



**AHLI UNITED BANK K.S.C.
KUWAIT**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 JUNE 2012 (UNAUDITED)**



Ahli United Bank K.S.C.

Kuwait

Interim Condensed Consolidated Financial Information

30 June 2012

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Ahli United Bank K.S.C.

**Interim Condensed Consolidated Statement of Income
30 June 2012 (Unaudited)**

	Notes	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
		<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Financing income	4	24,856	24,740	48,754	48,802
Distribution to depositors	5	(7,538)	(8,836)	(14,798)	(18,382)
Net financing income		17,318	15,904	33,956	30,420
Net fees and commission income		2,376	2,324	4,644	4,729
Foreign exchange gains		1,086	759	1,974	1,580
Other income	6	358	518	749	487
Total operating income		21,138	19,505	41,323	37,216
Provision and impairment losses		(3,078)	(1,293)	(5,790)	(2,973)
Operating income after provision and impairment losses		18,060	18,212	35,533	34,243
Staff costs		4,178	4,287	8,337	8,761
Depreciation		833	907	1,671	1,766
Other operating expenses		2,124	2,266	4,227	4,655
Total operating expenses		7,135	7,460	14,235	15,182
PROFIT FROM OPERATIONS		10,925	10,752	21,298	19,061
Taxation and Zakat	7	(489)	(486)	(945)	(901)
PROFIT FOR THE PERIOD		10,436	10,266	20,353	18,160
Attributable to:					
Bank's equity shareholders		10,629	10,605	20,522	19,132
Non-controlling interests		(193)	(339)	(169)	(972)
		10,436	10,266	20,353	18,160
Basic and diluted earnings per share attributable to the Bank's equity shareholders (fils)	8	10.0	10.0	19.3	18.0

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

Ahli United Bank K.S.C.

**Interim Condensed Consolidated Statement of Comprehensive Income
30 June 2012 (Unaudited)**

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Profit for the period	10,436	10,266	20,353	18,160
Other comprehensive income:				
Net movement in cumulative changes in fair values of investments available for sale	(2,105)	303	(1,735)	(293)
Exchange differences on translation of foreign operations	58	(85)	38	(242)
Other comprehensive (loss)/income for the period	(2,047)	218	(1,697)	(535)
Total comprehensive income for the period	8,389	10,484	18,656	17,625
Total comprehensive income attributable to:				
Bank's equity shareholders	8745	10,827	18,838	19,071
Non-controlling interests	(356)	(343)	(182)	(1,446)
	8,389	10,484	18,656	17,625

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

Ahli United Bank K.S.C

**Interim Condensed Consolidated Balance Sheet
As at 30 June 2012 (Unaudited)**

		(Audited)	
	30 June 2012	31 December 2011	30 June 2011
Notes	KD'000	KD'000	KD'000
ASSETS			
Cash and balances with banks	509,097	423,257	306,745
Deposits with Central Bank of Kuwait	422,220	371,584	215,617
Deposits with other banks and other financial institutions	84,923	82,353	103,402
Financing receivables	9 1,729,096	1,617,722	1,607,039
Investments available for sale	10 48,450	47,243	51,041
Investment in associate	10 8,708	8,353	8,086
Investment property	8,858	2,490	-
Premises and equipment	41,889	42,662	48,540
Other assets and intangibles	32,433	32,175	31,173
TOTAL ASSETS	2,885,674	2,627,839	2,371,643
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions	685,136	633,235	583,717
Customers' Deposits	1,879,717	1,678,849	1,480,197
Other liabilities	42,348	40,724	38,334
	2,607,201	2,352,808	2,102,248
EQUITY			
Share capital	11 118,323	112,689	112,689
Reserves	191,443	193,458	182,490
	309,766	306,147	295,179
Treasury shares	(43,957)	(43,957)	(43,957)
Attributable to Bank's equity shareholders	265,809	262,190	251,222
Non-controlling interests	12,664	12,841	18,173
	278,473	275,031	269,395
TOTAL LIABILITIES AND EQUITY	2,885,674	2,627,839	2,371,643

Hamad Abdul Mohsen Al-Marzouq
Chairman & Managing Director

Sh. Abdullah Jaber Al-Ahmed Al-Sabah
Vice Chairman

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

Ahli United Bank K.S.C.

