



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

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



Ahli United Bank K.S.C.

Kuwait

Interim Condensed Consolidated Financial Information

30 September 2012

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Ahli United Bank K.S.C.

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012	2011	2012	2011
		KD'000	KD'000	KD'000	KD'000
Financing income	4	25,268	23,713	74,022	72,515
Distribution to depositors	5	(6,311)	(8,284)	(21,109)	(26,666)
Net financing income		18,957	15,429	52,913	45,849
Net fees and commission income		2,268	2,333	6,912	7,062
Foreign exchange gains		952	817	2,926	2,397
Other income	6	295	460	1,044	947
Total operating income		22,472	19,039	63,795	56,255
Provision and impairment losses		(6,769)	(7,513)	(12,559)	(10,486)
Operating income after provision and impairment losses		15,703	11,526	51,236	45,769
Staff costs		4,094	4,253	12,431	13,014
Depreciation		917	911	2,588	2,677
Other operating expenses		1,984	2,316	6,211	6,971
Total operating expenses		6,995	7,480	21,230	22,662
PROFIT FROM OPERATIONS		8,708	4,046	30,006	23,107
Taxation and Zakat	7	(392)	(242)	(1,337)	(1,143)
PROFIT FOR THE PERIOD		8,316	3,804	28,669	21,964
Attributable to:					
Bank's equity shareholders		8,448	5,071	28,970	24,203
Non-controlling interests		(132)	(1,267)	(301)	(2,239)
		8,316	3,804	28,669	21,964
Basic and diluted earnings per share attributable to the Bank's equity shareholders (fils)	8	7.9	4.8	27.2	22.7

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 September 2012 (Unaudited)**

	Three months ended 30 September		Nine months ended 30 September	
	2012 KD'000	2011 KD'000	2012 KD'000	2011 KD'000
Profit for the period	8,316	3,804	28,669	21,964
Other comprehensive income:				
Net movement in cumulative changes in fair values of investments available for sale	530	(1,445)	(1,205)	(1,738)
Exchange differences on translation of foreign operations	30	245	68	3
Other comprehensive income / (loss) for the period	560	(1,200)	(1,137)	(1,735)
Total comprehensive income for the period	8,876	2,604	27,532	20,229
Total comprehensive income attributable to:				
Bank's equity shareholders	8,852	4,133	27,690	23,204
Non-controlling interests	24	(1,529)	(158)	(2,975)
	8,876	2,604	27,532	20,229

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 September 2012 (Unaudited)**

		(Audited)	
	30 September 2012	31 December 2011	30 September 2011
	KD'000	KD'000	KD'000
ASSETS			
Cash and balances with banks	273,324	423,257	374,793
Deposits with Central Bank of Kuwait	351,541	371,584	306,086
Deposits with other banks and other financial institutions	74,847	82,353	71,963
Financing receivables	9 1,726,036	1,617,722	1,571,613
Investments available for sale	10 48,972	47,243	49,201
Investment in associate	10 8,859	8,353	8,020
Investment property	20,561	2,490	2,503
Premises and equipment	41,446	42,662	47,352
Other assets and intangibles	28,765	32,175	33,122
TOTAL ASSETS	2,574,351	2,627,839	2,464,653
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks and other financial institutions	501,043	633,235	559,439
Customers' deposits	1,746,314	1,678,849	1,595,883
Other liabilities	39,650	40,724	37,329
	2,287,007	2,352,808	2,192,651
EQUITY			
Share capital	11 118,323	112,689	112,689
Reserves	200,295	193,458	186,623
	318,618	306,147	299,312
Treasury shares	(43,957)	(43,957)	(43,957)
Attributable to Bank's equity shareholders	274,661	262,190	255,355
Non-controlling interests	12,683	12,841	16,647
	287,344	275,031	272,002
TOTAL LIABILITIES AND EQUITY	2,574,351	2,627,839	2,464,653

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 September 2012 (Unaudited)

