

United International Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

30 June 2008

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF UNITED INTERNATIONAL BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of United International Bank B.S.C. (c) ("the Bank") and its subsidiaries ("the Group") as of 30 June 2008, comprising of the interim consolidated balance sheet as at 30 June 2008 and the related consolidated interim statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements. 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 note 2.

27 August 2008
Manama, Kingdom of Bahrain

United International Bank B.S.C. (c)

CONSOLIDATED BALANCE SHEET

30 June 2008

		<i>(Unaudited)</i> 30 June 2008 US\$ '000	<i>(Audited)</i> 31 December 2007 US\$ '000
	<i>Notes</i>		
ASSETS			
Cash and balances with banks		1,431	11,897
Due from banks and other financial institutions		189,907	172,922
Trading investments		33,807	30,913
Non-trading investments		70,184	49,504
Assets of disposal group classified as held for sale	3	124,291	90,023
Investment property		17,460	17,460
Other assets		34,042	2,693
Property and equipment		8,428	7,952
TOTAL ASSETS		479,550	383,364
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNT AND EQUITY			
Due to banks and other financial institutions		148,675	47,449
Liabilities directly associated with the assets classified as held for sale	3	3,210	3,858
Other liabilities		3,211	3,378
TOTAL LIABILITIES		155,096	54,685
UNRESTRICTED INVESTMENT ACCOUNT		-	10,000
EQUITY			
Share capital		291,286	291,286
Retained earnings		17,320	11,594
Reserves		8,426	8,426
		317,032	311,306
Minority Interest of disposal group	3	7,422	7,373
TOTAL EQUITY		324,454	318,679
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		479,550	383,364

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors 27 August 2008.

Mr. Asaad Al Banwan
Chairman

Mr. Khalid Al Nasser
Board Member

Mr. Abdulla Janahi
GM and Acting CEO

The attached explanatory notes 1 to 4 form part of these consolidated financial statements.

United International Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF INCOME

For the six month period ended 30 June 2008 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Income				
Rental income from investment in leases	-	4,558	8,947	4,558
Income from assets held for sale - net	2,239	-	2,239	-
Profit on amounts due from non banks	-	996	-	1,915
Trading gains	562	-	2,894	-
Income from non-trading investments	304	76	1,119	76
Gain on disposal of assets held for sale	5,995	-	5,995	-
Fee income	138	119	150	119
TOTAL OPERATING REVENUE	9,238	5,749	21,344	6,668
Profit on amounts due from banks and other financial institutions	1,402	2,223	3,229	5,090
Profit on amounts due to banks and other financial institutions	(1,424)	(146)	(2,724)	(159)
	(22)	2,077	505	4,931
NET OPERATING INCOME	9,216	7,826	21,849	11,599
Expenses				
Rental expense on investment in leases	-	3,373	6,436	3,373
Staff compensation and benefits	3,412	3,065	6,701	5,235
General and administration expenses	852	524	1,565	1,299
Management fees	512	219	933	219
Depreciation	143	91	273	182
TOTAL EXPENSES	4,919	7,272	15,908	10,308
NET INCOME FOR THE PERIOD	4,297	554	5,941	1,291
Attributable to:				
Equity holders of the Parent	4,275	468	5,726	1,205
Minority interest	22	86	215	86

The attached explanatory notes 1 to 4 form part of these consolidated financial statements.

United International Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2008 (Unaudited)

	<i>Six months ended</i>	
	30 June 2008 US\$ '000	30 June 2007 US\$ '000
OPERATING ACTIVITIES		
Net income for the period	5,941	1,291
Adjustments for:		
Provision for employees' end of service benefits	393	(90)
Depreciation	273	182
Loss on sale of property and equipment	13	-
Gain on disposal of assets held for sale	(5,995)	-
Revaluation of trading investments	(2,894)	-
	(2,269)	1,383
Changes in operating assets and liabilities:		
Due from banks and other financial institutions	(4,533)	-
Due from non-banks	-	12,441
Due to banks and other financial institutions	95,463	9,981
Other assets	(935)	(599)
Other liabilities	(560)	1,523
Net cash from operating activities	87,166	24,729
INVESTING ACTIVITIES		
Investment in non-trading investments	-	(17,823)
Investments in net assets held for sale	(106,416)	(56,824)
Proceeds from sale of net assets held for sale	32,164	-
Purchase of property and equipment	(819)	(838)
Disposal of property and equipment	57	-
Net cash used in investing activities	(75,014)	(75,485)
FINANCING ACTIVITIES		
Unrestricted investment account	(10,000)	-
Minority interest	(166)	5,693
Net cash (used in) from financing activities	(10,166)	5,693
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,986	(45,063)
Cash and cash equivalents at beginning of the period	169,720	216,525
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	171,706	171,462

The attached explanatory notes 1 to 4 form part of these consolidated financial statements.