Interim Condensed Consolidated Statement of Changes in Equity 30 June 2012 (Unaudited)

Attributable to the Bank's equity shareholders

	<i>Reserves</i>												
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Cumulative changes in fair values</i>	<i>Property revaluation reserve</i>	<i>Treasury shares reserve</i>	<i>Foreign currency translation reserve</i>	<i>Total reserves</i>	<i>Treasury shares</i>	<i>Non-controlling interest</i>	<i>Total</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Balance as at 31 December 2011	112,689	12,883	52,038	22,660	80,315	14,018	10,666	974	(96)	193,458	(43,957)	12,841	275,031
Profit / (loss) for the period	-	-	-	-	20,522	-	-	-	-	20,522	-	(169)	20,353
Other comprehensive (loss)/ income for the period	-	-	-	-	-	(1,703)	-	-	19	(1,684)	-	(13)	(1,697)
Total comprehensive income/(loss) for the period	-	-	-	-	20,522	(1,703)	-	-	19	18,838	-	(182)	18,656
Dividend-2011 (Note 11)	-	-	-	-	(15,219)	-	-	-	-	(15,219)	-	-	(15,219)
Bonus shares – 2011 (Note 11)	5,634	-	-	-	(5,634)	-	-	-	-	(5,634)	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	5	5
Balance as at 30 June 2012	118,323	12,883	52,038	22,660	79,984	12,315	10,666	974	(77)	191,443	(43,957)	12,664	278,473
Balance as at 31 December 2010	107,323	12,883	48,729	22,660	70,974	15,046	11,157	974	(110)	182,313	(43,957)	19,616	265,295
Profit/(loss) for the period	-	-	-	-	19,132	-	-	-	-	19,132	-	(972)	18,160
Other comprehensive income/(loss) for the period	-	-	-	-	-	61	-	-	(122)	(61)	-	(474)	(535)
Total comprehensive income/(loss) for the period	-	-	-	-	19,132	61	-	-	(122)	19,071	-	(1,446)	17,625
Dividend – 2010	-	-	-	-	(13,528)	-	-	-	-	(13,528)	-	-	(13,528)
Bonus shares – 2010	5,366	-	-	-	(5,366)	-	-	-	-	(5,366)	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	3	3
Balance as at 30 June 2011	112,689	12,883	48,729	22,660	71,212	15,107	11,157	974	(232)	182,490	(43,957)	18,173	269,395

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

Ahli United Bank K.S.C.

Interim Condensed Consolidated Statement of Cash Flows
30 June 2012 (Unaudited)

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD'000</i>	<i>KD'000</i>
OPERATING ACTIVITIES		
Profit for the period	20,353	18,160
Adjustments for:		
Realised losses / (gains) from investment securities	100	(6)
Share of results from associate	(207)	106
Dividend income	(191)	(310)
Rental and other income	(218)	-
Depreciation	1,671	1,766
Provision and impairment losses	5,790	2,973
Operating profit before changes in operating assets and liabilities	27,298	22,689
<i>Changes in operating asset/ liabilities:</i>		
Deposits with banks and other financial institutions	(53,206)	8,098
Financing receivables	(117,443)	5,985
Other assets and intangibles	(25)	(4,524)
Deposits from banks and other financial institutions	51,901	(275,998)
Deposits from customers	200,868	192,670
Other liabilities	1,882	(6,617)
Net cash from / (used in) operating activities	111,275	(57,697)
INVESTING ACTIVITIES		
Purchase of investments available for sale	(3,264)	(3,788)
Sale and redemption of investments available for sale	47	421
Purchase of investment properties	(6,395)	-
Purchase of premises and equipment	(872)	(2,243)
Dividends received	191	310
Rental income received	77	-
Net cash used in investing activities	(10,216)	(5,300)
FINANCING ACTIVITIES		
Dividend paid to shareholders	(15,219)	(13,528)
Net cash used in financing activities	(15,219)	(13,528)
NET INCREASE /(DECREASE) IN CASH AND BALANCES WITH BANKS		
	85,840	(76,525)
Cash and balances with banks at 1 January	423,257	383,270
CASH AND BALANCES WITH BANKS AT 30 JUNE	509,097	306,745

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

1. INCORPORATION AND ACTIVITIES

Ahli United Bank K.S.C. (“the Bank”) is a public shareholding company incorporated in Kuwait in 1971 and is listed on Kuwait Stock Exchange. It is engaged in carrying out banking activities in accordance with Islamic Sharia'a and is regulated by the Central Bank of Kuwait. Its registered office is at Darwazat Al-Abdul Razzak, P. O. Box 71, Safat 13001, Kuwait.

The Bank commenced operations as an Islamic bank from 1 April 2010. From that date, all activities are conducted in accordance with Islamic Sharia'a, as approved by the Bank's Fatwa and Sharia'a Supervisory Board. Also the Bank's name was changed to Ahli United Bank K.S.C. from The Bank of Kuwait and Middle East K.S.C.

The Bank is a subsidiary of Ahli United Bank B.S.C. a Bahrain incorporated entity (“the Parent”), listed on the Bahrain and Kuwait Stock Exchanges.

