

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

30 September 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 30 September 2008, comprising the interim consolidated balance sheet as at 30 September 2008 and the related interim consolidated statements of income, changes in equity and cash flows for the nine-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.



13 October 2008
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Nine month period ended 30 September 2008 (Unaudited)

	<i>Three months ended</i>		<i>Nine months</i>	
	<i>30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Interest income	312,207	338,083	961,284	953,996
Interest expense	197,971	250,228	636,877	713,698
Net interest income	114,236	87,855	324,407	240,298
Fees and commissions - net	47,362	46,402	124,726	112,073
Trading (loss) income	(4,283)	11,112	27,450	30,314
Net (losses) gains on available-for-sale investments	(40,226)	10,416	46,642	38,465
Share of profit from associates	15,721	13,242	49,247	42,143
Dividend income	1,154	801	19,106	15,753
Other operating income	6,313	1,549	9,704	5,441
	26,041	83,522	276,875	244,189
OPERATING INCOME	140,277	171,377	601,282	484,487
Provisions for loan losses	10,234	17,090	58,808	29,238
NET OPERATING INCOME	130,043	154,287	542,474	455,249
Staff costs	34,569	35,833	120,767	105,357
Depreciation	4,726	3,813	12,554	9,947
Other operating expenses	14,568	18,575	69,748	53,046
OPERATING EXPENSES	53,863	58,221	203,069	168,350
PROFIT BEFORE TAX	76,180	96,066	339,405	286,899
Income tax (credit) expense	(2,814)	6,967	1,410	12,276
NET PROFIT FOR THE PERIOD	78,994	89,099	337,995	274,623
Attributable to:				
Bank's equity shareholders	68,381	75,223	280,101	225,949
Minority interest	10,613	13,876	57,894	48,674
	78,994	89,099	337,995	274,623
EARNINGS PER SHARE ATTRIBUTABLE TO				
BANK'S EQUITY SHAREHOLDERS FOR THE PERIOD				
Basic earnings per share (US cents)	4	1.5	2.3	6.2
Diluted earnings per share (US cents)	4	1.5	1.9	6.1

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

30 September 2008 (Unaudited)

	<i>Note</i>	<i>30 September 2008</i>	<i>Audited 31 December 2007</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and balances with central banks		306,576	142,590
Treasury bills and bonds		1,008,433	867,074
Trading securities		134,271	112,201
Deposits with banks and other financial institutions		5,322,326	4,396,781
Loans and advances		13,331,506	12,035,153
Non-trading investments		3,018,322	3,525,277
Investment in associates		794,840	768,471
Premises and equipment		352,097	292,461
Other assets		516,254	414,487
Goodwill and other intangible assets		500,966	495,357
TOTAL ASSETS		25,285,591	23,049,852
LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions		6,297,769	6,989,024
Customers' deposits		13,815,453	10,780,914
Term debt		1,350,000	1,350,000
Other liabilities		723,330	693,569
TOTAL LIABILITIES		22,186,552	19,813,507
SUBORDINATED LIABILITIES		632,893	588,224
EQUITY			
Ordinary share capital	5	1,126,581	844,201
Preference share capital	5	17,089	173,001
Reserves		1,001,441	1,292,518
Attributable to the Bank's equity shareholders		2,145,111	2,309,720
Minority interest		321,035	338,401
TOTAL EQUITY		2,466,146	2,648,121
TOTAL LIABILITIES, SUBORDINATED LIABILITIES AND EQUITY		25,285,591	23,049,852

Fahad Al-Rajaan
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**

Nine month period ended 30 September 2008 (Unaudited)

	<i>Nine months ended 30 September</i>	
	<i>2008</i>	<i>2007</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from (used in) operating activities	1,264,743	(911,973)
Net cash from (used in) investing activities	127,608	(374,879)
Net cash used in financing activities	(117,831)	(383,971)
Foreign currency translation adjustments	21,997	29,087
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,296,517	(1,641,736)
Cash and cash equivalents at 1 January	2,376,886	4,367,208
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	3,673,403	2,725,472
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	179,610	319,881
Deposits with banks and other financial institutions with an original maturity of three months or less	3,493,793	2,405,591
	3,673,403	2,725,472

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

Nine month period ended 30 September 2008 (Unaudited)

	Attributable to Bank's equity shareholders												
	Reserves												
	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	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 for payment	-	-	-	-	-	-	-	-	(1,000)	-	(1,000)	-	(1,000)
Currency translation adjustments	-	-	-	-	-	-	21,997	-	-	-	21,997	-	21,997
Net fair value movements during the period	-	-	-	-	-	30,919	-	-	-	(365,808)	30,919	(29,669)	(395,477)
Revaluation of freehold land	-	-	-	-	-	-	-	-	-	-	-	5,010	35,929
Net income (expense) recognised directly in equity	-	-	-	-	-	30,919	21,997	-	(2,002)	(365,808)	(314,894)	(24,659)	(339,553)
Net profit for the period	-	-	-	-	-	-	-	280,101	-	-	280,101	57,894	337,995
Total recognised income (expense) for the period	-	-	-	-	-	30,919	21,997	280,101	(2,002)	(365,808)	(34,793)	33,235	(1,558)
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	-	-	-	-	-	-	-	-	-	-	-	(9,843)	(9,843)
Conversion of preference shares (Note 5)	179,963	(154,963)	(19,008)	-	-	-	-	-	-	(5,992)	(25,000)	-	-
Class B preference shares (surrendered) issued (Note 5)	-	(949)	(2,005)	-	-	-	-	-	-	-	(2,005)	-	(2,954)
Balance at 30 September 2008	1,126,581	17,089	540,360	307	101,052	125,209	58,077	406,156	-	(229,720)	1,001,441	321,035	2,466,146

