

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2008

	2008 US\$ '000	2007 US\$ '000
Interest income	1,240,072	1,310,634
Interest expense	836,967	982,516
Net interest income	403,105	328,118
Fees and commissions - net	150,630	157,525
Trading income - net	24,896	44,068
Net (loss) gain on available-for-sale investments	(12,391)	24,962
Share of profit from associates	66,455	57,134
Dividend income	20,032	17,811
Other operating income	12,806	7,385
	262,428	308,885
OPERATING INCOME	665,533	637,003
Provision for loan losses and contingencies - net	98,625	26,200
NET OPERATING INCOME	566,908	610,803
Staff costs	152,689	140,749
Depreciation	16,834	15,750
Other operating expenses	90,930	82,124
OPERATING EXPENSES	260,453	238,623
PROFIT BEFORE TAX	306,455	372,180
Income tax (credit) expense	(3,287)	12,354
NET PROFIT FOR THE YEAR	309,742	359,826
<i>Attributable to:</i>		
Bank's equity shareholders	255,723	296,317
Minority interest	54,019	63,509
	309,742	359,826
EARNINGS PER SHARE ATTRIBUTABLE TO BANK'S EQUITY SHAREHOLDERS FOR THE YEAR:		
Basic earnings per share (US cents)	5.6	8.3
Diluted earnings per share (US cents)	5.6	7.2

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2008

	2008 US\$ '000	2007 US\$ '000
Net cash from (used in) operating activities	134,512	(1,663,104)
Net cash from (used in) investing activities	59,833	(472,773)
Net cash (used in) from financing activities	(126,662)	105,100
Foreign currency translation adjustments	2,339	40,455
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	70,022	(1,990,322)
Cash and cash equivalents at 1 January	2,376,886	4,367,208
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	2,446,908	2,376,886

CONSOLIDATED BALANCE SHEET

31 December 2008

	2008 US\$ '000	2007 US\$ '000
ASSETS		
Cash and balances with central banks	392,251	142,590
Treasury bills and bonds	1,236,997	867,074
Trading securities	23,364	112,201
Deposits with banks and other financial institutions	2,867,959	4,396,781
Loans and advances	13,632,220	12,035,153
Non-trading investments	3,353,570	3,525,277
Investments in associates and joint venture	534,916	768,471
Premises and equipment	389,009	292,461
Other assets	517,871	414,487
Goodwill and other intangible assets	634,570	495,357
TOTAL ASSETS	23,582,727	23,049,852
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions	5,153,514	6,989,024
Customers' deposits	13,178,079	10,780,914
Term debts	1,350,000	1,350,000
Other liabilities	882,781	693,569
Subordinated liabilities	623,576	588,224
TOTAL LIABILITIES	21,187,950	20,401,731
EQUITY		
Ordinary share capital	1,126,561	844,201
Preference share capital	17,128	173,001
Reserves	851,746	1,292,518
Attributable to the Bank's equity shareholders	1,995,435	2,309,720
Minority interest	399,342	338,401
TOTAL EQUITY	2,394,777	2,648,121
TOTAL LIABILITIES AND EQUITY	23,582,727	23,049,852

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	2008 US\$ '000	2007 US\$ '000
BALANCE AT 1 JANUARY ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS	2,309,720	1,543,118
Directors' fees and approved donations	(2,002)	(1,333)
Currency translation adjustments	2,339	40,455
Share of changes in fair value reserve of associates	(22,731)	10,427
Net realised gain recycled to consolidated statement of income	(147,473)	(54,724)
Net realised gain on cashflow hedges recycled to consolidated statement of income	1,743	252
Net fair value movements on available for-sale investments	(225,762)	64,873
Net fair value movements on cashflow hedges	(72,810)	(16,255)
Revaluation of freehold land	26,816	94,290
Net (expense) income recognised directly in equity	(439,880)	137,985
Net profit for the year	255,723	296,317
Total recognised (expense) income for the year	(184,157)	434,302
Class A preference share dividend paid	(15,366)	(14,288)
Class B preference share dividend paid	(5,716)	(926)
Ordinary share dividend paid	(105,780)	(95,550)
Rights issues	-	373,805
Class B preference shares (surrendered) issued	(3,246)	69,259
Treasury shares purchased	(20)	-
BALANCE AT 31 DECEMBER ATTRIBUTABLE TO THE BANK'S EQUITY SHAREHOLDERS	1,995,435	2,309,720
MINORITY INTEREST	399,342	338,401
BALANCE AT 31 DECEMBER 2008	2,394,777	2,648,121

Fahad Al-Rajaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

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

BAHRAIN

KUWAIT

QATAR

OMAN

EGYPT

IRAQ

UNITED KINGDOM