

Ahli United Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2002

**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 30 September 2002, and the related consolidated statements of income, cash flows and changes in equity for the nine 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's 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 October 2002
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

CONSOLIDATED BALANCE SHEET

30 September 2002 (Unaudited)

	<i>30</i>	<i>Audited</i>
	<i>September</i>	<i>31</i>
	<i>2002</i>	<i>December</i>
	<i>US\$ '000</i>	<i>2001</i>
		<i>US\$ '000</i>
ASSETS		
Cash and balances with central banks	47,508	45,294
Treasury bills	17,058	34,531
Trading securities	10,826	355
Deposits with banks and other financial institutions	733,927	925,613
Loans and advances	2,141,871	1,882,699
Securitised loans	-	38,136
Less: Securities issued	-	(38,136)
Non-trading investments	1,361,028	932,549
Investment in associates	399,623	167,664
Premises and equipment	46,715	43,755
Other assets and intangibles	66,638	70,259
	4,825,194	4,102,719
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks and other financial institutions	1,214,988	738,900
Customers' deposits	2,439,906	2,366,086
Certificates of deposits	76,392	40,205
Floating rate notes and other term debt	315,582	219,718
Other liabilities	91,092	85,273
	4,137,960	3,450,182
SUBORDINATED LIABILITIES	121,731	88,235
EQUITY		
Share capital	450,000	450,000
Reserves	115,503	114,302
	565,503	564,302
	4,825,194	4,102,719

Fahad Al-Rajaan
Chairman
Board of Directors

Mohammed Yousuf Jalal
Deputy Chairman
Board of Directors

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

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 INCOME

30 September 2002 (Unaudited)

	<i>3 months ended</i>		<i>9 months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
OPERATING INCOME				
Interest income	53,539	59,031	153,853	192,211
Interest expense	29,257	36,953	83,802	129,201
Net interest income	24,282	22,078	70,051	63,010
Fee, commission and other income	11,098	10,008	36,585	36,087
Gain on sale of non-trading investments	4,595	9,827	8,426	12,801
Trading income	2,385	840	4,720	3,873
	18,078	20,675	49,731	52,761
NET INTEREST AND OTHER INCOME	42,360	42,753	119,782	115,771
Provision for credit losses	8,823	6,928	15,685	10,200
Provision (write back) for impairment of non-trading investments, other assets and contingencies	(947)	2,785	(237)	4,621
	7,876	9,713	15,448	14,821
OPERATING INCOME AFTER PROVISIONS	34,484	33,040	104,334	100,950
OPERATING EXPENSES				
Staff expenses	9,698	10,523	28,223	29,785
Depreciation and amortisation	1,710	1,998	4,591	5,088
Other operating expenses	7,418	6,711	19,393	21,261
	18,826	19,232	52,207	56,134
PROFIT BEFORE TAXATION	15,658	13,808	52,127	44,816
Income tax expense	1,948	1,600	5,589	4,944
NET PROFIT FOR THE PERIOD	13,710	12,208	46,538	39,872
Weighted average number of shares outstanding (in millions)	1,800	1,751	1,800	1,448
Basic earnings per share (cents)	0.76	0.70	2.59	2.75

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

30 September 2002 (Unaudited)

	<i>9 months ended</i>	
	<i>2002</i>	<i>2001</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	393,132	376,060
Net cash (used in) investing activities	(671,938)	(536,397)
Net cash from financing activities	87,960	121,420
Foreign currency translation adjustments	13,706	(4,402)
(DECREASE) IN CASH AND CASH EQUIVALENTS	(177,140)	(43,319)
Cash and cash equivalents at 1 January	923,120	989,989
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	745,980	946,670
Comprising:		
Cash and balances with central banks	17,429	21,820
Treasury bills maturing within three months	17,058	30,480
Deposits with banks and other financial institutions maturing within three months	711,493	894,370
	745,980	946,670

