



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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
31 MARCH 2012 (UNAUDITED)**



**Ahli United Bank K.S.C.**

**Kuwait**

**Interim Condensed Consolidated Financial Information**

**31 March 2012**

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**Ahli United Bank K.S.C.**

**Interim Condensed Consolidated Statement of Income**  
**31 March 2012 (Unaudited)**

	Notes	3 months ended 31 March	
		2012 KD'000	2011 KD'000
Financing income	4	23,898	24,062
Distribution to depositors	5	(7,260)	(9,546)
<b>Net financing income</b>		<b>16,638</b>	14,516
Net fees and commission income		2,268	2,405
Foreign exchange gains		888	821
Net gain on investments		-	6
Share of results from associate		241	(182)
Other income		150	145
<b>Total operating income</b>		<b>20,185</b>	17,711
Provision and impairment losses		(2,712)	(1,680)
<b>Operating income after provision and impairment losses</b>		<b>17,473</b>	16,031
Staff costs		4,159	4,474
Depreciation		838	859
Other operating expenses		2,103	2,389
<b>Total operating expenses</b>		<b>7,100</b>	7,722
<b>PROFIT FROM OPERATIONS</b>		<b>10,373</b>	8,309
Taxation and Zakat	6	(456)	(415)
<b>PROFIT FOR THE PERIOD</b>		<b>9,917</b>	7,894
<b>Attributable to:</b>			
Bank's equity shareholders		9,893	8,527
Non-controlling interests		24	(633)
		<b>9,917</b>	7,894
<b>Basic and diluted earnings per share attributable to the Bank's equity shareholders (fils)</b>	7	<b>9.3</b>	8.0

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  
31 March 2012 (Unaudited)**

	3 months ended 31 March	
	<b>2012</b>	2011
	<b>KD'000</b>	KD'000
<b>Profit for the period</b>	<b>9,917</b>	7,894
<b>Other comprehensive income:</b>		
Net movement in cumulative changes in fair values of investments available for sale	370	(596)
Exchange differences on translation of foreign operations	(20)	(157)
<b>Other comprehensive income / (loss) for the period</b>	<b>350</b>	(753)
<b>Total comprehensive income for the period</b>	<b>10,267</b>	7,141
<b>Total comprehensive income attributable to:</b>		
Bank's equity shareholders	10,093	8,244
Non-controlling interests	174	(1,103)
	<b>10,267</b>	7,141

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 31 March 2012 (Unaudited)**

		(Audited)	
	<b>31 March</b>	31 December	31 March
	<b>2012</b>	2011	2011
Notes	<b>KD'000</b>	KD'000	KD'000
<b>ASSETS</b>			
Cash and balances with banks	<b>370,744</b>	423,257	302,773
Deposits with Central Bank of Kuwait	<b>456,829</b>	371,584	351,386
Deposits with other banks and other financial institutions	<b>110,047</b>	82,353	151,938
Financing receivables	8 <b>1,659,938</b>	1,617,722	1,594,791
Investments available for sale	9 <b>50,255</b>	47,243	49,555
Investment in associate	9 <b>8,747</b>	8,353	7,871
Investment property	10 <b>2,477</b>	2,490	-
Premises and equipment	<b>42,262</b>	42,662	48,667
Other assets and intangibles	<b>31,613</b>	32,175	30,905
<b>TOTAL ASSETS</b>	<b><u>2,732,912</u></b>	<u>2,627,839</u>	<u>2,537,886</u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from banks and other financial institutions	<b>688,397</b>	633,235	714,985
Deposits from customers	<b>1,730,501</b>	1,678,849	1,521,912
Other liabilities	<b>43,937</b>	40,724	42,079
	<b><u>2,462,835</u></b>	<u>2,352,808</u>	<u>2,278,976</u>
<b>EQUITY</b>			
Share capital	11 <b>118,323</b>	112,689	112,689
Reserves	<b>182,698</b>	193,458	171,663
	<b><u>301,021</u></b>	<u>306,147</u>	<u>284,352</u>
Treasury shares	<b>(43,957)</b>	(43,957)	(43,957)
<b>Attributable to Bank's equity shareholders</b>	<b><u>257,064</u></b>	<u>262,190</u>	<u>240,395</u>
<b>Non-controlling interests</b>	<b>13,013</b>	12,841	18,515
	<b><u>270,077</u></b>	<u>275,031</u>	<u>258,910</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>2,732,912</u></b>	<u>2,627,839</u>	<u>2,537,886</u>

