

Ahli United Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2004

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 2004, 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.



19 April 2004
Manama, Kingdom of Bahrain

CONSOLIDATED BALANCE SHEET

31 March 2004 (Unaudited)

	<i>31 March</i> <i>2004</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2003</i> <i>US\$ '000</i>
ASSETS		
Cash and balances with central banks	54,958	60,304
Trading securities	-	19,553
Deposits with banks and other financial institutions	1,497,448	1,259,684
Loans and advances	2,585,982	2,506,945
Non-trading investments	1,732,673	1,721,373
Investment in associates	513,824	501,527
Premises and equipment	57,425	54,958
Other assets and intangibles	183,498	145,722
	6,625,808	6,270,066
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks and other financial institutions	1,795,795	1,674,068
Customers' deposits	3,029,233	2,807,183
Certificates of deposits	92,186	111,949
Floating rate notes and other term debt	435,383	414,242
Other liabilities	228,720	197,013
	5,581,317	5,204,455
SUBORDINATED LIABILITIES	131,314	129,466
EQUITY		
Share capital	650,000	650,000
Reserves	263,177	286,145
	913,177	936,145
	6,625,808	6,270,066

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 2004 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March 2004</i>	<i>31 March 2003</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
OPERATING INCOME		
Interest income	57,310	53,928
Interest expense	26,659	27,466
Net interest income	<u>30,651</u>	<u>26,462</u>
Fees and commission – net	9,606	5,801
Trading income	3,995	862
Gains on sale of non-trading investments	3,054	3,190
Share of profit from associates	7,475	4,019
Other operating income	2,203	5,885
	<u>26,333</u>	<u>19,757</u>
NET INTEREST AND OTHER INCOME	<u>56,984</u>	<u>46,219</u>
Provision for loan losses – net	1,781	3,183
Provision for impairment of non-trading investments	213	1,575
	<u>1,994</u>	<u>4,758</u>
OPERATING INCOME AFTER PROVISIONS	<u>54,990</u>	<u>41,461</u>
OPERATING EXPENSES		
Staff expenses	11,916	10,019
Depreciation and amortisation	1,508	1,426
Other operating expenses	6,469	4,649
	<u>19,893</u>	<u>16,094</u>
PROFIT BEFORE TAXATION	<u>35,097</u>	<u>25,367</u>
Income tax expense	1,893	1,840
NET PROFIT FOR THE PERIOD	<u>33,204</u>	<u>23,527</u>
Basic earnings per share (cents)	<u>1.28</u>	<u>0.90</u>
Weighted average number of shares outstanding (in millions)	<u>2,600</u>	<u>2,600</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 2004 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March 2004</i>	<i>31 March 2003</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash (used in) from operating activities	(310,336)	128,793
Net cash (used in) investing activities	(10,396)	(148,344)
Net cash from (used in) financing activities	22,989	(3,099)
Foreign currency translation adjustments	(95)	-
(DECREASE) IN CASH AND CASH EQUIVALENTS	(297,838)	(22,650)
Cash and cash equivalents at 1 January	1,225,420	824,538
CASH AND CASH EQUIVALENTS AT 31 MARCH	927,582	801,888
Comprising:		
Cash and balances with central banks	21,738	19,218
Deposits with banks and other financial institutions maturing within three months	905,844	782,670
	927,582	801,888

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 2004 (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 2003	650,000	123,752	307	23,530	(7,226)	28,512	62,746	54,524	936,145
Dividends payable	-	-	-	-	-	-	(62,400)	-	(62,400)
Directors' fees paid	-	-	-	-	-	-	(346)	-	(346)
Net profit for the period	-	-	-	-	-	33,204	-	-	33,204
Currency translation adjustments	-	-	-	-	(95)	-	-	-	(95)
Net loss on sale of available-for-sale investments (previously included in retained earnings on adoption of IAS 39)	-	-	-	-	-	369	-	-	369
Net fair value movements during the period	-	-	-	-	-	-	-	6,300	6,300
Balance at 31 March 2004	650,000	123,752	307	23,530	(7,321)	62,085	-	60,824	913,177
Balance at 31 December 2002	650,000	123,752	307	14,822	(11,514)	13,858	41,871	(2,481)	830,615
Dividends paid	-	-	-	-	-	-	(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

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 2004 (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 2003.

2 CONTINGENT LIABILITIES

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

	<i>31 March</i> <i>2004</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2003</i> <i>US\$ '000</i>
Guarantees	305,832	313,804
Acceptances	9,024	7,465
Letters of credit	37,676	51,252
	<hr/> 352,532 <hr/>	<hr/> 372,521 <hr/>

There have been no other significant changes in the contingent liabilities subsequent to 31 December 2003.

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 2004 (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 2004:				
Operating income before provisions	13,692	28,364	7,453	49,509
Segment result	8,172	18,282	4,053	30,507
Share of profit from associates				7,475
Unallocated costs				(891)
Provisions - net				(1,994)
Taxation				(1,893)
Net profit				33,204
Three months ended 31 March 2003:				
Operating income before provisions	11,073	27,879	3,248	42,200
Segment result	7,049	18,564	593	26,206
Share of profit from associates				4,019
Unallocated costs				(100)
Provisions - net				(4,758)
Taxation				(1,840)
Net profit				23,527

4 SEASONALITY OF RESULTS

Fees and commission income include commission income of USD 1,597,000 relating to prior periods negotiated in the current quarter. Dividend income of USD 710,000 for the quarter ended 31 March 2004 (2003: USD 647,000), 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. Such reclassifications do not affect previously reported net profit or shareholders' equity.