

**Ahli United Bank B.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

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



30 October 2013  
Manama, Kingdom of Bahrain

# Ahli United Bank B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

Nine months ended 30 September 2013 (Unaudited)

	Note	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2013 US\$ '000</i>	<i>2012 US\$ '000 Restated</i>	<i>2013 US\$ '000</i>	<i>2012 US\$ '000 Restated</i>
Interest income		283,731	270,816	809,465	796,629
Interest expense		94,934	108,157	284,877	327,034
Net interest income		188,797	162,659	524,588	469,595
Fees and commissions		36,417	32,760	106,703	96,727
Trading income		8,156	7,116	22,127	22,517
Net gains on investments		8,737	4,415	10,481	9,668
Share of profit from associates and joint venture		4,077	15,082	23,006	47,457
Other operating income	3	4,561	3,276	13,916	14,916
Fees and other income		61,948	62,649	176,233	191,285
<b>OPERATING INCOME</b>		<b>250,745</b>	<b>225,308</b>	<b>700,821</b>	<b>660,880</b>
Net provision for loan losses and others		36,257	40,411	89,143	82,765
Provision for non-trading investments		18,799	7,536	43,045	58,143
<b>NET OPERATING INCOME</b>		<b>195,689</b>	<b>177,361</b>	<b>568,633</b>	<b>519,972</b>
Staff costs		40,404	38,566	118,611	110,514
Depreciation		5,668	6,782	17,251	18,892
Other operating expenses		24,983	21,318	71,400	66,894
<b>OPERATING EXPENSES</b>		<b>71,055</b>	<b>66,666</b>	<b>207,262</b>	<b>196,300</b>
Gain on sale of investment held for sale	4	-	-	212,910	-
<b>PROFIT BEFORE TAX</b>		<b>124,634</b>	<b>110,695</b>	<b>574,281</b>	<b>323,672</b>
Tax expense		12,216	9,063	33,425	26,876
<b>NET PROFIT FOR THE PERIOD</b>		<b>112,418</b>	<b>101,632</b>	<b>540,856</b>	<b>296,796</b>
<b>Attributable to:</b>					
Owners of the Bank		99,144	91,262	502,180	264,183
Non-controlling interest		13,274	10,370	38,676	32,613
		112,418	101,632	540,856	296,796
<b>EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD</b>					
Basic earnings per share (US cents)	5	1.8	1.7	9.2	4.8
Diluted earnings per share (US cents)	5	1.8	1.6	8.9	4.7

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

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended 30 September 2013 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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>
<b>Net profit for the period</b>	<b>112,418</b>	101,632	<b>540,856</b>	296,796
<b>Other comprehensive income (OCI)</b>				
<b>Items that will not be reclassified to consolidated statement of income</b>				
Donations approved	-	-	(1,000)	(1,000)
Net change in fair value of financial assets measured at fair value through OCI	(2,372)	299	(4,875)	11,170
Net change in pension fund reserve	2.1 (3,938)	1,505	5,167	(7,935)
<b>Items that may be reclassified subsequently to consolidated statement of income</b>				
Foreign currency translation adjustments	18,268	(2,064)	(38,390)	(10,917)
Cash flow hedges:				
Net change in fair value	(1,067)	(3,788)	1,560	(3,046)
Transfers to interim consolidated statement of income	79	-	95	(2,466)
<b>Other comprehensive income for the period</b>	<b>10,970</b>	(4,048)	<b>(37,443)</b>	(14,194)
<b>Total comprehensive income for the period</b>	<b>123,388</b>	97,584	<b>503,413</b>	282,602
<b>Total comprehensive income attributable to:</b>				
Owners of the Bank	106,542	84,385	470,933	252,694
Non-controlling interest	16,846	13,199	32,480	29,908
	<b>123,388</b>	97,584	<b>503,413</b>	282,602

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 September 2013 (Unaudited)