**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 31 March 2012 (Unaudited)

#### Attributable to the Bank's equity shareholders

	Reserves												Total KD'000
	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	
<b>Balance as at 31 December 2011</b>	<b>112,689</b>	<b>12,883</b>	<b>52,038</b>	<b>22,660</b>	<b>80,315</b>	<b>14,018</b>	<b>10,666</b>	<b>974</b>	<b>(96)</b>	<b>193,458</b>	<b>(43,957)</b>	<b>12,841</b>	<b>275,031</b>
Profit for the period	-	-	-	-	9,893	-	-	-	-	9,893	-	24	9,917
Other comprehensive income/ (loss) for the period	-	-	-	-	-	211	-	-	(11)	200	-	150	350
Total comprehensive income/ (loss) for the period	-	-	-	-	9,893	211	-	-	(11)	10,093	-	174	10,267
Dividend-2011 (Note 11)	-	-	-	-	(15,219)	-	-	-	-	(15,219)	-	-	(15,219)
Bonus shares – 2011 ( Note 11)	5,634	-	-	-	(5,634)	-	-	-	-	(5,634)	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)
<b>Balance as at 31 March 2012</b>	<b>118,323</b>	<b>12,883</b>	<b>52,038</b>	<b>22,660</b>	<b>69,355</b>	<b>14,229</b>	<b>10,666</b>	<b>974</b>	<b>(107)</b>	<b>182,698</b>	<b>(43,957)</b>	<b>13,013</b>	<b>270,077</b>
<b>Balance as at 31 December 2010</b>	<b>107,323</b>	<b>12,883</b>	<b>48,729</b>	<b>22,660</b>	<b>70,974</b>	<b>15,046</b>	<b>11,157</b>	<b>974</b>	<b>(110)</b>	<b>182,313</b>	<b>(43,957)</b>	<b>19,616</b>	<b>265,295</b>
Profit/ (loss) for the period	-	-	-	-	8,527	-	-	-	-	8,527	-	(633)	7,894
Other comprehensive loss for the period	-	-	-	-	-	(204)	-	-	(79)	(283)	-	(470)	(753)
Total comprehensive income/ (loss) for the period	-	-	-	-	8,527	(204)	-	-	(79)	8,244	-	(1,103)	7,141
Dividend-2010	-	-	-	-	(13,528)	-	-	-	-	(13,528)	-	-	(13,528)
Bonus shares – 2010	5,366	-	-	-	(5,366)	-	-	-	-	(5,366)	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-	-	2	2
<b>Balance as at 31 March 2011</b>	<b>112,689</b>	<b>12,883</b>	<b>48,729</b>	<b>22,660</b>	<b>60,607</b>	<b>14,842</b>	<b>11,157</b>	<b>974</b>	<b>(189)</b>	<b>171,663</b>	<b>(43,957)</b>	<b>18,515</b>	<b>258,910</b>

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**  
**31 March 2012 (Unaudited)**

	3 months ended 31 March	
	2012	2011
	KD'000	KD'000
<b>OPERATING ACTIVITIES</b>		
Profit for the period	9,917	7,894
Adjustments for:		
Net gains on sale of investments	-	(6)
Share of results from associate	(241)	182
Dividend income	(11)	(24)
Rental income	(34)	-
Depreciation	838	859
Provision and impairment losses	2,712	1,680
Operating profit before changes in operating assets and liabilities	<u>13,181</u>	<u>10,585</u>
<i>Changes in operating asset / liabilities:</i>		
Deposits with banks and other financial institutions	(112,939)	(176,208)
Financing receivables	(47,119)	14,376
Other assets and intangibles	585	(4,089)
Deposits from banks and other financial institutions	55,162	(144,730)
Deposits from customers	51,652	234,385
Other liabilities	5,375	(2,541)
Net cash used in operating activities	<u>(34,103)</u>	<u>(68,222)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments available for sale	(2,825)	(233)
Sale and redemption of investments available for sale	14	137
Purchase of premises and equipment	(425)	(1,464)
Dividends received	11	24
Rental income received	34	-
Net cash used in investing activities	<u>(3,191)</u>	<u>(1,536)</u>
<b>FINANCING ACTIVITIES</b>		
Dividend paid to shareholders	(15,219)	(10,739)
Net cash used in financing activities	<u>(15,219)</u>	<u>(10,739)</u>
<b>NET DECREASE IN CASH AND BALANCES</b>		
<b>WITH BANKS</b>	(52,513)	(80,497)
Cash and balances with banks at 1 January	423,257	383,270
<b>CASH AND BALANCES WITH BANKS AT 31 MARCH</b>	<u><u>370,744</u></u>	<u><u>302,773</u></u>

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 31 March 2012 (31 December 2011: 50.18%, 31 March 2011: 50.18%).

