البنك الأهلي المتحد
ahli united bank

AHLI UNITED BANK (UK) PLC

FINANCIAL STATEMENTS

31 DECEMBER 2013

BOARD OF DIRECTORS
Mr Fahad Al-Rajaan (Chairman)
Mr Hamad Al-Marzouq (Deputy Chairman resigned 28 January 2014) *
Mr Rashid Al-Meer
Mr Khaled Al Fouzan
Mr Herschel Post *
Mr David Casson *
Mr Adel El-Labban
Mr James Forster
Ms Sawsan Abulhassan
Mr Stephen Hussey
Mr Jakes Ferguson (appointed 3 April 2013)
Mr Stuart Taylor (resigned 19 February 2014)

*Audit and Compliance Committee

SECRETARY
Ms Jane Hamilton

AUDITORS
Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGISTERED OFFICE
35 Portman Square
London W1H 6LR

REGISTERED NUMBER
877859

The Directors of Ahli United Bank (UK) PLC (the 'Bank') are pleased in submitting the strategic report for the year ended 31 December 2013

The Bank is an authorised institution under the United Kingdom Financial Services and Markets Act 2000 and carries on an international commercial, private and investment banking business

The principal risks faced by the Bank and details of derivatives and financial instruments held are set out in note 26

The Bank enjoyed a successful year of performance The Bank continued to focus on its core lending businesses of residential mortgages, commercial property, margin lending and commercial finance and in providing a global fund management service to institutional and private clients

The activities of the Bank in the forthcoming period will continue to be those currently undertaken

The Bank achieved net interest income of $46 7 million, an 11% decrease on the 2012 level of $52 6 million The net interest margin was 1 3% (2012 1 6%) This was largely due to a general repositioning of the Bank's maturity profile which was carried out in the second half of 2012

Total other operating income increased by 12 2% to $26 7 million This can be attributed to the share of profits receivable by the Bank from a joint venture property vehicle

Operating expenses increased to $29 6 million (2012 $27 2 million) an increase of 8 8% However the cost income ratio was held at a respectable 40 3% (2012 35 6%)

At the year end, total assets stood at $4 2 billion (2012 $3 4 billion) with loans to customers of $1 6 billion, showing a 0 7% decrease compared to 2012 Total deposits (including repurchase agreements) amounted to $3 8 billion, a 22 8% increase on 2012

The return on average equity was 14 8% (2012 13 5%) and the return on average assets was 1 1% (2012 1 0%) As at 31 December 2013 the Bank held surplus capital of $46 3 million over its Individual Capital Guidance issued by the PRA and its Capital Planning Buffer

By Order of the board

Jane Hamilton
Company Secretary

25 MARCH 2014

The Directors of Ahli United Bank (UK) PLC (the 'Bank') are pleased in submitting the audited financial statements for the year ended 31 December 2013

Results and dividends
The profit after tax of the Bank and its subsidiaries for the year amounted to $41,216,000 (2012 Restated $36,376,000)

A final dividend for 2012 of $20,000,000 (10 cents per share) was paid during the year A final dividend of $30,000,000 (15 cents per share) is proposed for 2013

Going Concern
The Directors confirm the Bank has adequate resources to continue in business for the foreseeable future For this reason, the Bank continues to adopt the going concern basis for preparing financial statements

Pillar III disclosures
As part of its implementation of the Banking Consolidation Directive and the Capital Adequacy Directive, the Prudential Regulatory Authority requires the Bank to make certain disclosures to the market, often described as Pillar III disclosures Some of the required disclosures are included within note 26 to the Financial Statements However where additional disclosures are required these have either been included in an appendix to the Financial Statements or cross referenced within the appendix to other notes within the Financial Statements

The information included in the appendix has not been audited

Guernsey Branch
The Bank has a branch based in Guernsey and the total customers deposits held were $299,145,000 (2012 $199,712,000) as at 31 December 2013

Directors
The names of the Directors who served during 2013 are those listed on page 2

In accordance with the Articles of Association, all of the Directors retire at every third Annual General Meeting and, being eligible, offer themselves for re-election

Auditors

The Directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the Bank's auditors for the purposes of their audit and to establish that the auditors are aware of that information The Directors are not aware of any relevant audit information of which the auditors are unaware

A resolution to reappoint Ernst & Young LLP as the auditors will be proposed at the next Annual General Meeting

By Order of the board

Jane Hamilton
Company Secretary

25 MARCH 2014

The Directors are responsible for preparing the Directors' Report, Strategic Report and the Group financial statements in accordance with applicable United Kingdom law and regulations Company law requires the directors to prepare Group financial statements for each financial year Under that law, the directors are required to prepare Group financial statements under IFRSs as adopted by the European Union

Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period In preparing the Group financial statements the directors are required to

present fairly the financial position, financial performance and cash flows of the Group,

select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently,

present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,

make judgements that are reasonable,

provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance, and

state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AHLI UNITED BANK (UK) PLC

We have audited the Group and Bank financial statements (the "financial statements") of Ahli United Bank (UK) PLC for the year ended 31 December 2013 which comprise the Group Income Statement, the Group and Bank Balance Sheet, the Group and Bank Statement of Cash Flows, the Group and Bank Statement of Changes in Equity and the related notes 1 to 31 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Bank company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the Bank's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Bank's affairs as at 31 December 2013 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Bank financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us, or
- the Bank company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Andrew Davison (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
United Kingdom

25 March 2014

FOR THE YEAR ENDED 31 DECEMBER	NOTES	2013 $000	2012 $000 Restated
Interest income			
Interest income and similar income arising from non-trading investments		22,645	21,293
Other interest and similar income		78,021	87,500
		100,666	108,793
Interest expense		(53,939)	(56,181)
Net interest income	3	46,727	52 612
Fee and commission income		17,559	17,844
Fee and commission expense		(722)	(761)
Net fee and commission income		16,837	17,083
Trading income - net	26	666	996
Other operating income	4	6,070	5 758
Share of profit after tax from a joint venture	13	3,129	-
Total trading and other operating income		9,865	6 754
Total operating income before impairment charges		73,429	76,449
Release / (Provisions) for losses on loans and advances, impairment of non-trading investments and other assets - net	11	4,581	(116)
Net operating income		78,010	76,333
Operating Expenses	6	(29,577)	(27 191)
Profit before tax	6	48,433	49,142
Income tax expense	7	(7,217)	(12,766)
Profit for the year	23	41,216	36 376
Other comprehensive income			
Net Gain on changes in fair value of available-for-sale investments		9,818	18,072
Actuarial gains / (losses) relating to retirement benefit obligations		6,595	(10,981)
Total comprehensive income		57,629	43,467
Attributable to Equity holders of the Group		57,629	43,467

All amounts relate to continuing activities The 2012 comparatives were restated in accordance with IAS19 (Revised 2011) Employee Benefits

The notes on pages 13 to 42 are an integral part of these audited financial statements

AT 31 DECEMBER	NOTES	2013 $000	2012 $000
Assets			Restated
Cash and balances with central banks		5,415	2,133
Loans and advances to banks	8	1,464,222	796,928
Reverse repurchase agreements	9	15,000	231,132
Derivative financial instruments	26	5,832	11,295
Loans and advances to customers	10	1,597,323	1,609,390
Non-trading investments	12	1,035,558	752,083
Investments in a joint venture	13	3,210	81
Property, plant and equipment	15	4,693	5 071
Deferred tax asset	16	1,910	5 631
Prepayments, accrued income and other assets	17	18,781	20,317
Total assets		4,151,944	3 434,061
Liabilities			
Deposits from banks	18	13,235	122 903
Repurchase agreements	9	15,204	289 601
Customer deposits	19	3,722,645	2 642,613
Derivative financial instruments	26	44,534	49,134
Current tax liability	16	9,560	6 835
Accruals, deferred income and other liabilities	20	28,302	23,969
Retirement benefit scheme	29	8,583	22 025
Subordinated liabilities	21	12,613	17,344
Total liabilities		3,854,676	3 174,424
Issued share capital	22	200,080	200 080
Share premium	22	128	128
Other reserves	23	17,075	7 257
Retained earnings	23	79,985	52 172
Equity shareholders' funds		297,268	259 637
Total liabilities and equity		4,151,944	3,434,061
Memorandum items			
Contingent liabilities	24	13,503	10 177
Commitments	25	191,981	119 765

The notes on pages 13 to 42 are an integral part of these audited financial statements

The 2012 comparatives were restated in accordance with IAS19 (Revised 2011) Employee Benefits

