

Ahli United Bank B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

31 MARCH 2008

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF
AHLI UNITED BANK B.S.C.**

Introduction

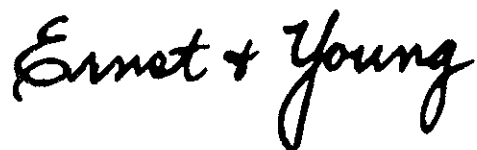
We have reviewed the accompanying interim condensed consolidated financial statements of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 31 March 2008, comprising of the interim consolidated balance sheet as at 31 March 2008 and the related interim consolidated statements 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.



7 May 2008
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Three month period ended 31 March 2008 (Unaudited)

	Note	Three months ended 31 March	
		2008 US\$ '000	2007 US\$ '000
Interest income		328,894	301,612
Interest expense		231,313	229,262*
Net interest income		97,581	72,350
Fees and commissions - net		38,629	28,167
Trading income		18,365	4,796
Gains on sale of available-for-sale investments		24,255	6,288
Share of profit from associates		16,666	15,432
Dividend income	3	12,965	8,393
Other operating income		1,249	1,981
		112,129	65,057
OPERATING INCOME		209,710	137,407
Provisions for loan losses, impairment of non-trading investments and contingencies-net		27,720	3,012
NET OPERATING INCOME		181,990	134,395
Staff costs		39,409	30,026
Depreciation		3,551	2,876
Other operating expenses		25,548	15,516
OPERATING EXPENSES		68,508	48,418
PROFIT BEFORE TAX		113,482	85,977
Income tax expense		1,412	2,487
NET PROFIT FOR THE PERIOD		112,070	83,490
Attributable to:			
Bank's equity shareholders		94,306	68,948
Minority interest		17,764	14,542
		112,070	83,490
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD			
Basic earnings per share (US cents)	4	2.1	2.1
Diluted earnings per share (US cents)	4	2.1	1.7

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

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED BALANCE SHEET

31 March 2008 (Unaudited)

	Note	31 March 2008 US\$ '000	Audited 31 December 2007 US\$ '000
ASSETS			
Cash and balances with central banks		216,462	142,590
Treasury bills and bonds		1,123,582	867,074
Trading securities		134,963	112,201
Deposits with banks and other financial institutions		4,754,022	4,396,781
Loans and advances		13,141,545	12,035,153
Non-trading investments		3,561,001	3,525,277
Investment in associates		772,474	768,471
Premises and equipment		322,347	292,461
Other assets		522,552	414,487
Goodwill and other intangible assets		508,407	495,357
TOTAL ASSETS		25,057,355	23,049,852
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		7,577,649	6,989,024
Customers' deposits		12,232,522	10,780,914
Term debt		1,350,000	1,350,000
Other liabilities		800,930	693,569
TOTAL LIABILITIES		21,961,101	19,813,507
SUBORDINATED LIABILITIES		637,816	588,224
EQUITY			
Ordinary share capital	5	1,126,581	844,201
Preference share capital	5	17,663	173,001
Reserves		1,001,293	1,292,518
Attributable to the Bank's equity shareholders		2,145,537	2,309,720
Minority interest		312,901	338,401
TOTAL EQUITY		2,458,438	2,648,121
TOTAL LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		25,057,355	23,049,852

Fahad Al-Rajjan
Chairman
Board of Directors

Hamad Al-Marzouq
Deputy Chairman
Board of Directors

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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three month period ended 31 March 2008 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2008</i>	<i>2007</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash (used in) from operating activities	(663,562)	313,168
Net cash (used in) from investing activities	(201,701)	135,522
Net cash used in financing activities	(113,706)	(131,618)
Foreign currency translation adjustments	15,322	6,944
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(963,647)	324,016
Cash and cash equivalents at 1 January	2,376,886	4,367,208
CASH AND CASH EQUIVALENTS AT 31 MARCH	1,413,239	4,691,224
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	106,097	118,318
Deposits with banks and other financial institutions with an original maturity of three months or less	1,307,142	4,572,906
	1,413,239	4,691,224