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

Nine month period ended 30 September 2008 (Unaudited)

Attributable to Bank's equity shareholders

	Reserves											Minority interest US\$ '000	Total reserves US\$ '000	Total US\$ '000
	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			
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	-	-	-	-	-	-	29,087	-	-	-	29,087	-	29,087	
Net fair value movements during the period	-	-	-	-	-	-	-	-	-	45,291	45,291	21,352	66,643	
Revaluation of freehold land	-	-	-	-	-	97,524	-	-	-	-	97,524	2,653	100,177	
Net income (expense) recognised directly in equity	-	-	-	-	-	97,524	29,087	-	(1,333)	45,291	170,569	24,005	194,574	
Net profit for the period	-	-	-	-	-	-	-	225,949	-	-	225,949	48,674	274,623	
Total recognised income (expense) for the period	-	-	-	-	-	97,524	29,087	225,949	(1,333)	45,291	396,518	72,679	469,197	
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	-	-	-	-	-	-	-	-	-	-	-	1,169	1,169	
Class B preference shares (surrendered) issued (Note 5)	-	24,257	45,796	-	-	-	-	-	-	-	45,796	-	70,053	
Balance at 30 September 2007	750,750	173,198	281,616	307	71,420	97,524	24,712	316,600	-	182,798	974,977	322,534	2,221,459	

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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 nine-month period ended 30 September 2008 were authorised for issue with a resolution of the directors on 13 October 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. In order to further enhance the reader's understanding of the movements in non-trading investments, a presentational change has been made to the interim consolidated statement of income. The net impairment charge of US\$ 90.3 million (30 September 2007: US\$ 0.6 million) relating to "Non-trading investments" is now included as part of "Net gains on available-for-sale investments" with comparatives appropriately restated.

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 nine months ended 30 September 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\$ 19,106 thousand for the nine months ended 30 September 2008 (nine months ended 30 September 2007: US\$ 15,753 thousand) is of a seasonal nature.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2008 (Unaudited)

4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2008</i>	<i>2007</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)	68,381	75,223	280,101	225,949
Add: Staff costs - fair value amortisation of share based transaction (US\$ '000)	459	3,272	2,875	4,366
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	68,840	78,495	282,976	230,315
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	4,506	3,303	4,506	3,303
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the convertible portion of Class A and Class B preference shares (million)	4,604	4,193	4,604	4,193
Basic earnings per ordinary share (US cents)	1.5	2.3	6.2	6.8
Diluted earnings per ordinary share (US cents)	1.5	1.9	6.1	5.5

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, on 1 January 2008, 577.5 million ordinary shares were issued upon 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), upon conversion of Tranche-I of the Class B preference shares on 1 January 2008, 142.4 million ordinary shares were issued, including the bonus adjustment for the years 2005 and 2006 and the rights issue adjustment factor for 2007.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2008 (Unaudited)

6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>30 September</i> <i>2008</i>	<i>Audited</i> <i>31 December</i> <i>2007</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	1,667,343	1,101,614
Acceptances	62,083	79,216
Letters of credit	583,878	378,564
	<u>2,313,304</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.

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>
Nine months ended 30 September 2008:				
Net interest and other income before share of profit from associates	152,950	347,630	51,455	552,035
	<u>28%</u>	<u>63%</u>	<u>9%</u>	<u>100%</u>
Share of profit of associates				49,247
Operating income				<u>601,282</u>
Profit before tax - excluding share of profit from associates	52,502	215,488	22,168	290,158
	<u>18%</u>	<u>74%</u>	<u>8%</u>	<u>100%</u>
Share of profit from associates				49,247
(Less): Income tax expense				(1,410)
(Less): Net profit attributable to minority interest				(57,894)
Net profit attributable to the Bank's equity shareholders				<u>280,101</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2008 (Unaudited)

7 SEGMENT INFORMATION (continued)

	<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>
Nine months ended 30 September 2007:				
Net interest and other income before share of profit from associates	150,520	230,560	61,264	442,344
	34%	52%	14%	100%
Share of profit from associates				42,143
Operating income				484,487
Profit before tax - excluding share of profit from associates	69,442	135,614	39,700	244,756
	28%	56%	16%	100%
Share of profit from associates				42,143
(Less):Income tax expense				(12,276)
(Less):Net profit attributable to minority interest				(48,674)
Net profit attributable to the Bank's equity shareholders				225,949