Fahad Al-Rajaan
Chairman

James Forster
Chief Executive Officer

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2014

AT 31 DECEMBER	NOTES	2013 $000	2012 $000
Assets			Restated
Cash and balances with central banks		5,415	2 133
Loans and advances to banks	8	1,464,222	796 928
Reverse repurchase agreements	9	15,000	231 132
Derivative financial instruments	26	5,832	11 295
Loans and advances to customers	10	1,597,323	1,609 390
Non-trading investments	12	1,035,558	752,083
Investments in group undertakings	14	198	396
Investments in a joint venture	13	81	81
Property plant and equipment	15	4,693	5 071
Deferred tax asset	16	1,910	5 631
Prepayments accrued income and other assets	17	18,781	20 317
Total assets		4,149,013	3 434 457
Liabilities			
Deposits from banks	18	13,354	122,903
Repurchase agreements	9	15,204	289 601
Customer deposits	19	3,722,645	2 643 009
Derivative financial instruments	26	44,534	49 134
Current tax liability	16	9,560	6,835
Accruals deferred income and other liabilities	20	28,237	23,969
Retirement benefit scheme	29	8,583	22 025
Subordinated liabilities	21	12,613	17 344
Total liabilities		3,854,730	3 174 820
Issued share capital	22	200 080	200 080
Share premium	22	128	128
Other reserves	23	17,075	7,257
Retained earnings	23	77,000	52 172
Equity shareholders funds		294,283	259,637
Total liabilities and equity		4,149,013	3,434 457

The notes on pages 13 to 42 are an integral part of these audited financial statements

The 2012 comparatives were restated in accordance with IAS19 (Revised 2011) Employee Benefits

Fahad Al-Rajaan
Chairman

James Forster
Chief Executive Officer

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2014

FOR THE YEAR ENDED 31 DECEMBER	2013 $000	2012 $000
Cash flows from operating activities		Restated
Profit before tax	48,433	49 142
Adjustments for		
Depreciation	976	1 031
Amortization and revaluation of non-trading investments and pension fund	28,253	(17 411)
Loss / (Profit) on sale of non-trading investments	7	(225)
Provision release for losses on loans and advances	(4,780)	(82)
Provision charge for impairment of investments in group undertakings	199	198
Share of net profit from joint venture	(3,129)	-
Operating cash flows before changes in operating assets and liabilities	69,959	32 653
Changes in		
Deposits with central bank	(823)	(1 097)
Reverse repurchase agreements	216,132	(231 132)
Loans and advances to customers	16,847	158 064
Interest receivable	(42)	(3 622)
Prepayments accrued income and other assets (including derivative financial instruments)	3,547	(6)
Deposits from banks	(109,867)	72 219
Repurchase agreements	(274,397)	289 601
Customer deposits	1,080,032	(241 187)
Interest payable	121	8
Accruals deferred income and other liabilities (including derivative financial instruments)	(3,852)	47 995
Treasury bills	164,812	-
Cash from operations	1,162,469	123 496
Net tax paid	(7,253)	(10 025)
Net cash from operating activities	1,155,216	113 471
Cash flows from investing activities		
Purchase of non-trading investments	(314,502)	(331 381)
Proceeds from sale and maturity of non-trading investments	29,310	61 444
Investment in property plant and equipment	(598)	(842)
Net cash used in investing activities	(285 790)	(270 779)
Cash flows from financing activities		
Subordinated liabilities repaid	(4,731)	(150,000)
Dividend paid	(20,000)	(20 000)
Net cash used in financing activities	(24 731)	(170,000)
Foreign currency translation adjustments	(10,130)	(7,188)
Net increase / (decrease) in cash and cash equivalents	834,565	(334,496)
Cash and cash equivalents at 1 January	797,964	1,132,460
Cash and cash equivalents at 31 December	1,632,529	797 964
Cash and cash equivalents comprise		
Cash and balances with central banks (excluding mandatory reserves)	3,495	1 036
Loans and Advances to Banks - with an original maturity of three months or less	1,464,222	796 928
Treasury bills - with an original maturity of three months or less	164,812	-
	1,632,529	797 964

Included within Cash and balances with central banks		
Cash and balances with central banks(excluding mandatory reserve deposits)	3,495	1,036
Mandatory reserve deposits with Bank of England	1,920	1 097
	5,415	2 133

Mandatory reserves are not available for use in day-to-day operations

The notes on pages 13 to 42 are an integral part of these audited financial statements

The 2012 comparatives were restated in accordance with IAS19 (Revised 2011) Employee Benefits

FOR THE YEAR ENDED 31 DECEMBER	2013 $000	2012 $000
		Restated
Cash flows from operating activities		
Profit before tax	45,304	49 142
Adjustments for		
Depreciation	976	1 031
Amortization and revaluation of non-trading investments and pension fund	28,253	(17 411)
Loss / (Profit) on sale of non-trading investments	7	(225)
Provision release for losses on loans and advances	(4,780)	(82)
Provision charge for impairment of investments in group undertakings	199	198
Operating cash flows before changes in operating assets and liabilities	69,959	32 653
Changes in		
Deposits with central bank	(823)	(1 097)
Reverse repurchase agreements	216,132	(231 132)
Loans and advances to customers	16,847	158 064
Interest receivable	(42)	(3 622)
Prepayments accrued income and other assets (including derivative financial instruments)	3,690	(6)
Deposits from banks	(109,629)	72 219
Repurchase agreements	(274,397)	289 601
Customer deposits	1,079,636	(241 449)
Interest payable	121	8
Accruals, deferred income and other liabilities (including derivative financial instruments)	(3,837)	47 995
Treasury bills	164,812	-
Cash from operations	1,162,469	123 234
Net tax paid	(7,253)	(10 025)
Net cash from operating activities	1,155,216	113 209
Cash flows from investing activities		
Purchase of non-trading investments	(314,502)	(331 381)
Proceeds from sale and maturity of non-trading investments	29,310	61 444
Investment in property plant and equipment	(598)	(842)
Proceeds from investments		262
Net cash used in investing activities	(285,790)	(270 517)
Cash flows from financing activities		
Subordinated liabilities repaid	(4,731)	(150 000)
Dividend paid	(20,000)	(20 000)
Net cash used in financing activities	(24,731)	(170 000)
Foreign currency translation adjustments	(10,130)	(7 188)
Net increase / (decrease) in cash and cash equivalents	834,565	(334 496)
Cash and cash equivalents at 1 January	797,964	1,132 460
Cash and cash equivalents at 31 December	1,632,529	797 964
Cash and cash equivalents comprise		
Cash and balances with central banks (excluding mandatory reserves)	3 495	1,036
Loans and advances to banks - with an original maturity of three months or less	1,464,222	796 928
Treasury bills - with an original maturity of three months or less	164,812	-
	1,632,529	797 964

Included within Cash and balances with central banks		
Cash and balances with central banks(excluding mandatory reserve deposits)	3,495	1,036
Mandatory reserve deposits with Bank of England	1,920	1 097
	5,415	2 133

Mandatory reserves are not available for use in day-to-day operations

The notes on pages 13 to 42 are an integral part of these audited financial statements
The 2012 comparatives were restated in accordance with IAS19 (Revised 2011) Employee Benefits

GROUP	SHARE CAPITAL $000	SHARE PREMIUM $000	OTHER RESERVES $000	RETAINED EARNINGS $000	TOTAL $000
Changes in equity 2013					
At 1 January 2013	200 080	128	7 257	52 172	259,637
Profit for the year	-	-	-	41 216	41,216
Available-for-sale investments valuation gains	-	-	9 818	-	9,818
Actuarial gains (IAS19 Revised)	-	-	-	6 595	6,595
Total comprehensive income	-	-	9 818	47 811	57,629
Dividend paid	-	-	-	(20 000)	(20,000)
Currency translation differences	-	-	-	2	2
At 31 December 2013	200,080	128	17,075	79 985	297,268

GROUP	SHARE CAPITAL $000	SHARE PREMIUM $000	OTHER RESERVES $000	RETAINED EARNINGS $000	TOTAL $000
Changes in equity 2012 - Restated					
At 1 January 2012	200 080	128	(10 815)	71 388	260,781
Pension fund Impact of adopting IAS19 (Revised 2011) Employee benefits	-	-		(24 615)	(24 615)
At 1 January 2012 - restated	200 080	128	(10 815)	46 773	236,166
Profit for the year	-	-	-	36,376	36,376
Available-for-sale investments valuation gains	-	-	18 072	-	18,072
Actuarial gains (IAS19 Revised)	-	-	-	(10 981)	(10,981)
Total comprehensive income	-	-	18 072	25 395	43,467
Dividend paid	-	-	-	(20 000)	(20,000)
Currency translation differences	-	-	-	4	4
At 31 December 2012	200 080	128	7 257	52 172	259,637

BANK	SHARE CAPITAL $000	SHARE PREMIUM $000	OTHER RESERVES $000	RETAINED EARNINGS $000	TOTAL $000
Changes in equity 2013					
At 1 January 2013	200 080	128	7 257	52 172	259,637
Profit for the year	-	-		38 231	38,231
Available-for-sale investments valuation gains	-	-	9 818	-	9,818
Actuarial gains (IAS19 Revised)	-	-	-	6 595	6,595
Total comprehensive income	-	-	9 818	44 826	54,644
Dividend paid	-	-		(20 000)	(20,000)
Currency translation differences	-	-		2	2
At 31 December 2013	200 080	128	17 075	77 000	294,283

