

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

30 JUNE 2013

**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 June 2013, comprising of the interim consolidated balance sheet as at 30 June 2013 and the related interim consolidated statements of income, comprehensive income, changes in equity and condensed cash flows for the six-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 Accounting 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.



29 July 2013
Manama, Kingdom of Bahrain

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

Six months ended 30 June 2013 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2013 US\$ '000	2012 US\$ '000 <i>Restated</i>	2013 US\$ '000	2012 US\$ '000 <i>Restated</i>
Interest income		261,680	267,514	525,734	525,813
Interest expense		93,294	111,349	189,943	218,877
Net interest income		168,386	156,165	335,791	306,936
Fees and commissions		37,941	32,184	70,286	63,967
Trading income		6,594	9,077	13,971	15,401
Net gains on investments		95	486	1,744	5,253
Share of profit from associates and joint venture		7,544	16,499	18,929	32,375
Other operating income	3	5,325	6,656	9,355	11,640
Fees and other income		57,499	64,902	114,285	128,636
OPERATING INCOME		225,885	221,067	450,076	435,572
Net provision for loan losses and others		27,581	25,993	52,886	42,354
Provision for non-trading investments		12,590	20,840	24,246	50,607
NET OPERATING INCOME		185,714	174,234	372,944	342,611
Staff costs		39,029	35,585	78,207	71,948
Depreciation		5,620	6,194	11,583	12,110
Other operating expenses		24,440	24,489	46,417	45,576
OPERATING EXPENSES		69,089	66,268	136,207	129,634
Gain on sale of investment held for sale	4	-	-	212,910	-
PROFIT BEFORE TAX		116,625	107,966	449,647	212,977
Tax expense		10,070	9,752	21,209	17,813
NET PROFIT FOR THE PERIOD		106,555	98,214	428,438	195,164
Attributable to:					
Owners of the Bank		93,180	86,509	403,036	172,921
Non-controlling interest		13,375	11,705	25,402	22,243
		106,555	98,214	428,438	195,164
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD					
Basic earnings per share (US cents)	5	1.7	1.6	7.4	3.2
Diluted earnings per share (US cents)	5	1.7	1.5	7.1	3.1

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2013 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
		<i>Restated</i>		<i>Restated</i>
Net profit for the period	106,555	98,214	428,438	195,164
Other comprehensive income (OCI)				
Items that will not be reclassified to consolidated statement of income				
Donations approved	-	-	(1,000)	(1,000)
Net change in fair value of financial assets measured at fair value through OCI	(1,245)	(7,327)	(2,503)	10,871
Net change in pension fund reserve	2.1 3,589	(7,140)	9,105	(9,440)
Items that may be reclassified subsequently to consolidated statement of income				
Foreign currency translation adjustments	(9,659)	(13,724)	(56,658)	(8,853)
Cash flow hedges:				
Net change in fair value	1,600	(1,303)	2,627	742
Transfers to interim consolidated statement of income	-	(17)	16	(2,466)
Other comprehensive income for the period	(5,715)	(29,511)	(48,413)	(10,146)
Total comprehensive income for the period	100,840	68,703	380,025	185,018
Total comprehensive income attributable to:				
Owners of the Bank	89,663	62,385	364,391	168,309
Non-controlling interest	11,177	6,318	15,634	16,709
	100,840	68,703	380,025	185,018

