

Ahli United Bank B.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

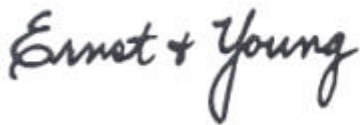
30 SEPTEMBER 2003

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 30 September 2003, 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.



12 October 2003
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

CONSOLIDATED BALANCE SHEET

30 September 2003 (Unaudited)

	<i>30 September</i>	<i>Audited</i>
	<i>2003</i>	<i>31 December</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS		
Cash and balances with central banks	53,162	52,350
Trading securities	23,560	32,014
Deposits with banks and other financial institutions	781,018	862,354
Loans and advances	2,425,692	2,168,275
Non-trading investments	1,635,710	1,430,483
Investment in associates	480,156	438,205
Premises and equipment	51,213	47,323
Other assets and intangibles	139,673	104,892
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	5,590,184	5,135,896
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LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks and other financial institutions	1,567,641	1,395,614
Customers' deposits	2,628,802	2,348,983
Certificates of deposits	92,471	75,293
Floating rate notes and other term debt	106,559	233,083
Other liabilities	178,607	128,985
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	4,574,080	4,181,958
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SUBORDINATED LIABILITIES	125,528	123,323
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EQUITY		
Share capital	650,000	650,000
Reserves	240,576	180,615
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	890,576	830,615
	-----	-----
	5,590,184	5,135,896
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Adel A. El-Labban
Group Chief Executive Officer
& Managing Director

Hamad Al-Marzouq
Deputy Chairman
Board of Directors

Fahad' Al-Kajjan
Chairman
Board of Directors

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 2003 (Unaudited)

	<u>3 months ended</u>		<u>9 months ended</u>	
	<u>30 September</u>		<u>30 September</u>	
	2003	2002	2003	2002
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
OPERATING INCOME				
Interest income	53,564	54,021	161,827	155,266
Interest expense	24,687	29,257	78,662	83,802
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Net interest income	28,877	24,764	83,165	71,464
	-----	-----	-----	-----
Fees and commission – net	6,562	8,258	22,245	23,670
Trading income	1,796	1,871	3,046	2,959
Gains on sale of non-trading investments	765	4,595	10,000	8,426
Share of profit from associates	6,172	1,491	17,166	4,826
Other operating income	2,054	321	12,714	5,675
	-----	-----	-----	-----
	17,349	16,536	65,171	45,556
	-----	-----	-----	-----
NET INTEREST AND OTHER INCOME	46,226	41,300	148,336	117,020
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Provision for loan losses - net	3,819	8,441	12,431	14,892
Provision (writeback) for impairment of non-trading investments, other assets and contingencies	1,442	(978)	8,194	(584)
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	5,261	7,463	20,625	14,308
	-----	-----	-----	-----
OPERATING INCOME AFTER PROVISIONS	40,965	33,837	127,711	102,712
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OPERATING EXPENSES				
Staff expenses	10,297	9,698	31,048	28,223
Depreciation and amortisation	1,451	1,710	4,323	4,591
Other operating expenses	6,019	6,771	16,257	17,771
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	17,767	18,179	51,628	50,585
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PROFIT BEFORE TAXATION	23,198	15,658	76,083	52,127
Income tax expense	1,686	1,948	5,144	5,589
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NET PROFIT FOR THE PERIOD	21,512	13,710	70,939	46,538
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Basic earnings per share (cents)	0.83	0.76	2.73	2.59
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Weighted average number of shares outstanding (in millions)	2,600	1,800	2,600	1,800
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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 2003 (Unaudited)

	<i>9 months ended 30 September 2003 US\$ ' 000</i>	<i>9 months ended 30 September 2002 US\$ '000</i>
Net cash from operating activities	320,748	393,132
Net cash (used in) investing activities	(204,138)	(671,938)
Net cash (used in) from financing activities	(165,872)	87,960
Foreign currency translation adjustments	-	13,706
(DECREASE) IN CASH AND CASH EQUIVALENTS	(49,262)	(177,140)
Cash and cash equivalents at 1 January	824,538	923,120
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	775,276	745,980
Comprising:		
Cash and balances with central banks	21,053	17,429
Treasury bills maturing within three months	-	17,058
Deposits with banks and other financial institutions maturing within three months	754,223	711,493
	775,276	745,980

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 2003 (Unaudited)

	<i>Share capital</i>	<i>Share premium</i>	<i>Capital reserve</i>	<i>Statutory reserve</i>	<i>Foreign currency translation adjustments</i>	<i>Retained earnings</i>	<i>Proposed appropriations</i>	<i>Cumulative changes in fair values</i>	<i>Total</i>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
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	-	-	-	-	-	70,939	-	-	70,939
Net gain on sale of available-for-sale investments (previously included in retained earnings on adoption of IAS 39)	-	-	-	-	-	(968)	-	-	(968)
Net fair value movements during the period	-	-	-	-	-	-	-	31,861	31,861
Balance at 30 September 2003	650,000	123,752	307	14,822	(11,514)	83,829	-	29,380	890,576
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	-	-	-	-	-	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

The movement in foreign currency translation adjustments in the prior period represents gains arising from translating the net investment in a subsidiary into US dollars. The investment in this subsidiary has since been converted 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 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>30 September</i> <i>2003</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2002</i> <i>US\$ '000</i>
Guarantees	313,739	251,471
Acceptances	8,808	10,790
Letters of credit	45,335	99,272
	367,882	361,533

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

30 September 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>
Nine months ended 30 September 2003				
Operating income before provisions	30,159	104,710	13,467	148,336
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Profit before provisions and tax	18,134	74,201	4,373	96,708
	-----	-----	-----	-----
Provisions				(20,625)
Taxation				(5,144)

Net profit				70,939

Nine months ended 30 September 2002				
Operating income before provisions	26,444	78,653	11,923	117,020
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Profit before provisions and tax	14,435	47,228	4,772	66,435
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Provisions				(14,308)
Taxation				(5,589)

Net profit				46,538

4 SEASONALITY OF RESULTS

Dividend income of USD1,891,000 for the nine months ended 30 September 2003 (2002: USD3,571,000), included in other operating income, is of a seasonal nature.

5 COMPARATIVES

Certain of the prior period amounts have been reclassified to conform to the presentation in the current period. Such reclassifications do not affect previously reported net profit or shareholders' equity.