BANK	SHARE CAPITAL $000	SHARE PREMIUM $000	OTHER RESERVES $000	RETAINED EARNINGS $000	TOTAL $000
Changes in equity 2012 - Restated					
At 1 January 2012	200 080	128	(10 815)	71 388	260,781
Pension fund Impact of adopting IAS19 (Revised 2011) Employee benefits	-	-		(24 615)	(24,615)
At 1 January 2012 - restated	200 080	128	(10 815)	46 773	236,166
Profit for the year	-	-		36 376	36,376
Available-for-sale investments valuation gains	-	-	18 072	-	18,072
Actuarial gains (IAS19 Revised)	-	-		(10 981)	(10,981)
Total comprehensive income	-	-	18 072	25 395	43,467
Dividend paid	-	-		(20 000)	(20,000)
Currency translation differences	-	-		4	4
At 31 December 2012	200 080	128	7 257	52 172	259,637

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The notes on pages 13 to 42 are an integral part of these audited financial statements

1 ACCOUNTING POLICIES

1 1 Basis of consolidation
The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (together known as the Group) as at and for the years ended 31 December 2013 and 2012 The financial statements of material subsidiaries are prepared for the same reporting year as the Bank using consistent accounting policies Adjustments are made to bring into line any dissimilar accounting policies that may exist All material intra-group balances transactions income and expenses and profits and losses resulting from intra-group transactions are eliminated in full on consolidation
Subsidiaries are fully consolidated from the date on which control is transferred to the Group Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal as appropriate
No income statement is presented for the Bank as permitted by section 408 of the Companies Act 2006
The principal subsidiaries are set out in note 14

Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis as modified for the remeasurement at fair value of trading and available-for-sale financial assets and all derivatives In addition as more fully discussed below in notes 1 3 (g) and (h) assets that are fair value hedged are adjusted to the extent of the fair value of the risk being hedged The consolidated financial statements are presented in US Dollars which is the Group s functional currency and all values are rounded to the nearest thousand (US Dollar thousand) except where otherwise indicated
The US Dollar / Sterling foreign exchange rate applicable as at the reporting date was 1 64855

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and as adopted by the EU and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and in accordance with the special provisions of Part IV [Section 6 Part 2] of the Companies Act 2006 relating to banking companies

New Standards and Interpretations issued but not yet effective
The following new Standards and amendments have been issued by the IASB but are not yet mandatory for the year ended 31 December 2013

- IAS 39 Novation of Derivatives and continuation of Hedge accounting Amendments to IAS39 effective for annual periods commencing 1 January 2014
- IFRS 9 Financial Instruments Hedge accounting the mandatory effective date is not yet specified
- Investment Entities - (Amendments to IFRS 10 IFRS 12 and IAS 27) effective for annual periods commencing 1 January 2014
- IAS 32 Offsetting Financial Assets and Financial Liabilities Amendments to IAS 32 effective for annual periods commencing 1 January 2014

The management is considering the implications of these standards and amendments their impact on the Group s financial position and results and the timing of their adoption by the Group

New Standards and Interpretations issued and are effective
(i) The Group has adopted the following new and amended International Accounting Standards / International Financial Reporting Standards as of 1 January 2013

IAS 19 (Revised 2011) Employee Benefits effective for annual periods commencing 1 January 2013
The Group 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 and loss

- streamline the presentation of changes in assets and liabilities arising from defined benefits plans including requiring remeasurements to be presented in other comprehensive income (OCI).

- enhance 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 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 29

(ii) The Group has adopted the following new and amended International Accounting Standards / International Financial Reporting Standards as of 1 January 2013 did not have any impact on the financial position or performance of the Group

IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IAS 28 Investments in Associates and Joint Ventures

(iii) The Group has adopted the following new and amended International Accounting Standards / International Financial Reporting Standards as of 1 January 2013 and necessary additional disclosures arising from the adoption of these Standards have been made in the consolidated financial statements

IAS 1 Financial Statements Presentation
IFRS 12 Disclosure of Interest in Other Entities
IFRS 13 Fair value Measurement

1 2 Significant accounting judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of income expenses financial assets liabilities the accompanying disclosures and disclosure of contingent liabilities Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods

Judgements

Judgements are made in the classification of available-for-sale held-for-trading and held to-maturity investments based on management s intention at the acquisition of the financial asset. Judgements are also made in the determination of the objective evidence that a financial asset is impaired

Estimates

Pension plan

Estimates and assumptions are used in determining the Groups pension liabilities The cost of the defined benefit pension plan and other post employment medical benefits and the present value of pension obligations are determined using actuarial valuations An actuarial valuation involves making various assumptions that may differ from actual developments in the future These include the determination of the discount rate future salary increases mortality rates and future pension increases

Impairment losses on loans and advances, non-trading investments and other assets

Estimates are made regarding the amount and timing of future cash flows when measuring the level of provisions required for non-performing loans portfolios of performing loans with similar risk characteristics where the risk of default has increased as well as for provisions for non-trading investments and other assets These are more fully described in note 1 3 (g) and note 11

Fair value of financial instruments

Estimates are also made in determining the fair values of financial assets and derivatives that are not quoted in an active market. Such estimates are necessarily based on assumptions about several factors involving varying degrees of uncertainty and actual results may differ resulting in future changes in such provisions
The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience

1 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and Bank financial statements are set out below These policies have been consistently applied to all the years presented

(a) Investments in associates and joint venture

Associate companies are companies in which the Group exercises significant influence but does not control Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies The Group classifies an investment as joint venture" when it is a party to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture Investments in associate companies and joint ventures are accounted for using the equity method

(b) Foreign currency translation

(i) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange prevailing on the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date Any resulting exchange differences are included in "trading income - net" in the consolidated income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions Non-monetary available-for sale investments measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value is determined and the differences are included in other comprehensive income as part of the fair value adjustment of the respective items unless these items are part of trading securities as explained in note 1 3 (c) (iii) or are part of an effective hedging strategy in which case it is recorded in the consolidated income statement.

(ii) Group companies

Assets and liabilities of foreign subsidiaries whose functional currency is not US Dollars are translated into US Dollars at the rates of exchange prevailing at the balance sheet date Income and expense items are translated at exchange rates prevailing at each month end as an approximation for the rate at the date of the transaction

(c) Financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics All financial instruments are initially recognised at the fair value of consideration given including acquisition costs associated with the investment except in the case of trading securities the acquisition costs of which are expensed Premiums and discounts are amortised on a systematic basis to maturity using the effective interest method and taken to interest income or interest expense as appropriate

(i) Date of recognition

All "regular way" purchases and sales of financial assets are recognised on the settlement date i e the date that the Group receives or delivers the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place
The Group accounts for any changes in the fair value of the asset to be received during the period between the trade date and the settlement date in the same way as it accounts for the acquired asset. The change in fair value is recognised in the consolidated income statement for assets classified as "trading securities" and it is recognised in equity for assets classified as available-for sale The change in value is not recognised for assets carried at cost or amortised cost.

(ii) Treasury bills and deposits with central banks
Treasury bills and deposits with central banks are initially recognised at cost Premiums and discounts are amortised on a systematic basis to their maturity

(iii) Trading securities
A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of generating profit from short term fluctuations in price Trading securities are initially recognised at cost, being the fair value of the consideration given and are subsequently measured at fair value Resultant unrealised gains and losses arising from changes in fair value are included in the consolidated income statement under trading income net" while dividend income is recorded in "dividend income" when the right of the payment has been established

(iv) Held-to-maturity
Non-trading investments with fixed or determinable payments fixed maturities and which the Group has the intention and ability to hold till maturity are classified as held to-maturity After initial recognition these are subsequently measured at amortised cost using the effective interest rate method less allowance for impairment The losses arising from impairment of such investments are recognised in the consolidated statement of income

(v) Deposits with banks and other financial institutions and loans and advances
Deposits with bank and other financial institutions and Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market After initial recognition these are subsequently measured at amortised cost using the effective interest rate method adjusted for effective fair value hedges less any amounts written off and provision for impairment The losses arising from impairment of these assets are recognised in the consolidated income statement in "provision for losses on loans and advances non-trading investments and other assets net" and in an impairment allowance account in the consolidated balance sheet Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate The amortisation is included in "interest income in the consolidated income statement

(vi) Available-for sale
Non-trading investments that are not classified as held to-maturity held for trading or loans and advances are classified as available-for sale After initial recognition available-for-sale investments are remeasured at fair value

Unless unrealised gains and losses on remeasurement to fair value are part of an effective hedging relationship they are reported as a separate component of equity until the investment is sold settled or otherwise disposed of or the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement for the period
Any gain or loss arising from a change in fair value of available-for sale investments which are part of an effective hedging relationship is recognised directly in the consolidated income statement to the extent of the changes in fair value being hedged

(vii) Derivatives
Changes in fair values of the derivatives held for trading are included in the consolidated income statement under "trading income-net" Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value, when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried as held for trading The change in fair value of such embedded derivatives is recognised in the consolidated income statement.

(viii) Reverse repurchase and Repurchase agreements
Reverse repurchase agreements are a form of lending whereby the Group provides a loan or cash collateral in exchange for the transfer of collateral generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future Repurchase agreements are when the Group obtains such loans or cash collateral in exchange for the collateral
In accounting for reverse repurchase agreements the securities purchased are not included on the balance sheet because the group does not acquire the risks and rewards of ownership Consideration paid is accounted for as a loan asset at amortised cost. Similarly for a repurchase agreement the securities sold are retained on the balance sheet as the group retains the risks and rewards of ownership Consideration received is accounted for as a financial liability at amortised cost.