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED BALANCE SHEET

30 June 2013 (Unaudited)

	<i>30 June</i> <i>2013</i>	<i>Audited</i> <i>31 December</i> <i>2012</i>
	<i>US\$ '000</i>	<i>US\$ '000</i> <i>Restated</i>
ASSETS		
Cash and balances with central banks	682,880	735,528
Treasury bills and deposits with central banks	3,065,675	1,986,236
Deposits with banks and other financial institutions	3,958,359	3,750,771
Loans and advances	16,511,840	15,972,219
Financial assets at fair value through profit or loss	50,956	27,399
Non-trading investments	5,178,983	5,120,421
Investment in associates and joint venture	290,614	278,125
Investment property	167,729	171,798
Premises and equipment	256,334	266,830
Interest receivable and other assets	543,247	485,366
Goodwill and other intangible assets	655,373	679,922
Investment held for sale	-	397,959
TOTAL ASSETS	31,361,990	29,872,574
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from banks and other financial institutions	5,144,164	5,145,255
Borrowings under repurchase agreements	559,572	1,861,357
Customers' deposits	20,948,579	18,231,131
Interest payable and other liabilities	752,544	786,445
Subordinated liabilities	641,681	686,879
TOTAL LIABILITIES	28,046,540	26,711,067
EQUITY		
Ordinary share capital	1,354,115	1,303,164
Preference share capital	125,000	125,000
Reserves	1,444,656	1,347,473
Equity attributable to the owners of the Bank	2,923,771	2,775,637
Non - controlling interest	391,679	385,870
TOTAL EQUITY	3,315,450	3,161,507
TOTAL LIABILITIES AND EQUITY	31,361,990	29,872,574

Fahad Al-Rajaan
Chairman

Hamad Al-Marzouq
Deputy Chairman

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

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2013 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	211,414	1,253,348
Net cash from (used in) investing activities	569,917	(635,318)
Net cash used in financing activities	(307,687)	(916,317)
Foreign currency translation adjustments	(56,658)	(8,853)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	416,986	(307,140)
Cash and cash equivalents at 1 January	3,424,315	3,866,097
CASH AND CASH EQUIVALENTS AT 30 JUNE	3,841,301	3,558,957
Comprising:		
Cash and balances with central banks, excluding mandatory reserve deposits	433,949	1,033,610
Deposits with banks and other financial institutions with an original maturity of three months or less	3,407,352	2,525,347
	3,841,301	3,558,957

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2013 (Unaudited)

Attributable to the owners of the Bank

Reserves

	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 8) US\$ '000	Total reserves US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2012	1,303,164	125,000	-	540,508	237,877	390,693	214,880	(1,163)	1,382,795	385,870	3,196,829
Impact of adopting amendments to IAS 19 (note 2.1)	-	-	-	-	-	-	-	(35,322)	(35,322)	-	(35,322)
At 1 January 2013 - restated	1,303,164	125,000		540,508	237,877	390,693	214,880	(36,485)	1,347,473	385,870	3,161,507
Mandatorily convertible preference shares dividend paid	-	-	-	-	-	-	(4,538)	-	(4,538)	-	(4,538)
Bonus shares issued	65,419	-	-	-	-	(65,419)	-	-	(65,419)	-	-
Transferred on sale of FVOCI investments	-	-	-	-	-	492	-	-	492	-	492
Ordinary share dividend paid	-	-	-	-	-	-	(209,342)	-	(209,342)	-	(209,342)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(18,369)	(18,369)
Additional acquisition in subsidiaries	-	-	-	684	-	-	-	-	684	9,090	9,774
Treasury shares	5,225	-	(19,693)	9,238	-	-	-	1,677	10,915	-	(3,553)
Total comprehensive income for the period	-	-	-	-	-	403,036	(1,000)	(37,645)	364,391	15,634	380,025
Other equity movements	-	-	-	-	-	-	-	-	-	(546)	(546)
Balance at 30 June 2013	1,373,808	125,000	(19,693)	550,430	237,877	728,802	-	(72,453)	1,444,656	391,679	3,315,450

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2013 (Unaudited)

