILITIES	88,492	88,235
EQUITY		
Share capital	450,000	450,000
Reserves	77,694	114,302
	527,694	564,302
	4,318,558	4,102,719

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

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF INCOME

31 March 2002 (Unaudited)

	<i>Three months ended</i>	
	<i>31</i> March 2002 <i>US\$ '000</i>	<i>31</i> <i>March 2001</i> <i>US\$ '000</i>
OPERATING INCOME		
Interest income	49,687	70,391
Interest expense	27,080	49,995
Net interest income	<u>22,607</u>	<u>20,396</u>
Fee, commission and other income	13,370	11,705
Gain on sale of non-trading investments	1,912	2,158
Trading income	394	1,553
	<u>15,676</u>	<u>15,416</u>
NET INTEREST AND OTHER INCOME	<u>38,283</u>	<u>35,812</u>
Provision (write back) for losses on loans and advances – net	3,730	(74)
Provision for impairment of non-trading investments and other assets	9	1,308
	<u>3,739</u>	<u>1,234</u>
OPERATING INCOME AFTER PROVISIONS	<u>34,544</u>	<u>34,578</u>
OPERATING EXPENSES		
Staff expenses	8,844	8,765
Depreciation and amortisation	1,612	1,607
Other operating expenses	5,318	6,659
	<u>15,774</u>	<u>17,031</u>
PROFIT BEFORE TAXATION	<u>18,770</u>	<u>17,547</u>
Income tax expense	1,703	1,797
NET PROFIT FOR THE PERIOD	<u>17,067</u>	<u>15,750</u>
Basic earnings per share (cents)	<u>0.95</u>	<u>1.22</u>
Weighted average number of shares outstanding (in millions)	<u>1,800</u>	<u>1,294</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

31 March 2002 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March 2002 US\$ '000</i>	<i>31 March 2001 US\$ '000</i>
Net cash from operating activities	204,940	54,200
Net cash (used in) investing activities	(284,419)	(255,558)
Net cash (used in) financing activities	(41,610)	(636)
Foreign exchange translation adjustments	(3,560)	(12,353)
(DECREASE) IN CASH AND CASH EQUIVALENTS	(124,649)	(214,347)
Cash and cash equivalents at 1 January	923,120	1,043,302
CASH AND CASH EQUIVALENTS AT 31 MARCH	798,471	828,955
Comprising:		
Cash and balances with central banks	14,161	19,962
Treasury bills maturing within three months	28,841	52,496
Deposits with banks and other financial institutions maturing within three months	755,469	756,497
	798,471	828,955

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

31 March 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 exchange 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	-	-	-	-	-	17,067	-	-	17,067
Foreign exchange translation Adjustments	-	-	-	-	(3,560)	-	-	-	(3,560)
Net fair value movements during the period	-	-	-	-	-	-	-	(8,505)	(8,505)
Balance at 31 March 2002	450,000	80,781	307	8,849	(28,944)	19,853	-	(3,152)	527,694
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
Net profit for the period	-	-	-	-	-	15,750	-	-	15,750
Foreign exchange translation adjustments	-	-	-	-	(12,353)	-	-	-	(12,353)
Dividends and other appropriations paid	-	-	-	-	-	-	(32,383)	-	(32,383)
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	-	-	-	-	-	-	-	3,500	3,500
Balance at 31 March 2001	323,500	53,589	307	4,013	(30,138)	22,937	-	3,500	377,708

The movements in foreign exchange translation adjustments represent 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

31 March 2002 (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 2001.

2 CONTINGENT LIABILITIES

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

	<i>31 March 2002 US\$ '000</i>	<i>Audited 31 December 2001 US\$ '000</i>
Guarantees	260,689	250,461
Acceptances	12,006	14,041
Letters of credit	84,791	71,122
	357,486	335,624

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

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 marginal cost of funds.

NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
31 March 2002 (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>
Three months ended 31 March 2002				
Operating income before provisions	8,469	24,919	4,895	38,283
Segment result	5,058	14,662	2,789	22,509
Profit for the period before provisions and tax				22,509
Provisions				3,739
Taxation				1,703
Net profit				17,067
Three months ended 31 March 2001				
Operating income before provisions	6,339	25,365	4,108	35,812
Segment result	2,615	13,482	2,684	18,781
Profit for the period before provisions and tax				18,781
Provisions				1,234
Taxation				1,797
Net profit				15,750

4 SEASONALITY OF RESULTS

Dividend income of USD 1,803,000 (2001: USD 2,332,000), included in fee, commission and other income, is of a seasonal nature.

5 COMPARATIVE FIGURES

The prior period figures incorporate the financial position, operating results and changes in cash flows and equity of Commercial Bank of Bahrain B.S.C. (c) which was acquired with effect from 1 January 2001.