The Bank's principal subsidiary is Kuwait and Middle East Financial Investment Company K.S.C. (Closed) (“KMEFIC”), a company incorporated in the State of Kuwait, listed on the Kuwait Stock Exchange and engaged in investment and portfolio management activities for its own account and for clients. The Bank held 50.18% effective interest and control over KMEFIC as at 30 June 2012 (31 December 2011: 50.18%, 30 June 2011: 50.18%).

The interim condensed consolidated financial information of the Bank and its subsidiary (“the Group”) for the six month period ended 30 June 2012 were authorised for issue in accordance with a resolution of the Board of Directors of the Bank on 17 July 2012.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting except as noted below.

The consolidated financial statements for the year ended 31 December 2011 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all International Financial Reporting Standards (IFRS) except for IAS 39 Financial Instruments: Recognition and Measurement requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2011.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the six months ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012. For more details please refer to the consolidated financial statements for the year ended 31 December 2011.

3. PROVISIONS NO LONGER REQUIRED

Under the terms of Law No. 41 of 1993 relating to resident Kuwaiti customers' debts existing at 1 August 1990 sold to the Central Bank of Kuwait, provisions no longer required as at 30 June 2012 amounted to KD Nil (31 December 2011: KD Nil, 30 June 2011: KD Nil) and should any arise during the remainder of the year, they will be ceded to the Central Bank of Kuwait depending on the situation at the year end. The identification of provisions no longer required was made on a basis consistent with that adopted as at 31 December 2011 and in accordance with the instructions of the Central Bank of Kuwait.

4. FINANCING INCOME

Financing income includes interest income amounting to KD 603 thousand (30 June 2011: KD 1,399 thousand) received from non-converted loans and advances granted before conversion to an Islamic Bank, which represents 1.2% (30 June 2011: 2.9%) of the total financing income for the six months ended 30 June 2012. Treatment of interest income is subject to resolutions of the Bank's Fatwa and Sharia'a Supervisory Board.

5. DISTRIBUTION TO DEPOSITORS

The Board of Directors of the Bank determines the depositors' share of profit based on the Bank's results for the three months period ended 30 June 2012.

6. OTHER INCOME

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD 000</i>	<i>KD 000</i>
Net (loss) / gain on investments	(100)	6
Share of results from associate	207	(106)
Dividend income	191	310
Rental and other income	451	277
	<u>749</u>	<u>487</u>

7. TAXATION & ZAKAT

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD 000</i>	<i>KD 000</i>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	195	190
National Labour Support Tax (NLST)	537	508
Zakat	213	203
	<u>945</u>	<u>901</u>

8. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for periods presented in the interim condensed consolidated statement of income are calculated as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2012	2011	2012	2011
Profit for the period attributable to the Bank's equity shareholders (KD 000)	10,629	10,605	20,522	19,132
Weighted average number of shares outstanding during the period	1,065,317,875	1,065,317,875	1,065,317,875	1,065,317,875
Basic and diluted earnings per share (fils)	10.0	10.0	19.3	18.0

The weighted average number of shares outstanding during the period is calculated after adjusting for treasury shares. Earnings per share for the three months and six months ended 30 June 2011 was 10.5 fils and 18.9 fils respectively, before retroactive adjustment to the number of shares following the bonus issue (Note 11).

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2012	2011	2012	2011
Weighted average number of Bank's issued and paid up shares	1,183,231,011	1,183,231,011	1,183,231,011	1,183,231,011
Less: Weighted average number of treasury shares	(117,913,136)	(117,913,136)	(117,913,136)	(117,913,136)
	1,065,317,875	1,065,317,875	1,065,317,875	1,065,317,875

9. FINANCING RECEIVABLES

Financing receivables include loans and advances carried forward from prior periods before conversion to an Islamic Bank amounting to KD 23,747 thousand (31 December 2011: KD 34,393 thousand) which represents 1.4% (31 December 2011: 2.1%) of net financing receivables.

10. INVESTMENTS AVAILABLE FOR SALE AND INVESTMENT IN ASSOCIATE

Investments available for sale primarily include non Sharia'a compliant investments carried forward from prior periods before conversion to an Islamic Bank.

Investment in associate represents Bank's holding through its subsidiary KMEFIC.

The Bank is in the process of disposal of these investments within the time frame approved by the Bank's Fatwa and Sharia'a Supervisory Board.

11. SHARE CAPITAL AND DIVIDEND

The Annual General Assembly held on 26 March 2012 approved cash dividend of 15 fils per share and issuance of 56,344,333 bonus shares of 100 fils each in the ratio of one share for every 20 shares to Bank's equity shareholders registered in the Bank's records as of the date Annual General Assembly is held. The Extraordinary General Meeting held on the same day approved the Board of Director's proposal to increase the authorised share capital from 1,126,886,678 ordinary shares to 1,183,231,011 ordinary shares of 100 fils each, which was fully utilised by issuance of bonus shares for the year ended 31 December 2011.