Attributable to the owners of the Bank

Reserves

	Ordinary share capital US\$ '000	Preference share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 8) US\$ '000	Total reserves US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2011	1,242,135	125,000	-	540,006	204,307	499,122	153,430	(226,569)	1,170,296	373,710	2,911,141
Impact of adopting IFRS 9 (note 2.2)	-	-	-	-	-	(133,378)	-	246,278	112,900	(455)	112,445
Impact of adopting amendments to IAS 19 (note 2.1)	-	-	-	-	-	-	-	(24,615)	(24,615)	-	(24,615)
At 1 January 2012 - restated	1,242,135	125,000	-	540,006	204,307	365,744	153,430	(4,906)	1,258,581	373,255	2,998,971
Mandatorily convertible preference shares dividend paid	-	-	-	-	-	-	(2,900)	-	(2,900)	-	(2,900)
Bonus shares issued	62,304	-	-	-	-	(62,304)	-	-	(62,304)	-	-
Equity shares surrendered	(230)	-	-	(129)	-	-	-	-	(129)	-	(359)
Ordinary share dividend paid	-	-	-	-	-	-	(149,530)	-	(149,530)	-	(149,530)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(19,241)	(19,241)
Additional acquisition in subsidiaries	-	-	-	852	-	-	-	-	852	(69)	783
Total comprehensive income for the period	-	-	-	-	-	172,921	(1,000)	(3,612)	168,309	16,709	185,018
Other equity movements	-	-	-	-	-	-	-	-	-	(928)	(928)
Balance at 30 June 2012	1,304,209	125,000	-	540,729	204,307	476,361	-	(8,518)	1,212,879	369,726	3,011,814

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

1 CORPORATE INFORMATION

Ahli United Bank B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain on 31 May 2000 originally as a closed company and changed on 12 July 2000 to a public shareholding company by Amiri Decree number 16/2000. The Bank and its subsidiaries (collectively known as the Group) are engaged in retail, commercial, Islamic and investment banking business, global fund management and private banking services through 93 branches, as at 30 June 2013, in the Kingdom of Bahrain (21 branches), the State of Kuwait (31 branches), the Arab Republic of Egypt (29 branches), Republic of Iraq (10 branches) and the United Kingdom (2 branches). It also operates through its managed associates in the Sultanate of Oman (18 branches) and Libya (11 branches) with a total network of 29 branches as at 30 June 2013.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Bank and the Group are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34").

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 2012, except for the adoption of the new and amended IFRS that have become effective from 1 January 2013 and which are applicable to the Group:

- IFRS 7 Financial Instruments: Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
- IFRS 10 – Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 12 – Disclosure of Interests in Other Entities
- IAS 1 – Presentation of items of other comprehensive income - Amendments to IAS
- IAS 28 – Investments in Associates and Joint Ventures (as revised in 2011)
- IFRS 13 – Fair Value Measurement:

IFRS 13 also requires specific disclosures on fair values, some of which are specifically required for financial instruments as per IAS 34 Interim Financial Reporting paragraph 16A(j) , thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in note 9.

The above amendments to IFRSs which are effective for annual accounting periods starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 The Group also adopted the amended Standard- IAS 19 Employee Benefits issued by the IASB in 2011, mandatorily applicable with effect from 1 January 2013. The amended standard requires:

- immediate recognition of actuarial gains and losses relating to 'Defined Pension Benefit' scheme through equity, thus removing the earlier available options of deferred recognition of such movements using 'the corridor' approach or immediate recognition through profit or loss.
- streamlining the presentation of changes in assets and liabilities arising from defined benefits plans, including requiring remeasurements of these to be presented in other comprehensive income (OCI).
- enhancement of the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Group operates a defined benefit pension plan in Ahli United Bank (U.K) PLC (subsidiary of the Bank), which operates a funded defined benefits scheme for its employees who joined prior to 1 March 2001. The assets of the pension scheme are held independently of the Group's assets in a separate trustee administered fund.

The change in accounting policy resulting from the application of IAS 19 'Employee benefits' (2011) has been effected in accordance with IAS 8, requiring the re-statement to be reflected from the earliest period presented. The impact of this change is reflected in note 8 and the interim consolidated statement of comprehensive income.

