

Ahli United Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 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 balance sheet of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 31 March 2007 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the three-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 April 2007

Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

CONSOLIDATED INCOME STATEMENT

Three months ended 31 March 2007 (Unaudited)

	Note	Three months ended	
		31 March	
		2007	2006
		US\$ '000	US\$ '000
OPERATING INCOME			
Interest income		301,612	180,341
Interest expense		229,262	119,873
Net interest income		72,350	60,468
Fees and commission - net		28,167	24,660
Trading income		4,796	2,347
Gains on sale of non-trading investments - net		6,288	10,398
Share of profit from associates	3	15,432	6,950
Dividend income	4	8,393	9,914
Other operating income		1,981	2,303
		65,057	56,572
NET INTEREST AND OTHER INCOME		137,407	117,040
Provision for (recoveries of) loan losses, impairment of non-trading investments, other assets and contingencies - net		3,012	(822)
OPERATING INCOME AFTER PROVISIONS		134,395	117,862
OPERATING EXPENSES			
Staff costs		30,026	25,446
Depreciation		2,876	2,667
Other operating expenses		15,516	14,318
		48,418	42,431
PROFIT BEFORE TAXATION		85,977	75,431
Income tax expense		2,487	1,732
NET PROFIT FOR THE PERIOD		83,490	73,699
Attributable to:			
Bank's equity shareholders		68,948	60,527
Minority interest		14,542	13,172
		83,490	73,699
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD			
Basic (US cents)	5	2.30	2.02
Diluted (US cents)	5	1.86	1.63

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

Ahli United Bank B.S.C.

CONSOLIDATED BALANCE SHEET

As at 31 March 2007 (Unaudited)

		<i>Audited</i>
	<i>31 March</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	171,540	137,683
Treasury bills and bonds	1,061,194	959,713
Trading securities	87,891	75,829
Deposits with banks and other financial institutions	6,355,090	6,011,145
Loans and advances	9,348,111	8,873,357
Non-trading investments	3,100,626	3,339,102
Investments in associates	3	560,765
Premises and equipment	146,765	146,501
Other assets	408,145	268,956
Goodwill and other intangible assets	439,644	432,341
TOTAL ASSETS	21,679,771	20,798,907
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions	6,964,845	6,919,919
Customers' deposits	10,040,485	9,039,466
Certificates of deposit	162,427	406,997
Term debt	1,442,500	1,542,497
Other liabilities	667,440	439,779
	19,277,697	18,348,658
SUBORDINATED LIABILITIES	619,772	623,577
EQUITY		
Ordinary share capital	6	750,750
Preference share capital	152,859	148,941
Reserves	615,132	711,677
Attributable to the Bank's equity shareholders	1,518,741	1,543,118
Minority interest	263,561	283,554
	1,782,302	1,826,672
TOTAL LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY	21,679,771	20,798,907

Fahad Al-Rajaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

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

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

Ahli United Bank B.S.C.

CONSOLIDATED CASH FLOW STATEMENT

Three months ended 31 March 2007 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2007</i>	<i>2006</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	313,168	845,494
Net cash from (used in) investing activities	100,654	(79,578)
Net cash used in financing activities	(96,750)	(95,626)
Foreign currency translation adjustments - net	6,944	(43)
INCREASE IN CASH AND CASH EQUIVALENTS	324,016	670,247
Cash and cash equivalents at 1 January	4,367,208	2,107,240
CASH AND CASH EQUIVALENTS AT 31 MARCH	4,691,224	2,777,487
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	118,318	478,738
Deposits with banks and other financial institutions with an original maturity of three months or less	4,572,906	2,298,749
	4,691,224	2,777,487

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

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 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	Foreign currency 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	-	-	-	-	-	-	-	(500)	-	(500)	-	(500)
Currency translation adjustments	-	-	-	-	-	6,944	-	-	-	6,944	-	6,944
Net fair value movements during the period	-	-	-	-	-	-	-	-	4,777	4,777	939	5,716
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	-	(35,474)	(35,474)
Net income recognised directly in equity	-	-	-	-	-	6,944	-	(1,333)	4,777	10,388	(34,535)	(24,147)
Net profit for the period	-	-	-	-	-	-	68,948	-	-	68,948	14,542	83,490
Total recognised income and expense for the period	-	-	-	-	-	6,944	68,948	(1,333)	4,777	79,336	(19,993)	59,343
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 6)	68,250	-	-	-	-	-	(68,250)	-	-	(68,250)	-	-
Class B preference shares issued	-	3,918	3,133	-	-	-	-	-	-	3,133	-	7,051
Balance at 31 March 2007	750,750	152,859	238,953	307	71,420	2,569	159,599	-	142,284	615,132	263,561	1,782,302

