

Ahli United Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 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 31 March 2006, and the related consolidated income statement, 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 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.



19 April 2006
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

CONSOLIDATED INCOME STATEMENT

Period ended 31 March 2006 (Unaudited)

	Note	Three months ended	
		2006	2005
		US\$ '000	US\$ '000
OPERATING INCOME			
Interest income		180,341	82,588
Interest expense		119,873	52,788
Net interest income		60,468	29,800
Fees and commission - net		24,660	10,836
Trading income		2,347	1,873
Gains on sale of non-trading investments		10,398	1,886
Share of profit from associates	2	6,950	15,363
Dividend income	3	9,914	512
Other operating income		2,303	489
		56,572	30,959
NET INTEREST AND OTHER INCOME			
		117,040	60,759
(Recoveries of) / provision for loan losses - net		(3,075)	163
Provision for impairment of non-trading investments		2,253	-
		(822)	163
OPERATING INCOME AFTER PROVISIONS			
		117,862	60,596
OPERATING EXPENSES			
Staff costs		25,446	12,391
Depreciation		2,667	1,492
Other operating expenses		14,318	6,014
		42,431	19,897
PROFIT BEFORE TAXATION			
		75,431	40,699
Income tax expense		1,732	1,846
NET PROFIT FOR THE PERIOD			
		73,699	38,853
Attributable to:			
Bank's equity shareholders		60,527	38,853
Minority interest	2	13,172	-
		73,699	38,853
EARNINGS PER SHARE:			
Basic (US cents)	4	2.22	1.42
Diluted (US cents)	4	1.86	1.19

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

Ahli United Bank B.S.C.

CONSOLIDATED BALANCE SHEET

31 March 2006 (Unaudited)

		<i>Audited</i>
		<i>31 December</i>
		<i>2005</i>
	<i>Note</i>	<i>US\$ '000</i>
		<i>US\$ '000</i>
ASSETS		
Cash and balances with central banks		140,575
Treasury bills and bonds		982,850
Trading securities		52,765
Deposits with banks and other financial institutions		3,028,965
Loans and advances		5,986,396
Non-trading investments		2,215,828
Kuwait Government Debt Bonds		318,712
Investment in associates		351,012
Premises and equipment		127,312
Interest receivable		108,663
Other assets		165,787
Goodwill		393,364
TOTAL ASSETS		13,872,229
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions		3,797,163
Customers' deposits		6,663,104
Certificates of deposits		43,034
Term debt		966,937
Interest payable		119,127
Other liabilities		220,663
		11,810,028
SUBORDINATED LIABILITIES		439,003
EQUITY		
Ordinary share capital	5	650,000
Preference share capital		125,000
Reserves		592,618
Attributable to the Bank's equity shareholders		1,367,618
Minority interest		255,580
		1,623,198
TOTAL LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		13,872,229

Fahad Al-Rajaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

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 31 March 2006 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2006	2005
	US\$ '000	US\$ '000
Net cash from (used in) operating activities	845,494	(839,684)
Net cash used in investing activities	(79,578)	(211,982)
Net cash (used in) from financing activities	(95,626)	423,321
Foreign currency translation adjustments	(43)	2,152
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	670,247	(626,193)
Cash and cash equivalents at 1 January	2,107,240	2,146,149
CASH AND CASH EQUIVALENTS AT 31 MARCH	2,777,487	1,519,956
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	478,738	22,596
Deposits with banks and other financial institutions with an original maturity of three months or less	2,298,749	1,497,360
	2,777,487	1,519,956

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 31 March 2006 (Unaudited)