(ix) Deposits Syndicated loans and Subordinated liabilities
These financial liabilities are carried at amortised cost less amounts repaid

(d) Derecognition of financial assets and financial liabilities

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where

the rights to receive cash flows from the asset have expired

the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass through arrangement or

the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged cancelled or expires

(e) Determination of fair value

The fair value of financial instruments that are quoted in an active market is determined by reference to market bid and offer prices respectively at the close of business on the balance sheet date

The fair value of liabilities with a demand feature is the amount payable on demand

The fair value of interest bearing financial assets and liabilities that are not quoted in an active market and are not payable on demand is determined by a discounted cash flow model using the current market interest rates for financial instruments with similar terms and risk characteristics

For equity investments that are not quoted in an active market, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument that is substantially similar or is determined using net present value techniques

Investments in funds are stated at net asset values provided by fund managers less a liquidity discount

The fair value of unquoted derivatives is determined either by discounted cash flows or option-pricing models

(f) Forbearance

The Bank will consider forbearance or similar repayment programmes on a case by case basis to assist customers who are temporarily in financial difficulty and unable to meet the contractual repayments under their original agreement Loans whose original terms have been modified including those subject to forbearance strategies are considered renegotiated loans Such renegotiations provide objective evidence of impairment and the loan is assessed accordingly and as such individual impairment recognition is accelerated compared to those under normal contractual policy The Bank currently has no material forbearance programs in place with any of its customers

(g) Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is any objective evidence that a specific financial asset or a group of financial assets may be impaired If such evidence exists the estimated recoverable amount of that asset or a group of assets is determined and any impairment loss based on the net present value of future anticipated cash flows is recognised in the consolidated income statement and credited to an allowance account. In the case of equity investments impairment is reflected directly as a write down of the financial asset. Impairment losses on equity investments are not reversed through the consolidated income statement while any subsequent increases in their value are recognised directly in equity

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider indications that a borrower or issuer will enter bankruptcy the discrepancies of an active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group In addition for an investment in an equity security a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The net present value of the estimated future cash flows for loans and other interest bearing financial assets is discounted at the financial asset's original effective interest rate If a loan has a variable interest rate the discount rate for measuring any impairment loss is the current effective interest rate The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral whether or not foreclosure is probable

In addition to specific provisions against individually significant financial assets the Group also makes collective impairment provisions on groups of financial assets which although not identified as requiring a specific provision have a greater risk of default than the risk at initial recognition Financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors ability to pay all amounts due according to the contractual terms and the collective impairment provision is estimated for any such group where credit risk characteristics of the group of financial assets has deteriorated Factors such as any deterioration in country risk, industry technological obsolescence as well as identified structural weaknesses or deterioration in cash flows are where relevant, taken into consideration and the amount of the provision is based on the historical loss pattern within each group adjusted to reflect current economic changes

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group If in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered the recovery is credited to the 'provision for losses on loans and advances non-trading investments and other assets - net' in the consolidated income statement.

(h) Hedge accounting

The Group enters into derivative instruments including futures forwards swaps and options to manage exposures to interest rates and foreign currency risks including exposures arising from forecast transactions In order to manage particular risks the Group applies hedge accounting for transactions which meet the specified criteria Derivatives held for hedging purposes are stated at fair value

At inception of the hedge relationship the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk management objectives and strategy for undertaking the hedge The methods that will be used to assess the effectiveness of the hedging relationship form part of the Group s documentation

Also at the inception of the hedge relationship a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item Hedges are formally assessed at each reporting date A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset in a range of 80% to 125% For situations where that hedged item is a forecast transaction the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement

For the purposes of hedge accounting hedges are classified into two categories (i) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability and (ii) cash flow hedges which hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction

(i) Fair value hedges

For fair value hedges which meet the conditions for hedge accounting any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the consolidated income statement. The hedged item is adjusted for fair value changes relating to the risk being hedged and the difference is recognised in the consolidated income statement

If the hedging instrument expires or is sold terminated or exercised or where the hedge no longer meets the criteria for hedge accounting the hedge relationship is terminated For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the value at which it would have been carried without being hedged is amortised over the remaining term of the original hedge If the hedged item is derecognised the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

(ii) Cash flow hedges

For cash flow hedges which meet the conditions for hedge accounting the portion of the gain or loss on the hedging instrument which is determined to be an effective hedge is recognised initially in equity The ineffective portion of the gain or loss if any on the hedging instrument is recognised immediately in the consolidated statement of income as "trading income net" The Group had no cash flow hedges in place during the year

The gains or losses on effective cash flow hedges recognised initially in equity are either transferred to the consolidated statement of income in the period in which the hedged transaction impacts the consolidated statement of income or included in the initial measurement of the related asset or liability

For hedges which do not qualify for hedge accounting any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the consolidated income statement for the year

Hedge accounting is discontinued when the hedging instrument expires or is sold terminated or exercised or no longer qualifies for hedge accounting In the case of cash flow hedges the cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs unless the hedged transaction is no longer expected to occur in which case the net cumulative gain or loss recognised in equity is transferred to the consolidated income statement for the year

(i) Offsetting financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a currently enforceable legal right to offset the recognised amounts and the Group intends to settle on a net basis

(j) Property plant and equipment

Property plant and equipment is stated at cost, less accumulated depreciation
Depreciation of buildings and other premises and equipment is provided on a straight line basis over their estimated useful lives
The estimated useful lives of the assets for the calculation of depreciation are as follows
-Leasehold improvements - over the period of the lease
- Other assets - 2 to 5 years

(k) Revenue recognition

(i) Interest

Interest income on loans and advances is credited to the consolidated income statement on an accrual basis unless the collection of principal or interest is deemed non-recoverable in which case interest accrual is suspended Interest income from financial assets is calculated using the effective interest yield method

(ii) Fees and commissions

Fees and commissions that constitute remuneration for risk are taken to the consolidated income statement over the duration of the risk Front end fees net of direct costs are charged to cover the costs of a continuing service to a borrower and are recognised over the life of the related advance Other front-end fees are accounted for on a cash basis Fund management fees are credited to the income statement on an accruals basis as services are provided

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established

(iv) Operating leases

Rentals receivable and payable under operating leases are charged in the consolidated income statement on a straight line basis over the lease term.

(v) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker The chief operating decision maker has been identified as the Management Committee including the Chief Executive Officer and Deputy Chief Executive Officers

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with central banks excluding mandatory reserve deposits together with those deposits with banks and other financial institutions and treasury bills having an original maturity of three months or less

(m) Provisions

Provisions are recognised when the Group has a present obligation arising from a past event, and the costs to settle the obligation are both probable and able to be reliably estimated

(n) Employee benefits

Defined benefit pension plan

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched so far as possible to the service lives of the employees concerned Remeasurements of the net defined benefit liability which comprise actuarial gains or losses the return on plan assets (excluding interest) and the effect of the asset ceiling (if any) excluding interest) are recognised immediately in OCI

Defined contribution plans

Ahli United Bank (UK) PLC also operates a defined contribution plan the costs of which are recognised in the period to which they relate

(o) Taxation

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the reporting date where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax except that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse based on tax rates and laws enacted or substantively enacted at the reporting date

(p) Fiduciary assets

Assets held in trust or in a fiduciary capacity (note 28) are not treated as assets of the Group and accordingly are not incorporated in the consolidated balance sheet.

(q) Financial guarantees and loans commitments

In the ordinary course of business the Group gives financial guarantees consisting of letters of credit, guarantees and acceptances Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss that is incurred because a specified holder fails to make payments when due in accordance with the terms of a debt instrument. Loans commitments are firm commitments to provide credit under pre-specified terms and conditions

Financial guarantees are initially recognised in the consolidated financial statements at fair value, adjusted for transactions costs that are directly attributable to the issuance of the guarantee Subsequent to initial recognition the Groups liability under each guarantee is measured at the higher of the amortised commission and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee

2 SEGMENT INFORMATION

The Group s income during the year related solely to banking activities
For management purposes the Bank is organised into three major business segments

- Retail banking principally handling individual customers deposit and current accounts providing consumer loans residential mortgages overdrafts credit cards and fund transfer facilities
- Corporate banking (including treasury and investments) principally handling loans and other credit facilities and providing money market and treasury services as well as management of the Bank s funding
- Private banking and wealth management principally servicing high net worth clients through a range of investment products funds credit facilities trusts and alternative investments

Transactions between segments including intersegmental interest charges are conducted at approximate market rates on an arm s length basis

Segment information for the year ended 31 December 2013 is as follows

	RETAIL BANKING $000	CORPORATE BANKING $000	PRIVATE BANKING $000	TOTAL $000
Net interest income	8 896	27 185	10 646	**46 727**
Net fee income	1,926	2 220	12 691	**16,837**
Other income / (expense)		9 950	(85)	**9,865**
	10,822	39 355	23 252	**73,429**
Impairment recoveries	1	4 580	-	**4 581**
Net operating income	10 823	43 935	23 252	**78,010**
Operating expenses	(3 917)	(8 658)	(17 002)	**(29,577)**
Profit before tax	6 906	35 277	6 250	**48,433**
Income tax expense	(1 119)	(5 086)	(1 012)	**(7,217)**
Profit after tax	5 787	30 191	5 238	**41,216**
Segmental assets	601 920	3 017 262	498 419	**4,117,601**
Unallocated assets				**34,343**
Total assets				**4 151,944**
Segmental liabilities	999	1 629 539	2 133 159	**3,763,697**
Unallocated liabilities				**90,979**
Total liabilities				**3 854,676**