Attributable to the Bank's equity shareholders

	Reserves												
	Share capital KD'000	Share premium KD'000	Statutory reserve KD'000	General reserve KD'000	Retained earnings KD'000	Cumulative changes in fair values KD'000	Property revaluation reserve KD'000	Treasury shares reserve KD'000	Foreign currency translation reserve KD'000	Total reserves KD'000	Treasury shares KD'000	Non-controlling interest KD'000	Total KD'000
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	-	-	-	-	28,970	-	-	-	-	28,970	-	(301)	28,669
Other comprehensive (loss)/ income for the period	-	-	-	-	-	(1,313)	-	-	33	(1,280)	-	143	(1,137)
Total comprehensive income/(loss) for the period	-	-	-	-	28,970	(1,313)	-	-	33	27,690	-	(158)	27,532
Dividend –2011 (Note 11)	-	-	-	-	(15,219)	-	-	-	-	(15,219)	-	-	(15,219)
Bonus shares – 2011 (Note 11)	5,634	-	-	-	(5,634)	-	-	-	-	(5,634)	-	-	-
Balance as at 30 September 2012	118,323	12,883	52,038	22,660	88,432	12,705	10,666	974	(63)	200,295	(43,957)	12,683	287,344
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	-	-	-	-	24,203	-	-	-	-	24,203	-	(2,239)	21,964
Other comprehensive (loss)/income for the period	-	-	-	-	-	(1,001)	-	-	2	(999)	-	(736)	(1,735)
Total comprehensive income/(loss) for the period	-	-	-	-	24,203	(1,001)	-	-	2	23,204	-	(2,975)	20,229
Dividend – 2010	-	-	-	-	(13,528)	-	-	-	-	(13,528)	-	-	(13,528)
Bonus shares – 2010	5,366	-	-	-	(5,366)	-	-	-	-	(5,366)	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	6	6
Balance as at 30 September 2011	112,689	12,883	48,729	22,660	76,283	14,045	11,157	974	(108)	186,623	(43,957)	16,647	272,002

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 September 2012 (Unaudited)

	Notes	Nine months ended 30 September	
		2012 KD'000	2011 KD'000
OPERATING ACTIVITIES			
Profit for the period		28,669	21,964
Adjustments for:			
Realised losses / (gains) from investment securities	6	100	(12)
Share of results from associate	6	(278)	(101)
Dividend income	6	(247)	(514)
Rental income		(154)	(7)
Depreciation		2,588	2,677
Provision and impairment losses		12,559	10,486
Operating profit before changes in operating assets and liabilities		43,237	34,493
<i>Changes in operating asset/ liabilities:</i>			
Deposits with banks and other financial institutions		27,549	(50,933)
Financing receivables		(121,151)	31,534
Other assets and intangibles		3,626	(6,258)
Deposits from banks and other financial institutions		(132,192)	(300,277)
Customers' deposits		67,465	308,356
Other liabilities		(825)	(3,673)
Net cash (used in)/from operating activities		(112,291)	13,242
INVESTING ACTIVITIES			
Purchase of investments available for sale		(3,508)	(3,884)
Sale and redemption of investments available for sale		126	986
Purchase of investment properties		(18,205)	(2,508)
Purchase of premises and equipment		(1,237)	(3,306)
Dividends received		247	514
Rental income received		154	7
Net cash used in investing activities		(22,423)	(8,191)
FINANCING ACTIVITIES			
Dividend paid to shareholders		(15,219)	(13,528)
Net cash used in financing activities		(15,219)	(13,528)
NET DECREASE IN CASH AND BALANCES WITH BANKS		(149,933)	(8,477)
Cash and balances with banks at 1 January		423,257	383,270
CASH AND BALANCES WITH BANKS AT 30 SEPTEMBER		273,324	374,793

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 September 2012 (31 December 2011: 50.18%, 30 September 2011: 50.18%).