United International Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2008 (Unaudited)

	Share capital US\$ '000	Retained earnings US\$ '000	Reserves		Total US\$ '000	Total equity US\$ '000
			Statutory reserve US\$ '000	Investment fair value reserve US\$ '000		
Balance at 1 January 2008	291,286	11,594	2,002	6,424	8,426	311,306
Net income for the period	-	5,726	-	-	-	5,726
Balance at 30 June 2008	291,286	17,320	2,002	6,424	8,426	317,032
Balance at 1 January 2007	291,286	3,871	-	-	-	295,157
Net income for the period	-	1,205	-	-	-	1,205
Balance at 30 June 2007	291,286	5,076	-	-	-	296,362

The attached explanatory notes 1 to 4 form part of these consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

1 INCORPORATION AND ACTIVITIES

United International Bank B.S.C (c) ("the Bank") was incorporated on 5th August 2006, under commercial registration number 62003 as a Bahrain Joint Stock Company (closed). The Bank's registered office is Building 2431, Road 2831, Block 428, Seef, Kingdom of Bahrain. The Bank operates under a Wholesale Banking Licence issued by the Central Bank of Bahrain.

The core business activities of United International Bank B.S.C. (c) and subsidiaries ("the Group") include investing on its own account and providing a full range of investment banking products and services that are in conformity with Islamic Shari'a.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These interim condensed consolidated financial statements have been prepared using accounting policies which are in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standards exist, including interim financial reporting, the Group uses the relevant International Financial Reporting Standard issued by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2007.

Results for the six month period ended 30 June 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

b) Assets of disposal group classified as held for sale

Assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of their carrying amount or fair value less cost of sale.

3 DISPOSAL GROUP

Falak Investments Limited is a company incorporated in the Bahamas which has created subsidiaries and has entered into arrangements to lease aircraft. The Group decided to sell the subsidiary to Falak Aviation Fund Company B.S.C. (c), a close-ended Shari'a compliant exempt collective investment undertaking registered under the laws of the Kingdom of Bahrain.

The Group has issued a private placement memorandum dated April 2008 and is actively marketing for selling down the majority stake in Falak Investments Limited, in which it holds a majority stake. Falak Investments Limited holds majority stakes in each of Falak Lease One Limited, Falak Lease Two Limited, Falak Lease Three Limited, Falak Lease Four Limited, Falak Lease Five Limited, Falak Lease Six Limited, Falak Lease Seven Limited, Falak Lease Eight Limited, Falak Lease Nine Limited, Falak Lease Ten Limited and Falak Lease Eleven Limited each of which sublease the aircraft to operating airlines, in some cases through further subsidiaries established for this purpose.

As at 30 June 2008 the assets of the disposal group classified as held for sale relating to Falak Investments Limited amounted to US\$ 124,291 thousand (2007: US\$ 90,023 thousand). Liabilities directly associated with the assets classified as held for sale as at 30 June 2008 amounted to US\$ 3,210 thousand (2007: US\$ 3,858 thousand) and the minority interest relating to the disposal group amounted to US\$ 7,422 thousand (2007: US\$ 7,373 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008

4 RELATED PARTIES

Related parties comprise major shareholders, directors of the Group, Shari'a Supervisory Board, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group.

The significant transactions in respect of related parties were as follows:

	Six months ended	
	30 June	30 June
	2008	2007
	US\$ '000	US\$ '000
Trading gains from a shareholder (National Investment Company K.S.C.)	2,894	-
Profit on amounts due from banks and other financial institutions	7	-
Profit on amounts due from non banks	-	1,915
Profit on amounts due to banks and financial institutions	(7)	-
Gain on disposal of assets held for sale	2,141	-
Fee income	117	-
Board of Directors and Committees meetings' expenses and attendance allowances	160	182
Shari'a Supervisory Board meetings' expenses and attendance allowances	72	45

The significant balances with related parties were as follows:

	30 June	31 December
	2008	2007
	US\$ '000	US\$'000
Investment with a shareholder (National Investment Company K.S.C.)	33,808	30,913
Due from banks and other financial institutions	-	12,808
Due to banks and other financial institutions	-	(12,808)

Compensation of key management personnel is as follows:

	30 June	30 June
	2008	2007
	US\$ '000	US\$'000
Short term employee benefits	1,030	1,717
Termination benefits	715	1,198
Total compensation of key management personnel	1,745	2,915