Segment information for the year ended 31 December 2012 (Restated) is as follows

	RETAIL BANKING $000	CORPORATE BANKING $000	PRIVATE BANKING $000	TOTAL $000
Net interest income	14 451	25 609	12 552	**52 612**
Net fee income	1 375	2 845	12 863	**17 083**
Other income / (expense)		6 839	(85)	**6,754**
	15 826	35 293	25 330	**76,449**
Impairment (charges) / recoveries	245	(361)	-	**(116)**
Net operating income	16 071	34 932	25 330	**76,333**
Operating expenses	(3 638)	(7 890)	(15 663)	**(27,191)**
Profit before tax	12 433	27 042	9 667	**49,142**
Income tax expense	(3 233)	(7 020)	(2 513)	**(12 766)**
Profit after tax	9 200	20 022	7 154	**36,376**
Segmental assets	627 686	2 273 136	490 925	**3 391,747**
Unallocated assets				**42 314**
Total assets				**3 434,061**
Segmental liabilities	1,233	1 410 727	1 660 501	**3 072,461**
Unallocated liabilities				**101,963**
Total liabilities				**3,174,424**

2 SEGMENT INFORMATION (continued)

Interest is analysed on a net basis above as this is the key interest performance indicator for each segment.
Unallocated assets / liabilities comprise derivative financial instruments tax fixed assets and retirement benefit scheme related balances and prepayments accrued income and other assets / accruals deferred income and other liabilities as shown on the Group Balance Sheet
Interest income is analysed by geographic area in note 3

3 NET INTEREST INCOME

	2013 $000	2012 $000
Non-trading investments	22 645	21 293
Deposits with banks and other financial institutions	23 256	24 787
Loans and advances	54 765	62,713
Interest income	100,666	108 793
Deposits from banks and other financial institutions	32,528	32 471
Customer deposits	21 212	22 493
Syndicated loan		902
Subordinated liabilities	199	315
Interest expense	53 939	56 181
Net interest income	46 727	52 612

Interest income is analysed by geographic area as follows

	EUROPE (excl UK) $000	GULF COOPERATION COUNCIL $000	UNITED KINGDOM $000	UNITED STATES OF AMERICA $000	OTHER $000	TOTAL $000
Interest income						
2013	35 521	7,138	47 526	234	10,247	100,666
2012	33 983	9 192	48 089	314	17,215	108 793

4 OTHER OPERATING INCOME

	2013 $000	2012 $000
(Loss) / Profit on sale of available-for sale investments and related hedging instruments	(7)	225
Income arising on other fund investments	6 077	5 533
	6 070	5 758

5 STAFF COSTS

	2013 $000	2012 $000 Restated
Staff cost		
wages and salaries	12 076	10 658
- social security costs	1 331	1 212
- other pension costs	1 714	913
- other staff costs	685	445
	15 806	13,228

The average monthly number of employees during the year was 99 (2012 97)

6 PROFIT BEFORE TAX

	2013 $000	2012 $000
Profit before tax is stated after crediting		
Income from listed securities	22 645	21 293
Income from leased properties	110	111
Fee income from net fund management and performance fees	6,395	6 898
Fee income from trust and other fiduciary activities	1 926	1 914
and after charging		
Directors remuneration	2,229	2,050
Auditor's remuneration		
group statutory audit fee	268	295
audit related assurance services	82	117
taxation compliance services		62
Depreciation	976	1 031
Operating lease rentals	2 040	1 993

Payments of $63 000 have been made to the defined contribution scheme in respect of three Directors The emoluments of the Directors do not include any amounts in respect of the share based payment scheme The emoluments include all fees and expenses and are stated gross before the deduction of UK income tax The pension costs of the highest paid director were $25 000

The emoluments of the highest paid director in 2013 were $472 000 (2012 $440 000)

Included within operating expenses were	2013 $000	2012 $000 Restated
Staff costs note 5	15,806	13 228
Depreciation	976	1 032
Other operating expenses	12 795	12 931
	29 577	27 191

7 INCOME TAX EXPENSE

	2013 $000	2012 $000 Restated
Current tax expense UK corporation tax on profits for the year	11 106	12 597
UK corporation tax relating to previous years	(4,049)	-
Deferred tax charge origination and reversal of temporary differences	160	169
Income tax expense	7,217	12 766

	2013 $000	2012 $000
Profit before tax	48 433	49 142
		Restated
Multiplied by the average rate of corporation tax in the UK of 23 25% (2012 24 5%)	11,261	12 040
Effects of		
Expenses not deductible for tax purposes	733	726
Income not subject to tax	(728)	-
UK corporation tax relating to previous years	(4 049)	
Income tax expense	7,217	12 766

The effective income tax rate for 2013 is 14 9% (2012 26 1%)

The tax debit relating to available-for-sale investment profits is $3 2 million (2012 $7 4 million tax credit)

8 LOANS AND ADVANCES TO BANKS

GROUP AND BANK	2013 $000	2012 $000
Repayable		
- on demand	1 299,222	766 929
- within three months	165 000	29 999
	1 464,222	796 928

	2013 $000	2012 $000
Included within the above amounts		
Amounts due from parent and fellow subsidiary undertakings	32,083	1 582

9 REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

GROUP AND BANK	2013 $000	2012 $000
Reverse repurchase agreements		
Banks	15 000	231 132

	2013 $000	2012 $000
Included within the above amounts		
Amounts due from parent and fellow subsidiary undertakings	15 000	231 132

GROUP AND BANK	2013 $000	2012 $000
Repurchase agreements		
Banks	15 204	289 601

	2013 $000	2012 $000
Included within the above amounts		
Amounts due to parent and fellow subsidiary undertakings	15 204	231 034

10 LOANS AND ADVANCES TO CUSTOMERS

GROUP AND BANK	2013 $000	2012 $000
Repayable		
on demand	15 691	18 924
within three months	103 151	73 512
between three months and one year	182 055	85 873
between one and five years	777 226	746 031
after five years	546 397	726 078
Provisions (note 11)	(27,197)	(41 028)
	1,597,323	1 609 390

	2013 $000	2012 $000
Included within the above amounts		
Amounts due from fellow subsidiary undertakings		-

11 PROVISIONS FOR LOSSES ON LOANS AND ADVANCES, IMPAIRMENT OF NON-TRADING INVESTMENTS AND OTHER ASSETS - NET

Loans and advances to banks customers and non-trading investments are stated net of the following provisions

GROUP AND BANK	SUSPENDED INTEREST $000	PROVISIONS $000	TOTAL $000
At 1 January 2013	4 014	37 014	41,028
Applied against non-trading investments	-	6 638	6,638
Applied in writing off advances	(2 901)	(12 857)	(15 758)
Exchange rate movements	51	18	69
Provision release for the year	-	(13 003)	(13,003)
Charge during the year	-	10 971	10 971
Recoveries during the year	-	(2 748)	(2,748)
At 31 December 2013	1,164	26,033	27 197
Of which			
In respect of loans and advances to customers (note 10)			27 197
Release for provisions against loans and advances to banks and customers			(4 780)
Provision charge against investments in group undertakings			199
Provision release for the year			(4,581)

The net carrying amounts for specific impaired exposures were $10 856 000 (2012 $11 392 000).

12 NON-TRADING INVESTMENTS

GROUP AND BANK	GROUP 2013 $000	GROUP 2012 $000	BANK 2013 $000	BANK 2012 $000
Non-trading investments issued by Other Issuers				
Central and Local Government	479 172	201 716	479 172	201 716
Banks and Building Societies	337 787	340 543	337 787	340 543
Other	218,599	209 824	218 599	209 824
	1 035 558	752 083	1 035 558	752 083

Non-trading investments analysed by maturity				
Due within one year	384,877	19 052	384,877	19 052
Due after one year	650 681	733 031	650 681	733,031
	1,035,558	752 083	1,035,558	752 083
Non-trading investments analysed by listing status				
Listed	992,289	716 522	992 289	716 522
Unlisted	43,269	35 561	43 269	35 561
	1 035,558	752 083	1,035,558	752 083
Non-trading investments analysed by IFRS 7 fair value hierarchy				
Level 1	992,289	716 522	992,289	716 522
Level 3	43 269	35 561	43 269	35 561
	1,035,558	752 083	1,035,558	752 083

For derivatives financial instruments the fair value hierarchy has been disclosed in note 26

(a) Although Group companies may act as the general partner and the manager of certain funds they act in a fiduciary capacity and so the investments in those funds are included as other fund investments
(b) A liquidity discount of $7 655 000 (2012 $6 638 000) was held against non-trading investments Level 3