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

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Three months ended 31 March 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	Foreign currency 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 paid	-	-	-	-	-	-	-	(413)	-	(413)	-	(413)
Currency translation adjustments	-	-	-	-	-	(43)	-	-	-	(43)	-	(43)
Net fair value movements during the period	-	-	-	-	-	-	-	-	(3,620)	(3,620)	(3,904)	(7,524)
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	-	(9,131)	(9,131)
Net income recognised directly in equity	-	-	-	-	-	(43)	-	(1,030)	(3,620)	(4,693)	(13,035)	(17,728)
Net profit for the period	-	-	-	-	-	-	60,527	-	-	60,527	13,172	73,699
Total recognised income and expense for the period	-	-	-	-	-	(43)	60,527	(1,030)	(3,620)	55,834	137	55,971
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	32,500	-	-	-	-	-	(32,500)	-	-	(32,500)	-	-
Balance at 31 March 2006	682,500	125,000	216,667	307	50,672	(5,053)	144,793	-	120,193	527,579	255,717	1,590,796

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 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 three-month period ended 31 March 2007 were authorised for issue with a resolution of the directors on 9 April 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.

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 three months ended 31 March 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

3 SHARE OF PROFIT FROM ASSOCIATES

On 21 August 2006, the Bank acquired a 49.8% stake in the share capital of Delta International Bank S.A.E., a bank engaged in commercial and retail banking and headquartered in Cairo, Arab Republic of Egypt. This investment has been equity accounted by the Bank from the date of acquisition, with the Bank's share of income from that investment reflected as part of "share of profit from associates"

4 SEASONALITY OF RESULTS

Dividend income of US\$ 8,393,000 for the three months ended 31 March 2007 (2006: US\$ 9,914,000) is of a seasonal nature.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2007 (Unaudited)

5 EARNINGS PER ORDINARY SHARE

	<i>Three months ended 31 March</i>	
	<u>2007</u>	<u>2006</u>
Net profit attributable to Bank's equity shareholders (US\$ '000)	<u>68,948</u>	<u>60,527</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	<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	<u>3,710</u>	<u>3,710</u>
Basic earnings per ordinary share (US cents)	<u>2.30</u>	<u>2.02</u>
Diluted earnings per ordinary share (US cents)	<u>1.86</u>	<u>1.63</u>

6 EQUITY

The Annual General 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).

7 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>31 March 2007</i>	<i>31 December 2006</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	954,324	903,074
Acceptances	41,514	35,962
Letters of credit	340,816	342,764
	<u>1,336,654</u>	<u>1,281,800</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2007 (Unaudited)

8 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 approximate 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
Three months ended 31 March 2007:				
Operating income	45,220	57,618	19,137	121,975
	37%	47%	16%	100%
Share of profit of associates				15,432
Operating income before provisions				137,407
Segment result	27,607	33,696	12,254	73,557
	37%	46%	17%	100%
Share of profit from associates				15,432
(Less):Provisions - net				(3,012)
(Less):Income tax expense				(2,487)
(Less):Net profit attributable to minority interest				(14,542)
Net profit attributable to the Bank's equity shareholders				68,948

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2007 (Unaudited)

8 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>
Three months ended 31 March 2006:				
Operating income	38,184	59,470	12,436	110,090
	35%	54%	11%	100%
Share of profit from associates				6,950
Operating income before provisions				117,040
Segment result	20,485	39,872	7,302	67,659
	30%	59%	11%	100%
Share of profit from associates				6,950
Add: Provisions - net				822
(Less): Income tax expense				(1,732)
(Less): Net profit attributable to minority interest				(13,172)
Net profit attributable to the Bank's equity shareholders				60,527