

**Ahli United Bank B.S.C.**  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**30 JUNE 2014**

**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 2014, comprising of the interim consolidated balance sheet as at 30 June 2014 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.



6 August 2014  
Manama, Kingdom of Bahrain

# Ahli United Bank B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

Six months ended 30 June 2014 (Reviewed)

	Note	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Interest income		297,751	261,680	585,696	525,734
Interest expense		105,534	93,294	204,000	189,943
Net interest income		192,217	168,386	381,696	335,791
Fees and commissions		39,214	37,941	78,460	70,286
Trading income		7,015	6,594	14,250	13,971
Net gains on investments		9,538	95	36,612	1,744
Share of profit from associates and joint venture		5,614	7,544	12,483	18,929
Other operating income	3	7,969	5,325	14,249	9,355
Fees and other income		69,350	57,499	156,054	114,285
<b>OPERATING INCOME</b>		<b>261,567</b>	<b>225,885</b>	<b>537,750</b>	<b>450,076</b>
Net provision for loan losses and others		38,552	27,581	58,434	52,886
Provision for non-trading investments		-	12,590	17,420	24,246
<b>NET OPERATING INCOME</b>		<b>223,015</b>	<b>185,714</b>	<b>461,896</b>	<b>372,944</b>
Staff costs		42,976	39,029	86,048	78,207
Depreciation		5,780	5,620	11,404	11,583
Other operating expenses		27,361	24,440	51,900	46,417
<b>OPERATING EXPENSES</b>		<b>76,117</b>	<b>69,089</b>	<b>149,352</b>	<b>136,207</b>
Gain on sale of investment held for sale	4	-	-	-	212,910
<b>PROFIT BEFORE TAX</b>		<b>146,898</b>	<b>116,625</b>	<b>312,544</b>	<b>449,647</b>
Tax expense		12,297	10,070	23,788	21,209
<b>NET PROFIT FOR THE PERIOD</b>		<b>134,601</b>	<b>106,555</b>	<b>288,756</b>	<b>428,438</b>
<b>Attributable to:</b>					
<b>Owners of the Bank</b>		<b>125,946</b>	<b>93,180</b>	<b>262,506</b>	<b>403,036</b>
Owners of the Bank before gain on sale of investment held for sale		125,946	93,180	262,506	190,126
Gain on sale of investment held for sale		-	-	-	212,910
<b>Non-controlling interest</b>		<b>8,655</b>	<b>13,375</b>	<b>26,250</b>	<b>25,402</b>
		<b>134,601</b>	<b>106,555</b>	<b>288,756</b>	<b>428,438</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD</b>					
Basic earnings per ordinary share (US cents)	5	2.1	1.6	4.4	7.0
Diluted earnings per ordinary share (US cents)	5	2.1	1.6	4.4	6.8

Fahad Al-Rajaan  
Chairman

Rashid Al-Meer  
Deputy Chairman

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

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2014 (Reviewed)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
				<i>Restated</i>
<b>Net profit for the period</b>	<b>134,601</b>	<b>106,555</b>	<b>288,756</b>	<b>428,438</b>
<b>Other comprehensive income (OCI)</b>				
<b>Items that will not be reclassified to consolidated statement of income</b>				
Net change in fair value of financial assets measured at fair value through OCI	2,928	(1,245)	(875)	(2,503)
Net change in pension fund reserve	(1,232)	3,589	(4,692)	9,105
<b>Items that may be reclassified subsequently to consolidated statement of income</b>				
Foreign currency translation adjustments	(10,103)	(9,659)	(10,784)	(56,658)
Net change in fair value of cash flow hedges	(12,860)	1,600	(11,866)	2,643
<b>Other comprehensive income for the period</b>	<b>(21,267)</b>	<b>(5,715)</b>	<b>(28,217)</b>	<b>(47,413)</b>
<b>Total comprehensive income for the period</b>	<b>113,334</b>	<b>100,840</b>	<b>260,539</b>	<b>381,025</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Bank	106,075	89,663	232,912	365,391
Non-controlling interest	7,259	11,177	27,627	15,634
	<b>113,334</b>	<b>100,840</b>	<b>260,539</b>	<b>381,025</b>

