

Ahli United Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2003

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 2003, 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.



30 April 2003
Manama, Kingdom of Bahrain

CONSOLIDATED BALANCE SHEET

31 March 2003 (Unaudited)

	<i>31 March 2003 US\$ '000</i>	<i>Audited 31 December 2002 US\$ '000</i>
ASSETS		
Cash and balances with central banks	51,711	52,350
Treasury bills	15,003	21,183
Trading securities	11,048	10,831
Deposits with banks and other financial institutions	830,513	862,354
Loans and advances	2,246,296	2,168,275
Non-trading investments	1,575,050	1,430,483
Investment in associates	442,374	438,205
Premises and equipment	49,585	47,323
Other assets and intangibles	108,540	104,892
	<u>5,330,120</u>	<u>5,135,896</u>
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks and other financial institutions	1,459,211	1,395,614
Customers' deposits	2,425,890	2,348,983
Certificates of deposits	104,536	75,293
Floating rate notes and other term debt	231,103	233,083
Other liabilities	176,799	128,985
	<u>4,397,539</u>	<u>4,181,958</u>
SUBORDINATED LIABILITIES	<u>122,204</u>	<u>123,323</u>
EQUITY		
Share capital	650,000	650,000
Reserves	160,377	180,615
	<u>810,377</u>	<u>830,615</u>
	<u>5,330,120</u>	<u>5,135,896</u>

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

Ahli United Bank B.S.C.

CONSOLIDATED STATEMENT OF INCOME

31 March 2003 (Unaudited)

	<i>Three months ended</i>	
	31 March 2003 US\$ '000	31 March 2002 US\$ '000
OPERATING INCOME		
Interest income	54,140	50,278
Interest expense	27,466	27,080
Net interest income	<u>26,674</u>	<u>23,198</u>
Fees and commission – net	10,025	8,023
Trading income	650	(377)
Gains on sale of non-trading investments	3,190	1,912
Share of profit from associates	4,019	2,004
Other operating income	1,661	2,861
	<u>19,545</u>	<u>14,423</u>
NET INTEREST AND OTHER INCOME	<u>46,219</u>	<u>37,621</u>
Provision for loan losses – net	3,183	3,730
Provision (write back) for impairment of non-trading investments and other assets	1,575	(171)
	<u>4,758</u>	<u>3,559</u>
OPERATING INCOME AFTER PROVISIONS	<u>41,461</u>	<u>34,062</u>
OPERATING EXPENSES		
Staff expenses	10,019	8,844
Depreciation and amortisation	1,426	1,612
Other operating expenses	4,649	4,836
	<u>16,094</u>	<u>15,292</u>
PROFIT BEFORE TAXATION	<u>25,367</u>	<u>18,770</u>
Income tax expense	1,840	1,703
NET PROFIT FOR THE PERIOD	<u>23,527</u>	<u>17,067</u>
Basic earnings per share (cents)	<u>0.90</u>	<u>0.95</u>
Weighted average number of shares outstanding (in millions)	<u>2,600</u>	<u>1,800</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 2003 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March 2003</i>	<i>31 March 2002</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	128,793	204,940
Net cash (used in) investing activities	(148,344)	(284,419)
Net cash (used in) financing activities	(3,099)	(41,610)
Foreign currency translation adjustments	-	(3,560)
(DECREASE) IN CASH AND CASH EQUIVALENTS	(22,650)	(124,649)
Cash and cash equivalents at 1 January	824,538	923,120
CASH AND CASH EQUIVALENTS AT 31 MARCH	801,888	798,471
Comprising:		
Cash and balances with central banks	19,218	14,161
Treasury bills maturing within three months	15,003	28,841
Deposits with banks and other financial institutions maturing within three months	767,667	755,469
	801,888	798,471

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 2003 (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 currency 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 2002	650,000	123,752	307	14,822	(11,514)	13,858	41,871	(2,481)	830,615
Dividends payable	-	-	-	-	-	-	(41,553)	-	(41,553)
Directors' fees paid	-	-	-	-	-	-	(318)	-	(318)
Net profit for the period	-	-	-	-	-	23,527	-	-	23,527
Net loss on sale of available-for-sale investments (previously included in retained earnings on adoption of IAS 39)	-	-	-	-	-	23	-	-	23
Net fair value movements during the period	-	-	-	-	-	-	-	(1,917)	(1,917)
Balance at 31 March 2003	650,000	123,752	307	14,822	(11,514)	37,408	-	(4,398)	810,377
Balance at 31 December 2001	450,000	80,781	307	8,849	(25,384)	2,786	41,610	5,353	564,302
Dividends paid	-	-	-	-	-	-	(41,400)	-	(41,400)
Directors' fees paid	-	-	-	-	-	-	(210)	-	(210)
Net profit for the period	-	-	-	-	-	17,067	-	-	17,067
Foreign currency 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

The movements in foreign currency translation adjustments represent differences 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 2003 (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 2002.

2 CONTINGENT LIABILITIES

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

	<i>31 March</i> <i>2003</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2002</i> <i>US\$ '000</i>
Guarantees	284,831	251,471
Acceptances	9,483	10,790
Letters of credit	79,398	99,272
	<hr/> 373,712 <hr/>	<hr/> 361,533 <hr/>

There have been no other significant changes in the contingent liabilities subsequent to 31 December 2002.

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 cost of funds.

NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

31 March 2003 (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 2003				
Operating income before provisions	9,071	33,900	3,248	46,219
Segment result	<u>5,459</u>	<u>24,173</u>	<u>493</u>	<u>30,125</u>
Profit for the period before provisions and tax				30,125
Provisions				4,758
Taxation				1,840
Net profit				<u>23,527</u>
Three months ended 31 March 2002				
Operating income before provisions	8,469	24,257	4,895	37,621
Segment result	<u>5,058</u>	<u>14,482</u>	<u>2,789</u>	<u>22,329</u>
Profit for the period before provisions and tax				22,329
Provisions				3,559
Taxation				1,703
Net profit				<u>17,067</u>

4 SEASONALITY OF RESULTS

Dividend income of USD 647,000 (2002: USD 1,803,000), included in other operating income, is of a seasonal nature.

5 COMPARATIVES

Certain of the prior period figures have been reclassified to conform to the presentation in the current period.