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

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2008 (Unaudited)

	Attributable to Bank's equity shareholders												
	Reserves					Foreign currency							
	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Share premium US\$ '000	Capital reserve US\$ '000	Statutory reserve US\$ '000	Revaluation reserve US\$ '000	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 2007	844,201	173,001	561,373	307	101,052	94,290	36,080	228,472	128,864	142,080	1,292,518	338,401	2,648,121
Directors' fees paid	-	-	-	-	-	-	-	-	(1,002)	-	(1,002)	-	(1,002)
Donations approved	-	-	-	-	-	-	-	-	(1,000)	-	(1,000)	-	(1,000)
Currency translation adjustments	-	-	-	-	-	-	15,322	-	-	-	15,322	-	15,322
Net fair value movements during the period	-	-	-	-	-	-	-	-	-	(167,001)	(167,001)	(8,796)	(175,797)
Revaluation of freehold land	-	-	-	-	-	23,229	-	-	-	-	23,229	2,794	26,023
Net (expense) income recognised directly in equity	-	-	-	-	-	23,229	15,322	-	(2,002)	(167,001)	(130,452)	(6,002)	(136,454)
Net profit for the period	-	-	-	-	-	-	-	94,306	-	-	94,306	17,764	112,070
Total recognised (expense) income for the period	-	-	-	-	-	23,229	15,322	94,306	(2,002)	(167,001)	(36,146)	11,762	(24,384)
Class A preference share dividend paid	-	-	-	-	-	-	-	-	(15,366)	-	(15,366)	-	(15,366)
Class B preference share dividend paid	-	-	-	-	-	-	-	-	(5,716)	-	(5,716)	-	(5,716)
Ordinary share dividend paid	-	-	-	-	-	-	-	-	(105,780)	-	(105,780)	(40,758)	(146,538)
Bonus shares issued (note 5)	102,417	-	-	-	-	-	-	(102,417)	-	-	(102,417)	-	-
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	3,496	3,496
Conversion of preference shares (note 5)	179,963	(154,963)	(19,008)	-	-	-	-	-	-	(5,992)	(25,000)	-	-
Class B preference shares (surrendered) issued (note 5)	-	(375)	(800)	-	-	-	-	-	-	-	(800)	-	(1,175)
Balance at 31 March 2008	1,126,581	17,663	541,565	307	101,052	117,519	51,402	220,361	-	(30,913)	1,001,293	312,901	2,458,438

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

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2008 (Unaudited)

	Attributable to Bank's equity shareholders												
	Reserves												Total
	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Share premium US\$ '000	Capital reserve US\$ '000	Statutory reserve US\$ '000	Revaluation 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	
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 for payment	-	-	-	-	-	-	-	-	(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
Net (expense) income recognised directly in equity	-	-	-	-	-	-	6,944	-	(1,333)	4,777	10,388	939	11,327
Net profit for the period	-	-	-	-	-	-	-	68,948	-	-	68,948	14,542	83,490
Total recognised (expense) income for the period	-	-	-	-	-	-	6,944	68,948	(1,333)	4,777	79,336	15,481	94,817
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)	(34,868)	(130,418)
Bonus shares issued (note 5)	68,250	-	-	-	-	-	-	(68,250)	-	-	(68,250)	-	-
Other equity movements of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(606)	(606)
Class B preference shares (surrendered) issued (note 5)	-	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 notes 1 to 7 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008 (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 Group for the three-month period ended 31 March 2008 were authorised for issue with a resolution of the directors on 7 May 2008.

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 2007.

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 and should be read in conjunction with the Group's annual financial statements as at 31 December 2007. 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 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

3 SEASONALITY OF RESULTS

Dividend income of US\$ 12,965 thousand for the three months ended 31 March 2008 (2007: US\$ 8,393 thousand) is of a seasonal nature.