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements

**Ahli United Bank B.S.C.**  
**INTERIM CONSOLIDATED BALANCE SHEET**  
30 June 2014 (Reviewed)

	<i>30 June</i>	<i>Audited</i>
	<i>2014</i>	<i>31 December</i>
<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>ASSETS</b>		
Cash and balances with central banks	809,460	820,296
Treasury bills and deposits with central banks	2,273,954	2,587,534
Deposits with banks	4,817,964	4,409,068
Loans and advances	18,617,676	17,305,682
Financial assets at fair value through profit or loss	13,447	79,163
Non-trading investments	5,295,287	5,448,810
Investment in associates and joint venture	305,462	302,258
Investment properties	271,071	201,146
Premises and equipment	274,421	274,696
Interest receivable and other assets	584,216	560,854
Goodwill and other intangible assets	657,627	662,386
<b>TOTAL ASSETS</b>	<b>33,920,585</b>	<b>32,651,893</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Deposits from banks	5,072,010	4,366,757
Borrowings under repurchase agreements	893,893	1,271,111
Customers' deposits	23,106,108	22,028,457
Interest payable and other liabilities	806,888	778,260
Subordinated liabilities	10 463,395	642,205
<b>TOTAL LIABILITIES</b>	<b>30,342,294</b>	<b>29,086,790</b>
<b>EQUITY</b>		
Ordinary share capital	1,500,819	1,415,570
Treasury shares	-	(20,710)
Preference share capital	-	12,500
Reserves	1,654,422	1,741,464
Equity attributable to the owners of the Bank	3,155,241	3,148,824
Non - controlling interest	423,050	416,279
<b>TOTAL EQUITY</b>	<b>3,578,291</b>	<b>3,565,103</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>33,920,585</b>	<b>32,651,893</b>

**Fahad Al-Rajaan**  
Chairman

**Rashid Al-Meer**  
Deputy Chairman

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

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2014 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from operating activities	332,880	211,414
Net cash from investing activities	148,874	569,917
Net cash used in financing activities	(448,073)	(307,687)
Foreign currency translation adjustments	(10,784)	(56,658)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>22,897</b>	<b>416,986</b>
Cash and cash equivalents at 1 January	4,174,706	3,424,315
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>4,197,603</b>	<b>3,841,301</b>
<b>Comprising:</b>		
Cash and balances with central banks, excluding mandatory reserve deposits	488,047	433,949
Deposits with banks with an original maturity of three months or less	3,709,556	3,407,352
	<b>4,197,603</b>	<b>3,841,301</b>

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2014 (Reviewed)

Attributable to the owners of the Bank

	Reserves										Total US\$ '000
	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	
Balance at 31 December 2013	1,415,570	12,500	(20,710)	648,169	295,814	592,001	255,713	(50,233)	1,741,464	416,279	3,565,103
Mandatorily convertible preference shares dividend paid	-	-	-	-	-	-	(3,217)	-	(3,217)	-	(3,217)
Donations paid	-	-	-	-	-	-	(1,000)	-	(1,000)	-	(1,000)
Bonus shares issued	71,468	-	-	-	-	(71,468)	-	-	(71,468)	-	-
Ordinary shares issued on conversion of Class B preference shares	13,781	(12,500)	-	(1,281)	-	-	-	-	(1,281)	-	-
Ordinary share dividend paid	-	-	-	-	-	-	(251,496)	-	(251,496)	-	(251,496)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(20,856)	(20,856)
Fair value amortisation of share based transactions	-	-	-	-	-	-	-	2,132	2,132	-	2,132
Sale of treasury shares	-	-	20,710	-	-	-	-	6,376	6,376	-	27,086
Total comprehensive income for the period	-	-	-	-	-	262,506	-	(29,594)	232,912	27,627	260,539
Other equity movements	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>1,500,819</b>	<b>-</b>	<b>-</b>	<b>646,888</b>	<b>295,814</b>	<b>783,039</b>	<b>-</b>	<b>(71,319)</b>	<b>1,654,422</b>	<b>423,050</b>	<b>3,578,291</b>

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2014 (Reviewed)