2.2 IFRS 9 "Financial Instruments": Recognition and Measurement

In 2012, the Group early adopted IFRS 9 "Financial Instruments": Recognition and Measurement, in advance of its mandatory effective date of 1 January 2015, as permitted by the Standard, to provide a better presentation of its performance and operations. The transition provisions under Para 7.2.2 of IFRS 9 require the Standard to be adopted from the beginning of the first reporting period in which the entity adopts the Standard. Accordingly, the Standard was adopted retrospectively with effect from 1 January 2012, resulting in the re-statement of the net profit and other comprehensive income reported for the six month period ended 30 June 2012, by an increase in net profit by US\$ 3.0 million and decrease in other comprehensive income by US\$ 24.7 million.

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2013 were authorised for issue in accordance with a resolution of the Directors on 29 July 2013.

3 OTHER OPERATING INCOME

Other operating income includes income amounting to US\$ 3,243 thousand for the six months ended 30 June 2013 (30 June 2012: US\$ 1,713 thousand) which is of a seasonal nature.

4 GAIN ON SALE OF INVESTMENT HELD FOR SALE

During the period ended 30 June 2013, the Bank divested its diluted stake of 29.4% in Ahli Bank Qatar (ABQ) to the Qatar Foundation for Education, Science and Community Development at a price of QR 60 per share, generating a net exceptional profit of US\$ 212.9 million (30 June 2012: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013 (Unaudited)

5 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
		<i>Restated</i>		<i>Restated</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for earnings per share computation (US\$ '000)	<u>93,180</u>	<u>86,509</u>	<u>403,036</u>	<u>172,921</u>
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	<u>93,180</u>	<u>86,509</u>	<u>403,036</u>	<u>172,921</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares - net (in million)	<u>5,471</u>	<u>5,470</u>	<u>5,471</u>	<u>5,470</u>
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the mandatorily convertible preference shares (million)	<u>5,639</u>	<u>5,637</u>	<u>5,639</u>	<u>5,637</u>
Basic earnings per share (US cents)	<u>1.7</u>	<u>1.6</u>	<u>7.4</u>	<u>3.2</u>
Diluted earnings per ordinary share (US cents)	<u>1.7</u>	<u>1.5</u>	<u>7.1</u>	<u>3.1</u>
Issued and fully paid ordinary shares of US\$ 0.25 each (in million)			<u>5,495</u>	<u>5,234</u>

6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>Audited</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2013</i>	<i>2012</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	1,689,786	1,760,266
Acceptances	80,511	64,531
Letters of credit	1,004,204	958,693
	<u>2,774,501</u>	<u>2,783,490</u>

7 SEGMENT INFORMATION

For management reporting purposes the Group is organised into three major business segments:

- Retail banking
- Corporate banking, treasury and investments
- Private banking and wealth management

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.

30 June 2013 (Unaudited)

7 SEGMENT INFORMATION (continued)

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>
Six months ended 30 June 2013:				
Net interest income	61,543	252,401	21,847	335,791
Fees and commissions	17,407	41,914	10,965	70,286
Share of profit from associates and joint venture	3,673	15,256	-	18,929
Other operating income	1,003	24,019	48	25,070
OPERATING INCOME	83,626	333,590	32,860	450,076
Net impairment provision	1,808	74,093	1,231	77,132
NET OPERATING INCOME	81,818	259,497	31,629	372,944
Operating expenses	50,100	68,257	17,850	136,207
Gain on sale of investment held for sale	-	212,910	-	212,910
PROFIT BEFORE TAX	31,718	404,150	13,779	449,647
Tax expense	1,412	18,719	1,078	21,209
NET PROFIT FOR THE PERIOD	30,306	385,431	12,701	428,438
Less : Non - controlling interest				25,402
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK				403,036