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

30 September 2002 (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 2001	450,000	80,781	307	8,849	(25,384)	2,786	41,610	5,353	564,302
Dividends and other appropriations paid	-	-	-	-	-	-	(41,610)	-	(41,610)
Net profit for the period	-	-	-	-	-	46,538	-	-	46,538
Currency translation adjustments	-	-	-	-	13,706	-	-	-	13,706
Net fair value movements during the period	-	-	-	-	-	-	-	(17,433)	(17,433)
Balance at 30 September 2002	450,000	80,781	307	8,849	(11,678)	49,324	-	(12,080)	565,503
Balance at 31 December 2000	323,500	53,589	307	4,013	(17,785)	3,730	32,383	-	399,737
Transition adjustment on adoption of IAS 39	-	-	-	-	-	4,482	-	-	4,482
Merger expenses paid	-	(124)	-	-	-	-	-	-	(124)
Dividends and other appropriations paid	-	-	-	-	-	-	(32,383)	-	(32,383)
Issuance of ordinary shares	126,500	27,427	-	-	-	-	-	-	153,927
Net profit for the period	-	-	-	-	-	39,872	-	-	39,872
Currency translation adjustments	-	-	-	-	(4,402)	-	-	-	(4,402)
Net gain on sale of investments available for sale (previously included in retained earnings on adoption of IAS 39)	-	-	-	-	-	(6,600)	-	-	(6,600)
Net fair value movements during the period	-	-	-	-	-	-	-	4,666	4,666
Balance at 30 September 2001	450,000	80,892	307	4,013	(22,187)	41,484	-	4,666	559,175

The movements in foreign currency translation adjustments represent gains (losses) 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

30 September 2002 (Unaudited)

1 ACTIVITIES

The parent company, Ahli United Bank B.S.C. (the 'Bank') was incorporated in the Kingdom of Bahrain on 31 May 2000 originally as a closed company and changed on 12 July 2000 to a public shareholding company by Amiri Decree no. 16/2000 and carries out commercial and investment banking business, global fund management and private banking services through its subsidiaries. The Bank operates under an offshore banking unit licence issued by the Bahrain Monetary Agency. The registered office of Ahli United Bank B.S.C. is located at 120 Government Avenue, P O Box 2424, Manama, Bahrain.

The Bank, effective 1 January 2000, combined the businesses of Ahli United Bank (Bahrain) B.S.C. (c) [formerly known as Al-Ahli Commercial Bank B.S.C. (c)], a bank incorporated in the Kingdom of Bahrain, and The United Bank of Kuwait PLC, a bank incorporated in the United Kingdom. The combination was formally completed on 30 July 2000 when shares in Ahli United Bank B.S.C. were distributed to the shareholders of the combining banks.

Ahli United Bank (Bahrain) B.S.C. (c) [formerly known as Al-Ahli Commercial Bank B.S.C. (c)] was incorporated in the Kingdom of Bahrain in 1977 as a public shareholding company and on 2 August 2000 changed its legal status to a closed shareholding company. The bank operates under a commercial banking licence issued by the Bahrain Monetary Agency.

The United Bank of Kuwait PLC was incorporated in the United Kingdom in 1966 as a public shareholding company and is an authorised institution under the U.K. Banking Act 1987. The bank undertakes international commercial and investment banking business.

2 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 2001.

3 CONTINGENT LIABILITIES

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

	<i>30 September 2002 US\$ '000</i>	<i>Audited 31 December 2001 US\$ '000</i>
Guarantees	258,340	250,461
Acceptances	11,704	14,041
Letters of credit	104,911	71,122
	374,955	335,624

There have been no other significant changes in the contingent liabilities subsequent to 31 December 2001.

NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
30 September 2002 (Unaudited)

4 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 marginal cost of funds.

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>
Nine months ended 30 September 2002				
Operating income before provisions	26,444	81,415	11,923	119,782
Segment result	14,435	48,368	4,772	67,575
Profit for the period before provisions and tax				67,575
Provisions				(15,448)
Taxation				(5,589)
Net profit				46,538
Nine months ended 30 September 2001				
Operating income before provisions	19,595	81,570	14,606	115,771
Segment result	7,971	46,650	5,016	59,637
Profit for the period before provisions and tax				59,637
Provisions				(14,821)
Taxation				(4,944)
Net profit				39,872

5 SEASONALITY OF RESULTS

Dividend income of USD 3,571,000 (2001: USD 5,386,000), included in fee, commission and other income, is of a seasonal nature.