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	(35,913)	1,348,045	385,298	3,161,507
Mandatorily convertible preference shares dividend paid	-	-	-	-	-	-	(4,538)	-	(4,538)	-	(4,538)
Donations paid	-	-	-	-	-	-	(1,000)	-	(1,000)	-	(1,000)
Bonus shares issued	65,419	-	-	-	-	(65,419)	-	-	(65,419)	-	-
Treasury shares	5,225	-	(19,693)	9,238	-	-	-	1,677	10,915	-	(3,553)
Realised gain 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
Total comprehensive income for the period	-	-	-	-	-	403,036	-	(37,645)	365,391	15,634	381,025
Other equity movements	-	-	-	-	-	-	-	-	-	(546)	(546)
<b>Balance at 30 June 2013</b>	<b>1,373,808</b>	<b>125,000</b>	<b>(19,693)</b>	<b>550,430</b>	<b>237,877</b>	<b>728,802</b>	<b>-</b>	<b>(71,881)</b>	<b>1,445,228</b>	<b>391,107</b>	<b>3,315,450</b>

The attached notes 1 to 10 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 103 branches, as at 30 June 2014, in the Kingdom of Bahrain (21 branches), the State of Kuwait (37 branches), the Arab Republic of Egypt (33 branches), Republic of Iraq (10 branches) and the United Kingdom (2 branches). It also operates through its managed associates in the Sultanate of Oman (19 branches) and Libya (12 branches) with a total network of 31 branches as at 30 June 2014.

## 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 2013, except for the adoption of the new and amended International Financial Reporting Standards ("IFRS") that have become effective from 1 January 2014 and which are applicable to the Group:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IAS 32 – Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)
- IAS 36 – Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)
- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

The above amendments to IFRSs which are effective for annual accounting periods starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

During the period, the following new standard was issued but is not yet effective, IFRS 15 - Revenue from Contracts with customers (effective 1 January 2017). The Group is currently evaluating the impact of this new standard.

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 6 August 2014.

## 3 OTHER OPERATING INCOME

Other operating income includes income amounting to US\$ 5,869 thousand for the six months ended 30 June 2014 (30 June 2013: US\$ 3,243 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 profit of US\$ 212.9 million.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Reviewed)

## 5 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Net profit for the period attributable to owners of the Bank for basic and diluted earnings per share computation (US\$ '000)	<b>125,946</b>	93,180	<b>262,506</b>	403,036
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (million)	<b>6,003</b>	5,745	<b>6,003</b>	5,745
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the mandatorily convertible preference shares (million)	<b>6,003</b>	5,912	<b>6,003</b>	5,912
Basic earnings per ordinary share (US cents)	<b>2.1</b>	1.6	<b>4.4</b>	7.0
Diluted earnings per ordinary share (US cents)	<b>2.1</b>	1.6	<b>4.4</b>	6.8
Issued and fully paid ordinary shares of US\$ 0.25 each (in million)			<b>6,003</b>	5,495

## 6 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>Audited</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	<b>1,929,644</b>	1,860,647
Acceptances	<b>268,914</b>	121,298
Letters of credit	<b>899,942</b>	914,167
	<b>3,098,500</b>	2,896,112

## 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 2014 (Reviewed)

## 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>
<b>Six months ended 30 June 2014:</b>				
Net interest income	72,873	282,789	26,034	381,696
Fees and commissions	18,963	48,037	11,460	78,460
Share of profit from associates and joint venture	3,014	9,469	-	12,483
Other operating income	402	64,495	214	65,111
<b>OPERATING INCOME</b>	<b>95,252</b>	<b>404,790</b>	<b>37,708</b>	<b>537,750</b>
Net impairment provisions	3,605	69,714	2,535	75,854
<b>NET OPERATING INCOME</b>	<b>91,647</b>	<b>335,076</b>	<b>35,173</b>	<b>461,896</b>
Operating expenses	53,298	76,810	19,244	149,352
<b>PROFIT BEFORE TAX</b>	<b>38,349</b>	<b>258,266</b>	<b>15,929</b>	<b>312,544</b>
Tax expense				23,788
<b>NET PROFIT FOR THE PERIOD</b>				<b>288,756</b>
Less : Non - controlling interest				26,250
<b>NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK</b>				<b>262,506</b>