The interim condensed consolidated financial information of the Bank and its subsidiary (“the Group”) for the nine month period ended 30 September 2012 were authorised for issue in accordance with a resolution of the Board of Directors of the Bank on 10 October 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 nine months ended 30 September 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 September 2012 amounted to Nil (31 December 2011: Nil, 30 September 2011: 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 841 thousand (30 September 2011: KD 1,782 thousand) received from non-converted loans and advances granted before conversion to an Islamic Bank, which represents 1.1% (30 September 2011: 2.5%) of the total financing income for the nine months ended 30 September 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 September 2012.

6. OTHER INCOME

	Nine months ended 30 September	
	2012	2011
	KD 000	KD 000
Net (loss)/gain on investment available for sale	(100)	12
Share of results from associate	278	101
Dividend income	247	514
Rental and other income	619	320
	<u>1,044</u>	<u>947</u>

7. TAXATION & ZAKAT

	Nine months ended 30 September	
	2012	2011
	KD 000	KD 000
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	276	250
National Labour Support Tax (NLST)	759	639
Zakat	302	254
	<u>1,337</u>	<u>1,143</u>

Ahli United Bank K.S.C.

Notes to the Interim Condensed Consolidated Financial Information 30 September 2012 (Unaudited)

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:

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
Profit for the period attributable to the Bank's equity shareholders (KD 000)	8,448	5,071	28,970	24,203
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)	7.9	4.8	27.2	22.7

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 nine months ended 30 September 2011 was 5.0 fils and 23.9 fils respectively, before retroactive adjustment to the number of shares following the bonus issue (Note 11).

	Three months ended 30 September		Nine months ended 30 September	
	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 22,960 thousand (31 December 2011: KD 34,393 thousand) which represents 1.3% (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. 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:

	30 September 2012 KD'000	(Audited) 31 December 2011 KD'000	30 September 2011 KD'000
Financing receivables	9,922	8,916	14,696
Deposits placed	39,201	82,095	67,343
Deposits taken	342,213	344,486	368,301
Commitments and contingent liabilities	935	1,650	2,904
Foreign exchange contracts	17,386	4,282	3,521

The related financing income of KD 843 thousand (30 September 2011: KD 847 thousand) and deposits profit distribution of KD 4,231 thousand (30 September 2011: KD 6,856 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:

	30 September 2012 KD'000	(Audited) 31 December 2011 KD'000	30 September 2011 KD'000
Acceptances	9,355	7,339	8,514
Letters of credit	58,465	61,739	50,340
Guarantees	252,776	247,213	240,063
	320,596	316,291	298,917

Irrevocable credit commitments to extend credit as at the balance sheet date amounted to KD 3,215 thousand (31 December 2011: KD 15,839 thousand, 30 September 2011: KD 14,785 thousand).

b) The capital commitment for purchase of assets as at 30 September 2012 is KD 923 thousand (31 December 2011: KD 1,921 thousand, 30 September 2011: KD 1,716 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 contracts 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.

Ahli United Bank K.S.C.

Notes to the Interim Condensed Consolidated Financial Information 30 September 2012 (Unaudited)

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

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

	30 September 2012 KD'000	(Audited)	30 September 2011 KD'000
		31 December 2011 KD'000	
Derivatives			
Forward foreign exchange contracts	19,752	9,649	5,882
	19,752	9,649	5,882

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 nine month period ended 30 September 2012 and 2011 are as follows:

	Retail and Commercial Banking		Treasury and Investment Management		Total	
	2012 KD'000	2011 KD'000	2012 KD'000	2011 KD'000	2012 KD'000	2011 KD'000
Segment revenue	52,217	44,728	11,578	11,527	63,795	56,255
Segment result	21,913	22,416	6,756	(452)	28,669	21,964
Add: Loss attributable to non-controlling interests					301	2,239
Profit attributable to Bank's equity shareholders					28,970	24,203
Segment assets	2,006,850	1,846,506	513,786	561,462	2,520,636	2,407,968
Unallocated Group assets					53,715	56,685
Total assets					2,574,351	2,464,653
Segment liabilities	1,681,480	1,691,610	565,877	467,822	2,247,357	2,159,432
Unallocated Group liabilities					39,650	33,219
Total liabilities					2,287,007	2,192,651