The movements for non-trading investments Level 3 are as follows	Fair value 2013 $000
At 1 January 2013	35 561
Currency translation differences	791
Additions	4 792
Repayments	(7 490)
Revaluation	9 615
At 31 December 2013	43 269

13 INVESTMENTS IN A JOINT VENTURE

The Group has a 50% interest and a 35% share in profits of Rosefarm Estates PLC a jointly controlled entity involved in the property development, mainly centred on the eurokent business park in Thanet, Kent. The Group's interest in Rosefarm Estates PLC is accounted for using the equity method in the group financial statements

	GROUP 2013 $000	GROUP 2012 $000
Assets	12,433	6 418
Liabilities	(3,263)	(6 256)
Equity	9 170	162

Proportion of Group ownership	50%	50%
Proportion of Group share of profit after tax	35%	35%
Carrying amount of Investment	3,210	81

	2013 $000	2012 $000
Revenue	14 507	320
Expenses	(3,201)	(320)
Tax	(2,365)	
Profit after tax	8 941	
Group share of profits after tax	3 129	

14 INVESTMENTS IN GROUP UNDERTAKINGS

BANK	2013 $000	2012 $000
Shares at cost	198	398

The following are the principal subsidiaries All operating entities are engaged in the provision of financial services

Name	Country of incorporation	Percentage holding
IIBU II Fund PLC	Ireland	100%
AUB Finance BV	The Netherlands	100%

A significant portion of the investment balance relates to IIBU II Fund PLC with a carrying value of $119 000 at 31 December 2013 (2012 $319 000)
During 2013 the Group has recognised an impairment of $199 000 in relation to the cost of investment in IIBU II Fund PLC

15 PROPERTY, PLANT AND EQUIPMENT

GROUP AND BANK	LEASEHOLD IMPROVEMENTS $000	FIXTURES FITTINGS AND EQUIPMENT $000	TOTAL $000
Cost			
At 1 January 2013	5 940	16 970	22 910
Additions		598	598
At 31 December 2013	5 940	17 568	23 508
Depreciation			
At 1 January 2013	3 172	14 667	17 839
Charge for the year	263	713	976
At 31 December 2013	3 435	15,380	18,815
Net book value at 31 December 2013	2 505	2 188	4 693
Net book value at 1 January 2013	2 768	2 303	5 071
Cost			
At 1 January 2012	5 940	16 128	22 068
Additions		842	842
At 31 December 2012	5 940	16 970	22 910
Depreciation			
At 1 January 2012	2 909	13 899	16 808
Charge for the year	263	768	1 031
At 31 December 2012	3 172	14 667	17 839
Net book value at 31 December 2012	2 768	2 303	5 071
Net book value at 1 January 2012	3 031	2 229	5 260

16 TAXATION

GROUP	2013 $000	2012 $000 Restated
Current tax liability	(9,560)	(6 835)
Deferred tax asset	1 910	5 631
	(7 650)	(1 204)

BANK	2013 $000	2012 $000 Restated
Current tax liability	(9,560)	(6 835)
Deferred tax asset	1 910	5 631
	(7 650)	(1 204)

GROUP AND BANK	2013 $000	2012 $000 Restated
Deferred tax asset at 1 January	5 631	3 817
Effect of decrease tax rate	(277)	(440)
Deferred tax credit	117	271
Deferred tax charge for the year	(160)	(169)
Deferred tax (charge) / credit in reserves	(3,561)	1 983
Deferred tax asset at 31 December	1 910	5 631

GROUP AND BANK Deferred Tax asset	2013 $000	2012 $000 Restated
Decelerated capital allowances	(82)	407
Timing differences provisions	275	158
Pension fund	1 717	5 066
	1,910	5 631

The 2012 comparatives were restated in accordance with IAS19 (Revised 2011) Employee Benefits.

Deferred tax is calculated on temporary differences using the tax rate at which the temporary differences is expected to unwind The Finance Act 2012 reduced the UK corporation tax from 24% to 23% with effect from 1 April 2013 The Finance Act 2013 further reduced the main tax rate to 21% from 1 April 2014 and 20% from 1 April 2015 These changes to the main tax rate had been enacted at the balance sheet date and therefore been reflected in these financial statements.

17 PREPAYMENTS, ACCRUED INCOME AND OTHER ASSETS

		GROUP		BANK
GROUP	2013 $000	2012 $000	2013 $000	2012 $000
Prepayments and accrued income	16 088	17 804	16,088	17 804
Other assets	2 693	2 513	2 693	2 513
	18 781	20 317	18 781	20 317

18 DEPOSITS FROM BANKS

		GROUP		BANK
	2013	2012	2013	2012
	$000	$000	$000	$000
Repayable				
- on demand	13 235	20 317	13 354	20 317
- within three months	-	2 586	-	2 586
- between three months and one year	-	100 000	-	100 000
	13 235	122 903	13 354	122 903

	2013	2012
	$000	$000
Included within the above amounts		
Amounts due to parent and fellow subsidiary undertakings	4 376	114 252

19 CUSTOMER DEPOSITS

		GROUP		BANK
	2013	2012	2013	2012
	$000	$000	$000	$000
Repayable				
on demand	1 580 695	877 545	1 580,695	877 941
within three months	673,242	722 961	673 242	722 961
between three months and one year	673 764	842 107	673 764	842 107
between one and five years	794 944	200 000	794 944	200 000
	3 722 645	2 642 613	3,722 645	2 643 009

	2013	2012
	$000	$000
Included within the above amounts		
Amounts due to fellow subsidiary undertakings (on demand)	2	2

20 ACCRUALS, DEFERRED INCOME AND OTHER LIABILITIES

		GROUP		BANK
	2013	2012	2013	2012
	$000	$000	$000	$000
Accruals and deferred income	23 516	21 269	23 531	21,269
Other liabilities	4 786	2 700	4 706	2 700
	28 302	23 969	28 237	23 969

21 SUBORDINATED LIABILITIES

These borrowings are subordinated to the claims of all other creditors of the Bank

GROUP AND BANK	2013 $000	2012 $000
Sterling loan stock carrying interest at six months LIBOR plus 3/4%	5,958	5 842
Sterling loan stock carrying interest at six months LIBOR plus 3/4% repayable 2016	838	821
Sterling loan stock carrying interest at six months LIBOR plus 3/4% repayable 2013	-	2 597
US$ loan stock carrying interest at six months LIBOR plus 3/4%	5 100	5 100
US$ loan stock carrying interest at six months LIBOR plus 3/4% repayable 2016	717	717
US$ loan stock carrying interest at six months LIBOR plus 3/4% repayable 2013		2 267
The funds provided by these subordinated loans raised by AUB Finance BV have all been lent to the Bank on similar terms but with interest payable at 1/8% over the rates shown		
	12,613	17 344

* The loan stock is redeemable by holders giving notice of five years and one day

22 SHARE CAPITAL AND SHARE PREMIUM

GROUP AND BANK	AUTHORISED 2013 $000	 2012 $000	ISSUED AND FULLY PAID 2013 $000	 2012 $000
Ordinary shares at £1 each (50 000 shares)	80	80	80	80
Ordinary shares at $1 each	500,000	500 000	200,000	200 000
	500 080	500 080	200 080	200 080
Share premium			128	128
			200 208	200 208

23 RESERVES

GROUP	SHARE CAPITAL $000	SHARE PREMIUM $000	OTHER RESERVES $000	RETAINED EARNINGS $000	TOTAL $000
Changes in equity 2013					
At 1 January 2013	200 080	128	7 257	52 172	259 637
Profit for the year				41 216	41 216
Available-for sale investments valuation gains			9 818	-	9,818
Actuarial gains (IAS19 Revised 2011)				6 595	6 595
Total comprehensive income			9 818	47 811	57 629
Dividend paid	-			(20 000)	(20 000)
Currency translation differences	-		-	2	2
At 31 December 2013	200 080	128	17,075	79 985	297,268

GROUP	SHARE $000	SHARE $000	OTHER $000	RETAINED $000	TOTAL $000
Changes in equity 2012 Restated					
At 1 January 2012	200 080	128	(10 815)	71,388	260 781
Pension fund impact of adopting IAS19 (Revised 2011) Employee benefits				(24,615)	(24,615)
At 1 January 2012 - restated	200 080	128	(10,815)	46 773	236 166
Profit for the year				36 376	36 376
Available-for-sale investments valuation gains			18 072	-	18 072
Actuarial gains (IAS19 Revised 2011)				(10,981)	(10,981)
Total comprehensive income			18 072	25 395	43 467
Dividend paid				(20 000)	(20 000)
Currency translation differences	-			4	4
At 31 December 2012	200 080	128	7 257	52 172	259 637

The 2012 comparatives were restated in accordance with IAS19 (Revised 2011) Employee Benefits

23 RESERVES (continued)

BANK	SHARE CAPITAL $000	SHARE PREMIUM $000	OTHER RESERVES $000	RETAINED EARNINGS $000	TOTAL $000
Changes in equity 2013					
At 1 January 2013	200 080	128	7 257	52 172	**259 637**
Profit for the year	-	-	-	38 231	**38 231**
Available-for-sale investments valuation gains	-		9 818		**9 818**
Actuarial gains (IAS19 Revised 2011)		-	-	6 595	**6 595**
Total comprehensive income			9 818	44 826	**54,644**
Dividend paid			-	(20 000)	**(20,000)**
Currency translation differences				2	**2**
At 31 December 2013	200 080	128	17 075	77 000	**294 283**