## 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>
<b>Six months ended 30 June 2013:</b>				
Net interest income	62,986	250,958	21,847	335,791
Fees and commissions	17,407	41,914	10,965	70,286
Share of profit from associates and joint venture	3,775	15,154	-	18,929
Other operating income	1,003	24,019	48	25,070
<b>OPERATING INCOME</b>	<b>85,171</b>	<b>332,045</b>	<b>32,860</b>	<b>450,076</b>
Net impairment provisions	1,808	74,093	1,231	77,132
<b>NET OPERATING INCOME</b>	<b>83,363</b>	<b>257,952</b>	<b>31,629</b>	<b>372,944</b>
Operating expenses	49,042	69,192	17,973	136,207
<b>PROFIT BEFORE GAIN ON SALE OF INVESTMENT HELD FOR SALE</b>	<b>34,321</b>	<b>188,760</b>	<b>13,656</b>	<b>236,737</b>
Gain on sale of investment held for sale				212,910
<b>PROFIT BEFORE TAX</b>				<b>449,647</b>
Tax expense				21,209
<b>NET PROFIT FOR THE PERIOD</b>				<b>428,438</b>
<b>Less : Non-controlling interest</b>				<b>25,402</b>
<b>NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK</b>				<b>403,036</b>

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Reviewed)

8 MOVEMENT IN OTHER RESERVES

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in			Total other reserves	
				OCI reserve	Cash flow hedge reserve	Pension fund reserve		
								ESPP reserve
US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	
Balance at 1 January 2014	2,102	36,497	(74,507)	20,414	(6,012)	-	(28,727)	(50,233)
Currency translation adjustments	-	-	(9,972)	-	-	-	-	(9,972)
Transfers to consolidated statement of income	-	-	-	-	582	-	-	582
Sale of treasury shares	6,376	-	-	-	-	-	-	6,376
Net fair value movements during the period	-	-	-	(3,064)	(12,448)	2,132	-	(13,380)
Fair value movements in pension fund reserve during the period	-	-	-	-	-	-	(4,692)	(4,692)
<b>Balance at 30 June 2014</b>	<b>8,478</b>	<b>36,497</b>	<b>(84,479)</b>	<b>17,350</b>	<b>(17,878)</b>	<b>2,132</b>	<b>(33,419)</b>	<b>(71,319)</b>

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in			Total other reserves	
				OCI reserve	Cash flow hedge reserve	Pension fund reserve		
								ESPP reserve
US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	
Balance at 1 January 2013	425	26,737	(36,248)	16,778	(8,283)	-	(35,322)	(35,913)
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
<b>Balance at 30 June 2013</b>	<b>2,102</b>	<b>26,802</b>	<b>(84,309)</b>	<b>15,381</b>	<b>(5,640)</b>	<b>-</b>	<b>(26,217)</b>	<b>(71,881)</b>

## Ahli United Bank B.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

30 June 2014 (Reviewed)

#### 9 FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities, with the exception of non-trading investments that are carried at amortised cost, approximate their carrying values. The fair value of the non-trading investments held at amortised cost is US\$ 5,274.5 million as at 30 June 2014 (31 December 2013: US\$ 5,378.9 million). Carrying value of these non-trading investments is US\$ 5,151.4 million as at 30 June 2014 (31 December 2013: US\$ 5,272.8 million).

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 2014			31 December 2013		
	Level 1 US\$ '000	Level 2 US\$ '000	Total US\$ '000	Level 1 US\$ '000	Level 2 US\$ '000	Total US\$ '000
Financial assets at FVTPL	13,447	-	13,447	63,901	15,262	79,163
Financial assets at FVTOCI	68,096	327,442	395,538	67,286	332,469	399,755
Derivative assets	21,675	74,391	96,066	14,606	96,308	110,914
Derivative liabilities	(56,705)	(182,169)	(238,874)	(37,032)	(181,170)	(218,202)

There are no financial instruments that qualify for classification under Level 3 as at 30 June 2014 and 31 December 2013. During the six month period ended 30 June 2014 and 30 June 2013 there have been no transfers between Levels 1, 2 and 3.

#### 10 SUBORDINATED LIABILITIES

During the six-month period ended 30 June 2014, in accordance with the terms of the Class A non-cumulative preference share issue, the residual outstanding (representing the non-convertible subordinated debt portion with original maturity of 1 January 2015) as of the record date 5 February 2014, has been redeemed.