The interim condensed consolidated financial information of the Bank and its subsidiary (“the Group”) for the three month period ended 31 March 2012 were authorised for issue in accordance with a resolution of the Board of Directors of the Bank on 10 April 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 three months ended 31 March 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 31 March 2012 amounted to KD Nil (31 December 2011: KD Nil, 31 March 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 316 thousand (31 March 2011: KD 464 thousand) received from non-converted loans and advances granted before conversion to an Islamic Bank, which represents 1.3% (31 March 2011: 1.9%) of the total financing income. 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 31 March 2012.

### 6. TAXATION & ZAKAT

	3 months ended 31 March	
	2012 KD 000	2011 KD 000
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	93	87
National Labour Support Tax (NLST)	259	234
Zakat	104	94
	<b>456</b>	<b>415</b>

### 7. 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:

	3 months ended 31 March	
	2012	2011
Profit for the period attributable to the Bank's equity shareholders (KD 000)	9,893	8,527
Weighted average number of shares outstanding during the period	1,065,317,875	1,065,317,875
Basic and diluted earnings per share (fils)	9.3	8.0

The weighted average number of shares outstanding during the period is calculated after adjusting for treasury shares. Earnings per share for the prior period was 8.4 fils, before retroactive adjustment to the number of shares following the bonus issue (Note 11).

	3 months ended 31 March	
	2012	2011
Weighted average number of Bank's issued and paid up shares	1,183,231,011	1,183,231,011
Less: Weighted average number of treasury shares	(117,913,136)	(117,913,136)
	<b>1,065,317,875</b>	<b>1,065,317,875</b>

## 8. FINANCING RECEIVABLES

Financing receivables include loans and advances carried forward from prior periods before conversion to an Islamic Bank amounting to KD 26,136 thousand (31 December 2011: KD 34,393 thousand) which represents 1.6% of net financing receivables (31 December 2011: 2.1%).

## 9. 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.

## 10. INVESTMENT PROPERTY

As at 31 March 2012, fair value of the investment property is not materially different from its carrying value.

## 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, 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:

	(Audited)		
	31 March	31 December	31 March
	2012	2011	2011
	KD'000	KD'000	KD'000
Financing receivables	8,700	8,916	14,668
Deposits placed	74,897	82,095	123,562
Deposits taken	344,611	344,486	571,450
Commitments and contingent liabilities	994	1,650	7,499
Foreign exchange contracts	5,554	4,282	-

The related financing income of KD 700 thousand (31 March 2011: KD 319 thousand) and deposits profit distribution of KD 1,461 thousand (31 March 2011: KD 3,090 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:

	31 March 2012 KD'000	(Audited)	
		31 December 2011 KD'000	31 March 2011 KD'000
Acceptances	7,301	7,339	8,418
Letters of credit	53,394	61,739	55,811
Guarantees	252,581	247,213	230,583
	<b>313,276</b>	<b>316,291</b>	<b>294,812</b>

b) The capital commitment for purchase of assets as at 31 March 2012 is KD 2,171 thousand (31 December 2011: KD 1,921 thousand, 31 March 2011: KD 3,096 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 year-end and are neither indicative of the market risk nor credit risk.

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

Derivatives	31 March 2012 KD'000	(Audited)	
		31 December 2011 KD'000	31 March 2011 KD'000
Forward foreign exchange contracts	19,905	9,649	-
	<b>19,905</b>	<b>9,649</b>	<b>-</b>

### 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.

**15. SEGMENT REPORTING (continued)**

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 three month period ended 31 March 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	<b>16,754</b>	14,300	<b>3,431</b>	3,411	<b>20,185</b>	17,711
Segment result	<b>7,855</b>	7,211	<b>2,062</b>	683	<b>9,917</b>	7,894
Add: (Profit)loss attributable to non-controlling interests					(24)	633
Profit attributable to Bank's equity shareholders					<b>9,893</b>	8,527
Segment assets	<b>1,944,241</b>	1,833,635	<b>731,131</b>	648,684	<b>2,675,372</b>	2,482,319
Unallocated Group assets					<b>57,540</b>	55,567
<b>Total assets</b>					<b>2,732,912</b>	<b>2,537,886</b>
Segment liabilities	<b>1,710,086</b>	1,764,146	<b>708,812</b>	472,751	<b>2,418,898</b>	2,236,897
Unallocated Group liabilities					<b>43,937</b>	42,079
<b>Total liabilities</b>					<b>2,462,835</b>	<b>2,278,976</b>