12. TRANSACTIONS WITH RELATED PARTIES

The Group enters into transactions with the parent, subsidiaries, associates, major shareholders, directors and key management, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business. The terms of these transactions are approved by the Group's management.

The related party balances included in the interim condensed consolidated financial information are as follows:

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	
	<i>2012</i>	<i>2011</i>	
	<i>KD'000</i>	<i>KD'000</i>	
	<i>30 June</i>	<i>30 June</i>	
	<i>2012</i>	<i>2011</i>	
	<i>KD'000</i>	<i>KD'000</i>	
Financing receivables	8,481	8,916	14,429
Deposits placed	73,627	82,095	43,115
Deposits taken	344,456	344,486	429,458
Commitments and contingent liabilities	937	1,650	6,476
Foreign exchange contracts	10,615	4,282	363

The related financing income of KD 591 thousand (30 June 2011: KD 771 thousand) and deposits profit distribution of KD 2,871 thousand (30 June 2011: KD 4,351 thousand) on the above balances are included in the interim condensed consolidated statement of income.

13. COMMITMENTS AND CONTINGENT LIABILITIES

a) Financial instruments with contractual amounts representing credit risk:

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	
	<i>2012</i>	<i>2011</i>	
	<i>KD'000</i>	<i>KD'000</i>	
	<i>30 June</i>	<i>30 June</i>	
	<i>2012</i>	<i>2011</i>	
	<i>KD'000</i>	<i>KD'000</i>	
Acceptances	11,341	7,339	12,383
Letters of credit	55,518	61,739	53,555
Guarantees	249,122	247,213	226,024
	315,981	316,291	291,962

Irrevocable credit commitments to extend credit as at the balance sheet date amounted to KD 4,202 thousand (31 December 2011: KD 15,839 thousand, 30 June 2011: KD 13,593 thousand).

b) The capital commitment for purchase of assets as at 30 June 2012 is KD 1,511 thousand (31 December 2011: KD 1,921 thousand, 30 June 2011: KD 2,281 thousand).

14. DERIVATIVES IN ACCORDANCE WITH ISLAMIC SHARIA'A

In the ordinary course of business, the Bank enters into various types of transactions on behalf of clients that involve Sharia'a approved derivative financial instruments to mitigate foreign currency risk, classified as derivatives held for trading. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The notional amount, disclosed gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the period-end and are neither indicative of the market risk nor credit risk.

14. DERIVATIVES IN ACCORDANCE WITH ISLAMIC SHARIA'A (continued)

The table below shows the notional amounts of derivative financial instruments:

	<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2012</i>	<i>2011</i>
	<i>KD'000</i>	<i>KD'000</i>
Derivatives		
Forward foreign exchange contracts	28,334	9,649
	28,334	9,649

15. SEGMENT REPORTING

The Group's operating segments are determined based on the reports reviewed by the Chief Operating decision maker that are used for strategic decisions. These segments are strategic business units having similar economic characteristics that offer different products and services. These operating segments are monitored separately by the Group for the purpose of making decisions about resource allocation and performance assessment.

These operating segments meet the criteria for reportable segments and are as follows:

- Retail and Commercial Banking - comprising a full range of banking operations covering credit and deposit services provided to customers. The Bank uses a common marketing and distribution strategy for its commercial banking operations.
- Treasury and Investment Management - comprising correspondent banking, clearing, money market, foreign exchange, Sukuk, other treasury and miscellaneous operations, proprietary investment, securities trading activities and fiduciary fund management activities.

Segment results include revenue and expenses directly attributable to a segment and an allocation of overhead cost.

The Group measures the performance of operating segments through segment profit or loss net of taxes in management and reporting systems.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment. Segment information for the six month period ended 30 June 2012 and 2011 are as follows:

	<i>Retail and Commercial</i>		<i>Treasury and Investment</i>		<i>Total</i>	
	<i>Banking</i>		<i>Management</i>			
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Segment revenue	33,922	30,097	7,401	7,119	41,323	37,216
Segment result	16,433	17,347	3,920	813	20,353	18,160
Add: Loss attributable to non-controlling interests					169	972
Profit attributable to Bank's equity shareholders					20,522	19,132
Segment assets	2,022,649	1,866,299	804,464	449,094	2,827,113	2,315,393
Unallocated Group assets					58,561	56,250
Total assets					2,885,674	2,371,643
Segment liabilities	1,752,662	1,655,472	812,191	411,978	2,564,853	2,067,450
Unallocated Group liabilities					42,348	34,798
Total liabilities					2,607,201	2,102,248