	<i>30 September</i>	<i>Audited</i>
	<i>2013</i>	<i>31 December</i>
<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
		<i>Restated</i>
<b>ASSETS</b>		
Cash and balances with central banks	642,061	735,528
Treasury bills and deposits with central banks	2,661,608	1,986,236
Deposits with banks and other financial institutions	3,865,920	3,750,771
Loans and advances	17,209,075	15,972,219
Financial assets at fair value through profit or loss	68,703	27,399
Non-trading investments	5,406,215	5,120,421
Investment in associates and joint venture	296,100	278,125
Investment property	199,543	171,798
Premises and equipment	263,887	266,830
Interest receivable and other assets	551,161	485,366
Goodwill and other intangible assets	662,328	679,922
Investment held for sale	-	397,959
<b>TOTAL ASSETS</b>	<b>31,826,601</b>	<b>29,872,574</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Deposits from banks and other financial institutions	3,947,234	5,145,255
Borrowings under repurchase agreements	728,292	1,861,357
Customers' deposits	22,202,216	18,231,131
Interest payable and other liabilities	869,620	786,445
Subordinated liabilities	642,061	686,879
<b>TOTAL LIABILITIES</b>	<b>28,389,423</b>	<b>26,711,067</b>
<b>EQUITY</b>		
Ordinary share capital	1,373,808	1,303,164
Treasury shares	(20,179)	-
Preference share capital	10 125,000	125,000
Reserves	1,551,518	1,347,473
Equity attributable to the owners of the Bank	3,030,147	2,775,637
Non - controlling interest	407,031	385,870
<b>TOTAL EQUITY</b>	<b>3,437,178</b>	<b>3,161,507</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>31,826,601</b>	<b>29,872,574</b>

**Fahad Al-Rajaan**  
Chairman

**Hamad Al-Marzouq**  
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

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended 30 September 2013 (Unaudited)

	<i>Nine months ended</i> <i>30 September</i>	
	<i>2013</i> <i>US\$ '000</i>	<i>2012</i> <i>US\$ '000</i>
Net cash from operating activities	401,931	1,899,674
Net cash from (used in) investing activities	271,102	(678,917)
Net cash used in financing activities	(309,470)	(1,086,233)
Foreign currency translation adjustments	(38,390)	(10,917)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>325,173</b>	<b>123,607</b>
Cash and cash equivalents at 1 January	3,424,315	3,866,097
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>3,749,488</b>	<b>3,989,704</b>
<b>Comprising:</b>		
Cash and balances with central banks, excluding mandatory reserve deposits	418,683	420,813
Deposits with banks and other financial institutions with an original maturity of three months or less	3,330,805	3,568,891
	<b>3,749,488</b>	<b>3,989,704</b>

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

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 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)
<b>At 1 January 2013 - restated</b>	<b>1,303,164</b>	<b>125,000</b>	<b>-</b>	<b>540,508</b>	<b>237,877</b>	<b>390,693</b>	<b>214,880</b>	<b>(36,485)</b>	<b>1,347,473</b>	<b>385,870</b>	<b>3,161,507</b>
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	-	-	-	-	-	811	-	-	811	-	811
Ordinary share dividend paid	-	-	-	-	-	-	(209,342)	-	(209,342)	-	(209,342)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	(19,864)	(19,864)
Additional acquisition in subsidiaries	-	-	-	685	-	-	-	-	685	9,425	10,110
Treasury shares	5,225	-	(20,179)	9,238	-	-	-	1,677	10,915	-	(4,039)
Total comprehensive income for the period	-	-	-	-	-	502,180	(1,000)	(30,247)	470,933	32,480	503,413
Other equity movements	-	-	-	-	-	-	-	-	-	(880)	(880)
<b>Balance at 30 September 2013</b>	<b>1,373,808</b>	<b>125,000</b>	<b>(20,179)</b>	<b>550,431</b>	<b>237,877</b>	<b>828,265</b>	<b>-</b>	<b>(65,055)</b>	<b>1,551,518</b>	<b>407,031</b>	<b>3,437,178</b>