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2008</i>	<i>2007</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for basic earnings per share computation (US\$ '000)	<u>94,306</u>	<u>68,948</u>
Add: Staff costs - fair value amortisation of share based transaction	<u>1,957</u>	<u>747</u>
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	<u>96,263</u>	<u>69,695</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	<u>4,506</u>	<u>3,303</u>
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the convertible portion of Class B preference shares (million)	<u>4,604</u>	<u>4,193</u>
Basic earnings per ordinary share (US cents)	<u>2.1</u>	<u>2.1</u>
Diluted earnings per ordinary share (US cents)	<u>2.1</u>	<u>1.7</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008 (Unaudited)

5 EQUITY

The Annual General Assembly of Shareholders' meeting held on 3 March 2008 approved a bonus share issue of 10% (1 ordinary share for every 10 shares held) (2007 : 10%) resulting in an increase in the ordinary share capital by US\$ 102 million comprising 410 million ordinary shares of 25 US cents each. The convertible portion of all issued and outstanding Class B Preference Shares are automatically adjusted by these bonus share issues upon their conversion into ordinary shares under the terms of the respective issues.

Conversion of Class A preference shares

As per the terms of issue of the Class A preference shares, 50% of the Class A Preference Shares were convertible on 1 January 2008 into an equivalent number of ordinary shares at US\$ 0.45 per share as adjusted for any bonus issues. Accordingly, on 1 January 2008, 577.5 million ordinary shares have been issued on conversion of 50% of Class A preference shares, including the bonus adjustment for the years 2005 and 2006.

The remaining 50% of the Class A Preference shares are redeemable in cash on 1 January 2015, or at an earlier date after 1 January 2010 if exercised by the Bank, at US\$ 0.45 per share.

Conversion of Tranche I of Class B preference shares

As per the terms of the issue of the Employee Share Purchase Plan (ESPP), tranche-I of the Class B preference shares issued under the ESPP were due for conversion to ordinary shares on 1 January 2008. Accordingly, on 1 January 2008, 142.4 million ordinary shares were issued on conversion of tranche-I of the Class B preference shares, including the bonus adjustment for the years 2005 and 2006 and the rights issue adjustment factor for 2007.

6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>Audited</i>	
	<i>31 March</i>	
	<i>31 December</i>	
	<i>2008</i>	
	<i>2007</i>	
	<i>US\$ '000</i>	
	<i>US\$ '000</i>	
Guarantees	1,322,070	1,101,614
Acceptances	59,302	79,216
Letters of credit	461,606	378,564
	<u>1,842,978</u>	<u>1,559,394</u>

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.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008 (Unaudited)

7 SEGMENT INFORMATION (continued)

Segmental information for the period was as follows:

	<i>Retail banking</i>	<i>Corporate banking, treasury and investments</i>	<i>Private banking and wealth management</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Three months ended 31 March 2008:				
Net interest and other income before share of profit from associates	60,843	114,465	17,736	193,044
	32%	59%	9%	100%
Share of profit from associates				16,666
Operating income				209,710
Profit before tax - excluding share of profit from associates	25,001	63,596	8,219	96,816
	26%	66%	8%	100%
Share of profit from associates				16,666
(Less): Income tax expense				(1,412)
(Less): Net profit attributable to minority interest				(17,764)
Net profit attributable to the Bank's equity shareholders				94,306
	<i>Retail banking</i>	<i>Corporate banking, treasury and investments</i>	<i>Private banking and wealth management</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Three months ended 31 March 2007:				
Net interest and other income before share of profit from associates	45,220	57,618	19,137	121,975
	37%	47%	16%	100%
Share of profit from associates				15,432
Operating income				137,407
Profit before tax - excluding share of profit from associates	23,438	34,853	12,254	70,545
	34%	49%	17%	100%
Share of profit from associates				15,432
(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