BANK	SHARE CAPITAL $000	SHARE PREMIUM $000	OTHER RESERVES $000	RETAINED EARNINGS $000	TOTAL $000
Changes in equity 2012 - Restated					
At 1 January 2012	200 080	128	(10 815)	71 388	**260 781**
Pension fund impact of adopting IAS19 (Revised 2011) Employee benefits	-			(24 615)	**(24 615)**
At 1 January 2012 restated	200 080	128	(10 815)	46 773	**236,166**
Profit for the year	-			36 376	**36 376**
Available-for sale investments valuation gains	-		18 072		**18 072**
Actuarial gains (IAS19 Revised 2011)	-			(10 981)	**(10 981)**
Total comprehensive income	-	-	18 072	25 395	**43 467**
Dividend paid	-		-	(20 000)	**(20 000)**
Currency translation differences	-		-	4	**4**
At 31 December 2012	200 080	128	7 257	52 172	**259 637**

The 2012 comparatives were restated in accordance with IAS19 (Revised 2011) Employee Benefits

24 CONTINGENT LIABILITIES

GROUP AND BANK	2013 $000	2012 $000
Guarantees	**13,503**	10 177
	13 503	10 177

To facilitate its day to-day securities settlement operations Ahli United Bank (UK) PLC has given a floating charge on its debt securities portfolio (note 12).

An aged analysis is given below

GROUP AND BANK	2013 $000	2012 $000
within one year	**13 025**	9 708
over five years	**478**	469
	13 503	10 177

24 CONTINGENT LIABILITIES (continued)

Contingent liabilities are analysed by geographic area and industry sector as follows

GROUP AND BANK	2013 $000	2012 $000
Geographic area		
Europe (excluding United Kingdom)	144	167
Gulf Cooperation Council Countries	9,163	8 986
United Kingdom	4 121	808
Other	75	216
	13,503	10 177

	2013 $000	2012 $000
Industry sector		
Manufacturing	-	167
Personal	610	601
Real Estate	18	18
Government	12 875	9 391
	13 503	10 177

25 COMMITMENTS

The amounts shown below are intended to provide an indication of the volume of business transacted and not of the underlying credit or other risks

GROUP AND BANK	CONTRACT OR UNDERLYING PRINCIPAL AMOUNT 2013 $000	2012 $000
Formal standby facilities credit lines and other commitments to lend		
- within one year	106 265	69 812
- between one and five years	70 282	33 294
- over five years	15 434	16 659
	191 981	119 765

Forward and futures contracts outstanding at 31 December 2013 are analysed in note 26
At 31 December 2013 there were $1 374 000 (2012 $1 618 000) contracted capital commitments

Commitments are analysed by geographic region and industry sector as follows

GROUP AND BANK	2013 $000	2012 $000
Geographic region		
Europe (excluding United Kingdom)	66,793	22 381
Gulf Cooperation Council Countries	31,603	35 161
United Kingdom	82,237	55,738
Other	11 348	6 485
	191 981	119 765

GROUP AND BANK	2013 $000	2012 $000
Industry sector		
Finance	29 994	8 189
Manufacturing	6 502	27 451
Personal	46 475	36 374
Real Estate	108 962	38,277
Other	48	9 474
	191,981	119 765

25 COMMITMENTS (continued)

There are outstanding commitments under non-cancellable operating leases which fall due as follows

GROUP AND BANK	2013 $000	2012 $000
-within one year	2 040	1 993
between one and five years	3 467	7 818
-over five years		7 670
	5 507	17 481

Operating lease payments represent rentals payable by the Group for leases of office properties

26 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

The major risks associated with the Bank s and Group s businesses are credit risk liquidity risk operational risk and market risk

Credit Risk

Credit Risk is the risk that companies financial institutions and other counterparties will be unable to meet their obligations to the Group Credit Risk arises principally from lending but also from other transactions involving on and off balance sheet instruments The Risk Committee in conjunction with the Risk Management Department have the responsibility for developing and implementing policies to ensure that all exposures are properly pre-approved measured and controlled With the exception of certain small retail loans all credits are independently pre-approved including for credits above a set limit by the Parent Undertaking s Executive Committee Credit proposals are put through a comprehensive risk assessment which examines the customer's financial condition and trading performance nature of the business quality of management and market position In addition an internal risk rating model scores these quantitative and qualitative factors The credit approval decision is then made and terms and conditions set Exposure limits are based on the aggregate exposure to the counterparty All credit exposures are reviewed at least annually Measurement of credits includes geographic product market and individual counterparty concentration Small loans are not authorised by the parent undertaking

All exposures are checked daily against approved limits independently of each business unit and are reported to the senior management.
The Group s first priority when making loans is to establish the borrower's capacity to repay and not rely principally on security / collateral Where the customer's financial standing is strong facilities may be granted on an unsecured basis but when necessary collateral is an essential credit risk mitigant
Acceptable forms of collateral are defined within the credit risk framework and conservative valuation parameters are also pre-set and regularly reviewed to reflect any changes in market conditions Security structures and legal covenants are also subject to regular review to ensure that they continue to fulfil their intended purpose and remain in line with market practice Guidelines are in place regarding the acceptability of types of collateral and valuation parameters

The principal collateral types are as follows

- mortgages over residential properties
- charges over business assets such as premises plant stock and receivables
- charges over commercial properties being financed and
- charges over financial instruments such as debt securities and equities

The Group monitors the market value of collateral and requests additional collateral when necessary in accordance with the underlying agreement.
Three possession orders were obtained in 2013 $1 8 million (2012 $Nil million)
Arrears policy is strictly controlled The size of the balance sheet is such that it is possible to monitor each individual exposure to evaluate if specific provisions are necessary and adequate A dedicated corporate recovery team within the Risk Management Department provides managerial focus to remedial situations Additionally a collective provision is held to cover any losses where there is objective evidence that losses may be present in components of the financial assets portfolio at the reporting date These have been estimated based on historical patterns of losses in each component the credit ratings allotted to the borrowers and reflecting the current economic climate in which the borrowers operate The majority of lending excluding interbank is secured on assets The main geographical credit exposure is to the UK markets

It is the Group s policy to maintain consistent internal risk ratings across the credit portfolio The credit quality of the portfolio of loans and advances that are neither past due nor impaired can be assessed by reference to the Group s internal credit rating system This facilitates focused portfolio management of the inherent risk across all lines of business

The three credit quality ratings given can be equated to the following risk grades

High Standard	Risk Rating 1 to 4	Undoubted through to Good Credit Risk
Standard	Risk Rating 5 to 6	Satisfactory through to Adequate Credit Risk
Watch list	Risk Rating 7	Watch List Credit Risk

The rating system is supported by various financial analytics and qualitative market information for the measurement of counterparty risk
Loans and advances are further analysed in the tables below into the following categories

Retail	principally individual customers consumer loans residential mortgages and overdrafts
Corporate	principally loans and other credit facilities for corporate and institutional customers Also included are credit facilities to high net worth individuals

26 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

Gross Exposures which are neither past due nor impaired, are analysed by asset class and broad risk categories as follows

2013	HIGH STANDARD GRADE $000	STANDARD GRADE $000	WATCH-LIST $000	TOTAL $000
Loans and advances to banks	1 464 074	148		1,464,222
Derivative financial instruments	5 832			5,832
Reverse repurchase agreements	15 000			15 000
Loans and advances to customers				
Retail	536 239	27 221	4 878	568 338
Corporate	790 196	133 471	11 425	935,092
Investment securities				
Available-for-sale	973 659	61 899	-	1 035 558
Investments in a joint venture	3 210	-	-	3,210
	3,788,210	222 739	16,303	4 027 252

2012	HIGH STANDARD GRADE $000	STANDARD GRADE $000	WATCH-LIST $000	TOTAL $000
Loans and advances to banks	796 512	416		796 928
Derivative financial instruments	11 295			11 295
Reverse repurchase agreements	231 132			231 132
Loans and advances to customers				
Retail	563 868	35 777	7 349	606 994
Corporate	727 739	194 019	4 660	926 418
Investment securities				
Available-for sale	705 359	53 362	-	758 721
Investments in a joint venture	81		-	81
	3 035 986	283 574	12 009	3 331 569

An aged analysis of gross Loans and advances which are past due but not impaired is given below

	RETAIL 2013 $000	CORPORATE 2013 $000	RETAIL 2012 $000	CORPORATE 2012 $000
Less than 30 days	9 579	48 976	22 233	17 217
Between 30 days and 60 days	8 716	8 553	4 739	12 486
Between 60 days and 90 days	7 737	582	6 353	6 890
Greater than 90 days	1 171	7 703	8 330	4 522
	27,203	65 814	41 655	41 115
Collateral	103 885	186 584	57 716	136 469

The collateral comprises residential properties

Gross and net exposures to individually impaired Loans and advances can be analysed as follows