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

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 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)
<b>At 1 January 2012 - restated</b>	<b>1,242,135</b>	<b>125,000</b>	<b>-</b>	<b>540,006</b>	<b>204,307</b>	<b>365,744</b>	<b>153,430</b>	<b>(4,906)</b>	<b>1,258,581</b>	<b>373,255</b>	<b>2,998,971</b>
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	-	-	-	-	-	-	-	-	-	(19,174)	(19,174)
Additional acquisition in subsidiaries	-	-	-	1,202	-	-	-	-	1,202	(3,177)	(1,975)
Total comprehensive income for the period	-	-	-	-	-	264,183	(1,000)	(10,489)	252,694	29,908	282,602
Other equity movements	-	-	-	-	-	-	-	-	-	(551)	(551)
<b>Balance at 30 September 2012</b>	<b>1,304,209</b>	<b>125,000</b>	<b>-</b>	<b>541,079</b>	<b>204,307</b>	<b>567,623</b>	<b>-</b>	<b>(15,395)</b>	<b>1,297,614</b>	<b>380,261</b>	<b>3,107,084</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 97 branches, as at 30 September 2013, in the Kingdom of Bahrain (21 branches), the State of Kuwait (33 branches), the Arab Republic of Egypt (31 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 September 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 International Financial Reporting Standards ("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 certain specific disclosures on fair values for interim reporting purposes under paragraph 16A(j) of IAS 34 Interim Financial Reporting. 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 detailed 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. Accordingly, 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, requiring re-statement of the net profit and other comprehensive income reported for the nine month period ended 30 September 2012. This resulted in an increase in net profit by US\$ 7.0 million and decrease in other comprehensive income by US\$ 102.6 million.

The interim condensed consolidated financial statements of the Group for the nine-month period ended 30 September 2013 were authorised for issue in accordance with a resolution of the Directors on 30 October 2013.

**3 OTHER OPERATING INCOME**

Other operating income includes income amounting to US\$ 4,578 thousand for the nine months ended 30 September 2013 (30 September 2012: US\$ 2,085 thousand) which is of a seasonal nature.

**4 GAIN ON SALE OF INVESTMENT HELD FOR SALE**

During the period ended 30 September 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 September 2012: Nil).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (Unaudited)

**5 EARNINGS PER ORDINARY SHARE**

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2013</i>	<i>2012 Restated</i>	<i>2013</i>	<i>2012 Restated</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for earnings per share computation (US\$ '000)	<u>99,144</u>	<u>91,262</u>	<u>502,180</u>	<u>264,183</u>
Net profit for the period attributable to Bank's ordinary equity shareholders for diluted earnings per share computation (US\$ '000)	<u>99,144</u>	<u>91,262</u>	<u>502,180</u>	<u>264,183</u>
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (in million)	<u>5,495</u>	<u>5,495</u>	<u>5,495</u>	<u>5,495</u>
Less: Weighted average treasury / surrendered shares (in million)	<u>(27)</u>	<u>(25)</u>	<u>(27)</u>	<u>(25)</u>
	<u>5,468</u>	<u>5,470</u>	<u>5,468</u>	<u>5,470</u>
Weighted average ordinary shares adjusted for bonus shares and dilutive effect of the mandatorily convertible preference shares (million)	<u>5,635</u>	<u>5,637</u>	<u>5,635</u>	<u>5,637</u>
Basic earnings per share (US cents)	<u>1.8</u>	<u>1.7</u>	<u>9.2</u>	<u>4.8</u>
Diluted earnings per ordinary share (US cents)	<u>1.8</u>	<u>1.6</u>	<u>8.9</u>	<u>4.7</u>
Issued and fully paid ordinary shares of US\$ 0.25 each (in million)			<u>5,495</u>	<u>5,233</u>

**6 CONTINGENT LIABILITIES**

The Group had the following credit related contingent liabilities:

	<i>30 September 2013 US\$ '000</i>	<i>Audited 31 December 2012 US\$ '000</i>
Guarantees	<u>1,768,103</u>	<u>1,760,266</u>
Acceptances	<u>44,982</u>	<u>64,531</u>
Letters of credit	<u>1,000,293</u>	<u>958,693</u>
	<u>2,813,378</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 September 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>
<b>Nine months ended 30 September 2013:</b>				
Net interest income	92,922	396,262	35,404	524,588
Fees and commissions	25,841	63,372	17,490	106,703
Share of profit from associates and joint venture	4,990	18,016	-	23,006
Other operating income	496	45,914	114	46,524
<b>OPERATING INCOME</b>	<b>124,249</b>	<b>523,564</b>	<b>53,008</b>	<b>700,821</b>
Net impairment provisions	3,195	127,575	1,418	132,188
<b>NET OPERATING INCOME</b>	<b>121,054</b>	<b>395,989</b>	<b>51,590</b>	<b>568,633</b>
Operating expenses	71,544	108,840	26,878	207,262
Gain on sale of investment held for sale	-	212,910	-	212,910
<b>PROFIT BEFORE TAX</b>	<b>49,510</b>	<b>500,059</b>	<b>24,712</b>	<b>574,281</b>
Tax expense	2,115	29,408	1,902	33,425
<b>NET PROFIT FOR THE PERIOD</b>	<b>47,395</b>	<b>470,651</b>	<b>22,810</b>	<b>540,856</b>
<b>Less : Non - controlling interest</b>				<b>38,676</b>
<b>NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK</b>				<b>502,180</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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>
<b>Nine months ended 30 September 2012:</b>				
Net interest income	96,118	337,309	36,168	469,595
Fees and commissions	22,329	56,547	17,851	96,727
Share of profit from associates and joint venture	12,161	34,341	955	47,457
Other operating income	3,421	43,587	93	47,101
<b>OPERATING INCOME</b>	<b>134,029</b>	<b>471,784</b>	<b>55,067</b>	<b>660,880</b>
Net (recovery) impairment provisions	(9,397)	146,960	3,345	140,908
<b>NET OPERATING INCOME</b>	<b>143,426</b>	<b>324,824</b>	<b>51,722</b>	<b>519,972</b>
Operating expenses	73,114	99,222	23,964	196,300
<b>PROFIT BEFORE TAX</b>	<b>70,312</b>	<b>225,602</b>	<b>27,758</b>	<b>323,672</b>
Tax expense	5,442	18,603	2,831	26,876
<b>NET PROFIT FOR THE PERIOD</b>	<b>64,870</b>	<b>206,999</b>	<b>24,927</b>	<b>296,796</b>
<b>Less : Non-controlling interest</b>				<b>32,613</b>
<b>NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK</b>				<b>264,183</b>

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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>	
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	-	25	(34,285)	-	-	-	(34,260)
Transfers to consolidated statement of income	-	-	-	-	95	-	95
Transfers to retained earnings	-	-	-	(811)	-	-	(811)
Sale of treasury shares	1,677	-	-	-	-	-	1,677
Net fair value movements during the period	-	-	-	(1,998)	1,560	-	(438)
Fair value movements in pension fund reserve during the period	-	-	-	-	-	5,167	5,167
<b>Balance at 30 September 2013</b>	<u><b>2,102</b></u>	<u><b>26,762</b></u>	<u><b>(71,105)</b></u>	<u><b>13,969</b></u>	<u><b>(6,628)</b></u>	<u><b>(30,155)</b></u>	<u><b>(65,055)</b></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>	
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)
<b>At 1 January 2012</b>	<u><b>425</b></u>	<u><b>47,690</b></u>	<u><b>(13,733)</b></u>	<u><b>11,911</b></u>	<u><b>(26,584)</b></u>	<u><b>(24,615)</b></u>	<u><b>(4,906)</b></u>
Currency translation adjustments	-	(25)	(7,906)	-	-	-	(7,931)
Transfers to consolidated statement of income	-	-	-	-	(2,466)	-	(2,466)
Net fair value movements during the period	-	-	-	10,889	(3,046)	-	7,843
Fair value movements in pension fund reserve during the period	-	-	-	-	-	(7,935)	(7,935)
<b>Balance at 30 September 2012</b>	<u><b>425</b></u>	<u><b>47,665</b></u>	<u><b>(21,639)</b></u>	<u><b>22,800</b></u>	<u><b>(32,096)</b></u>	<u><b>(32,550)</b></u>	<u><b>(15,395)</b></u>

## Ahli United Bank B.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

30 September 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 September 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	53,342	15,361	68,703	1,760	25,639	27,399
Financial assets at FVTOCI	73,880	320,398	394,278	74,032	338,089	412,121
Derivative assets	20,891	99,787	120,678	32,496	50,857	83,353
Derivative liabilities	(48,787)	(205,290)	(254,077)	(30,143)	(263,667)	(293,810)

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

#### 10 PREFERENCE SHARE CAPITAL

Subsequent to the balance sheet date, in accordance with the terms of Mandatorily Convertible Preference Shares (MCPS) invested by International Finance Corporation Capitalization (Equity) Fund ("IFC Fund"), the MCPS were converted into the Bank's common shares at an effective conversion price of US 74.83 cents per share, translating into 167,045,454 common shares. Post conversion, the IFC Fund has a 2.95% shareholding in the Bank.