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013 (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>
Six months ended 30 June 2012:				
Net interest income	63,631	220,387	22,918	306,936
Fees and commissions	16,559	34,628	12,780	63,967
Share of profit from associates and joint venture	8,586	23,072	717	32,375
Other operating income	989	31,327	(22)	32,294
OPERATING INCOME	89,765	309,414	36,393	435,572
Net (recovery) impairment provision	(6,769)	96,244	3,486	92,961
NET OPERATING INCOME	96,534	213,170	32,907	342,611
Operating expenses	47,304	66,544	15,786	129,634
PROFIT BEFORE TAX	49,230	146,626	17,121	212,977
Tax expense	3,735	12,050	2,028	17,813
NET PROFIT FOR THE PERIOD	45,495	134,576	15,093	195,164
Less : Non-controlling interest				22,243
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK				172,921

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013 (Unaudited)

8 MOVEMENT IN OTHER RESERVES

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2013	425	26,737	(36,820)	16,778	(8,283)	-	(1,163)
Impact of adopting amendments to IAS 19 at 1 January 2013 (note 2.1)	-	-	-	-	-	(35,322)	(35,322)
	<u>425</u>	<u>26,737</u>	<u>(36,820)</u>	<u>16,778</u>	<u>(8,283)</u>	<u>(35,322)</u>	<u>(36,485)</u>
Currency translation adjustments	-	65	(48,061)	-	-	-	(47,996)
Transfers to consolidated statement of income	-	-	-	-	16	-	16
Transfers to retained earnings	-	-	-	(492)	-	-	(492)
Sale of treasury shares	1,677	-	-	-	-	-	1,677
Net fair value movements during the period	-	-	-	(905)	2,627	-	1,722
Fair value movements in pension fund reserve during the period	-	-	-	-	-	9,105	9,105
Balance at 30 June 2013	<u>2,102</u>	<u>26,802</u>	<u>(84,881)</u>	<u>15,381</u>	<u>(5,640)</u>	<u>(26,217)</u>	<u>(72,453)</u>

	<i>Capital reserve</i>	<i>Property revaluation reserve</i>	<i>Foreign exchange translation reserve</i>	<i>Cumulative changes in</i>			<i>Total other reserves</i>
				<i>OCI reserve</i>	<i>Cash flow hedge reserve</i>	<i>Pension fund reserve</i>	
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2012	425	47,690	(13,733)	(234,367)	(26,584)	-	(226,569)
Impact of adopting IFRS 9 at 1 January 2012 (note 2.2)	-	-	-	246,278	-	-	246,278
Impact of adopting amendments to IAS 19 at 1 January 2013 (note 2.1)	-	-	-	-	-	(24,615)	(24,615)
At 1 January 2012	<u>425</u>	<u>47,690</u>	<u>(13,733)</u>	<u>11,911</u>	<u>(26,584)</u>	<u>(24,615)</u>	<u>(4,906)</u>
Currency translation adjustments	-	(20)	(6,172)	-	-	-	(6,192)
Transfers to consolidated statement of income	-	-	-	-	(2,466)	-	(2,466)
Net fair value movements during the period	-	-	-	13,744	742	-	14,486
Fair value movements in pension fund reserve during the period	-	-	-	-	-	(9,440)	(9,440)
Balance at 30 June 2012	<u>425</u>	<u>47,670</u>	<u>(19,905)</u>	<u>25,655</u>	<u>(28,308)</u>	<u>(34,055)</u>	<u>(8,518)</u>

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

30 June 2013 (Unaudited)

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments, with the exception of non-trading investments that are carried at amortised cost, approximate their carrying values.

The Group's primary financial liabilities are the subordinated liabilities. The fair values of these financial liabilities are not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:-

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	30 June 2013			31 December 2012		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Financial assets at FVTPL	35,478	15,478	50,956	1,760	25,639	27,399
Financial assets at FVTOCI	71,989	319,340	391,329	74,032	338,089	412,121
Derivative assets	58,057	59,807	117,864	32,496	50,857	83,353
Derivative liabilities	(23,659)	(163,827)	(187,486)	(30,143)	(263,667)	(293,810)

There are no financial instruments that qualify for classification under Level 3 as at 30 June 2013 and 31 December 2012. During six month periods ended 30 June 2013 and 30 June 2012 there have been no transfers between Levels 1, 2 and 3.