	<i>Attributable to Bank's equity shareholders</i>										<i>Minority interest</i>
	<i>Ordinary share capital</i>	<i>Preference share capital</i>	<i>Share premium</i>	<i>Capital reserve</i>	<i>Statutory reserve</i>	<i>Translation adjustments</i>	<i>Retained earnings</i>	<i>Proposed appropriations</i>	<i>Cumulative changes in fair values</i>	<i>Total</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
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	-	-	-	-	-	(43)	-	-	-	(43)	-
Net fair value movements during the period	-	-	-	-	-	-	-	-	(3,620)	(3,620)	(3,904)
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	-	(9,131)
Net income recognised directly in equity	-	-	-	-	-	(43)	-	(1,030)	(3,620)	(4,693)	(13,035)
Net profit for the period	-	-	-	-	-	-	60,527	-	-	60,527	13,172
Total recognised income and expense for the period	-	-	-	-	-	(43)	60,527	(1,030)	(3,620)	55,834	137
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 31 March 2006	682,500	125,000	216,667	307	50,672	(5,053)	144,793	-	120,193	1,335,079	255,717

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 (continued)

Period ended 31 March 2006 (Unaudited)

	<i>Attributable to Bank's equity shareholders</i>								<i>Cumulative changes in fair values US\$ '000</i>	<i>Total US\$ '000</i>
	<i>Ordinary share capital US\$ '000</i>	<i>Preference share capital US\$ '000</i>	<i>Share premium US\$ '000</i>	<i>Capital reserve US\$ '000</i>	<i>Statutory reserve US\$ '000</i>	<i>Translation adjustments US\$ '000</i>	<i>Retained earnings US\$ '000</i>	<i>Proposed appropriations US\$ '000</i>		
	Balance at 31 December 2004 (restated)	650,000	-	123,752	307	34,185	(7,258)	57,791		
Currency translation adjustments	-	-	-	-	-	2,152	-	-	-	2,152
Directors' fees approved	-	-	-	-	-	-	-	(466)	-	(466)
Net fair value movements during the period	-	-	-	-	-	-	-	-	(278)	(278)
Net income recognised directly in equity	-	-	-	-	-	2,152	-	(466)	(278)	1,408
Net profit for the period	-	-	-	-	-	-	38,853	-	-	38,853
Total recognised income and expense for the period	-	-	-	-	-	2,152	38,853	(466)	(278)	40,261
Class A Preference Shares issued	-	125,000	92,915	-	-	-	-	-	-	217,915
Dividend declared	-	-	-	-	-	-	-	(70,200)	-	(70,200)
Balance at 31 March 2005	650,000	125,000	216,667	307	34,185	(5,106)	96,644	-	71,182	1,188,879

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 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 3 months ended 31 March 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.

3 SEASONALITY OF RESULTS

Dividend income of US\$9,914,000 for the quarter ended 31 March 2006 (2005: US\$512,000) is of a seasonal nature.

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended 31 March</i>	
	2006	2005
Net profit for the period attributable to Bank's ordinary equity shareholders (US\$'000)	60,527	38,853
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	2,730	2,730
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the convertible portion of Class A Preference Shares (million)	3,255	3,255
Basic earnings per ordinary share (US cents)	2.22	1.42
Diluted earnings per ordinary share (US cents)	1.86	1.19

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 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>31 March</i>	<i>Audited</i>
	<i>2006</i>	<i>31 December</i>
	<i>US\$ '000</i>	<i>2005</i>
		<i>US\$ '000</i>
Guarantees	819,221	826,543
Acceptances	47,345	38,749
Letters of credit	242,074	227,957
	1,108,640	1,093,249

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 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
Three months ended 31 March 2006:				
Operating income before provisions	38,184	59,194	12,436	109,814
	35%	54%	11%	100%
Segment result	20,485	41,216	7,534	69,235
	30%	59%	11%	100%
Unallocated items				6,196
Taxation				(1,732)
Minority interest				(13,172)
Net profit attributable to the Bank's equity shareholders				<u>60,527</u>
Three months ended 31 March 2005:				
Operating income before provisions	14,039	25,780	5,577	45,396
	31%	57%	12%	100%
Segment result	8,411	15,450	1,838	25,699
	33%	60%	7%	100%
Unallocated items				15,000
Taxation				(1,846)
Net profit attributable to the Bank's equity shareholders				<u>38,853</u>