	GROSS 2013 $000	NET 2013 $000	GROSS 2012 $000	NET 2012 $000
Retail	1 266	989	573	12
Corporate	26 807	9 867	33 663	11 380
	28 073	10,856	34 236	11 392
Collateral		19 382		19 320

The collateral held against individually impaired loans comprises commercial and residential properties
Specific provisions and interest in suspense totalling $17 217 000 (2012 $22 844 000) were held against these impaired loans and advances
A collective impairment provision totalling $9 980 000 (2012 $18 184 000) was held against other loans and advances
No individually impaired loans were restructured during the year Interest income includes $253 071 (2012 $221 945) recovered on impaired Loans and Advances

26 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

Net Exposures are analysed by geography as follows

2013	EUROPE (excl UK) $000	GCC COUNTRIES $000	UNITED KINGDOM $000	UNITED STATES OF AMERICA $000	OTHER $000	TOTAL $000
Loans and advances to banks	450 115	117 594	463 831	326 916	105,766	**1,464 222**
Derivative financial instruments	-	233	5 599	-	-	**5 832**
Reverse repurchase agreements	-	15 000	-	-	-	**15 000**
Loans and advances to customers						
Retail	58 745	161 941	250 786	10 187	114 871	**596,530**
Corporate	454 922	33 090	289 958	2 548	220 275	**1,000 793**
Investment securities						
Available-for-sale	200 187	155 619	424 986	11 337	243 429	**1,035,558**
Investments in a joint venture			3 210		-	**3 210**
Contingent liabilities	144	9 163	4 121		75	**13 503**
Commitments	66 793	31 603	82 188	2 416	8 981	**191 981**
	1,230,906	**524 243**	**1 524 679**	**353 404**	**693 397**	**4,326 629**

2012	EUROPE (excl UK) $000	GCC COUNTRIES $000	UNITED KINGDOM $000	UNITED STATES OF AMERICA $000	OTHER $000	TOTAL $000
Loans and advances to banks	202 746	283 539	238 529	68 942	3 172	796 928
Derivative financial instruments	1 485	1 320	8 490	-	-	11 295
Reverse repurchase agreements	-	231 132	-	-	-	231 132
Loans and advances to customers						
Retail	76 180	22 705	370 407	5 206	174 163	648 661
Corporate	434 914	126 916	247 909	199	150 791	960 729
Investment securities						
Available-for sale	200 308	156 616	142 025	14 507	238 627	752 083
Investments in a joint venture	-		81	-	-	81
Contingent liabilities	308	8 986	808	-	75	10 177
Commitments	22 381	35 162	55 737	9	6 476	119 765
	938 322	866 376	1 063 986	88 863	573 304	3 530 851

Net Exposures are analysed by industry as follows

2013	FINANCE $000	MANU-FACTURING $000	PERSONAL $000	REAL ESTATE $000	OTHER $000	TOTAL $000
Loans and advances to banks	1 464 222	-		-	-	**1,464 222**
Derivative financial instruments	5 765	-		-	67	**5 832**
Reverse repurchase agreements	15 000	-		-	-	**15 000**
Loans and advances to customers						
Retail		-	500 889	94 191	1 450	**596 530**
Corporate	9 478	16 819		958 259	16 237	**1 000 793**
Investment securities						
Available-for sale	378 359	45 466		-	611 733	**1,035,558**
Investments in a joint venture				3 210		**3 210**
Contingent liabilities		-	610	18	12 875	**13 503**
Commitments	29 994	6 502	46 475	108 962	48	**191,981**
	1 902 818	**68,787**	**547,974**	**1 164,640**	**642 410**	**4 326 629**

26 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

2012	FINANCE $000	MANU-FACTURING $000	PERSONAL $000	REAL ESTATE $000	OTHER $000	TOTAL $000
Loans and advances to banks	796 928	-		-		796 928
Derivative financial instruments	8 830		330	-	2 135	11 295
Reverse repurchase agreements	231 132	-		-		231 132
Loans and advances to customers						
Retail			438 768	209 503	390	648 661
Corporate	4 768	35 721	65 129	837 284	17 827	960 729
Investment securities						
Available-for sale	385 012	46 857	-		320 214	752 083
Investments in a joint venture	-		-	81	-	81
Contingent liabilities	-	167	601	18	9 391	10 177
Commitments	8 189	27 451	36 374	38 277	9 474	119 765
	1 434 859	110 196	541 202	1 085 163	359 431	3 530 851

Liquidity Risk

Liquidity is managed by the Asset and Liability Committee which ensures the ability of the Group to meet the demands of customers for additional borrowing and to replace existing deposits as they mature both under normal market conditions as well as for a range of board approved mild to extreme stress scenarios A portfolio of highly liquid securities is maintained in order to provide liquidity during times of stress These assets meet criteria set by the PRA under its Liquidity Guidelines At all times the value of these highly liquid assets exceeds a minimal amount set by the PRA based upon its own prescribed stress scenarios

Liquidity policy covers all currencies and specifies the means of monitoring the Groups liquidity adequacy as specified above including the volatility of the deposit base and diversification of funding

Procedures in the event of extreme market conditions are also included as well as responsibilities for reporting and approving reports and limits

The undiscounted contractual cash flows of financial liabilities at the reporting date of both derivative and non-derivative financial instruments are as follows

2013	Within 1 month $000	Within 3 months $000	After 3 months but within 1 year $000	After 1 year but within 5 years $000	After 5 years $000	Total $000	Per Balance Sheet $000
Deposits from banks	13 240		-		-	13,240	13 235
Repurchase agreements			15 226		-	15 226	15 204
Customer deposits	1 884 159	372 757	675 061	795 680	-	3 727 657	3 722 645
Subordinated liabilities	15	29	132	2 217	11,446	13 839	12 613
Total liabilities	**1 897,414**	**372 786**	**690 419**	**797 897**	**11 446**	**3 769 962**	3 763 697
Derivatives inflows	(885)	(1 081)	(3 003)	(19 150)	(3 730)	**(27 849)**	
Derivatives outflows	3 731	10 066	18 467	33 930	1 367	**67 561**	
Total	**1,900,260**	**381,771**	**705 883**	**812 677**	**9 083**	**3,809 674**	

26 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

2012	Within 1 month $000	Within 3 months $000	After 3 months but within 1 year $000	After 1 year but within 5 years $000	After 5 years $000	Total $000	Per Balance Sheet $000
Deposits from banks	22 931	-	100 481	-	-	123 412	122 903
Repurchase agreements	-	-	289 743	-	-	289 743	289 601
Customer deposits	1 347 758	255 476	847 434	197 823	-	2 648 491	2 642 613
Subordinated liabilities	20	40	5 020	2 194	11 325	18 599	17,344
Total liabilities	1 370 709	255,516	1 242 678	200 017	11 325	3,080,245	3 072 461
Derivatives - inflows	(3 206)	(3 655)	(4 396)	(15 801)	(3 447)	(30,505)	
Derivatives - outflows	2 028	6 984	15 277	40 863	4 305	69 457	
Total	1 369,531	258 845	1 253 559	225 079	12 183	3,119 197	

The liability maturities disclosed in the table are contractual the majority of the deposits by customers are expected to be rolled over rather than repaid on the contractual maturity date Consequently the Group assesses the likelihood of repayment of these liabilities when assessing its liquidity

Operational Risk

Operational Risk is the risk that deficiencies in information systems or internal controls result in unexpected business fin ancial and operating losses The identification and control of these risks is managed by the Board of Directors The Bank s Risk Management Department carrie s out a regular review of all operational areas to ensure operational risks are being properly controlled and reported to the Operational Risk Committee
Contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations

Market Risk

Market risk is the risk of potential financial loss that may arise from adverse changes in the value of financial instruments or portfolio of financial instruments due to movements in interest rates foreign exchange rates or other prices and volatilities This risk arises from asset liability mismatches changes that occur in the yield curve foreign exchange rates and changes in volatilities/implied volatilities in the market value of derivatives The Group classifies exposures to market risk into either trading or non-trading portfolios Given the Group s low risk strategy aggregate market risk levels are considered low The Group utilizes Value-at-Risk (VaR) models to assist in estimating potential losses that may arise from adverse market movements in addition to non -quantitative risk management techniques The market risk for the trading portfolio is managed and monitored on a VaR methodology which reflects the inter dependency between risk variables Non-trading portfolios are managed and monitored using stop loss limits and other sensitivity analyses

Currency risk is the risk that the functional currency value of a financial instrument will fluctuate due to changes in forei gn exchange rates
The Group continually monitors its currency risk position and has systems and controls in place that are able to calculate it s foreign currency exposures ALCO has set limits for each currency and exposures are measured against these on a daily basis Any currency risk arising from the G roup s commercial banking and lending activities in the banking book is transferred to and managed within the limits of the trading book

The Group had the following significant net exposures denominated in foreign currencies as at 31 December

	Long / (Short) 2013 $000	Long / (Short) 2012 $000
Bahraini Dinar	6 744	(5 943)
Euro	1 942	657
Great Britain Pound	2 135	(5 133)
Kuwait Dinar	(445)	(245)
Omani Riyal	(151)	178
Other	(593)	1 710

26 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments or the future profitability of the Group

The Group is exposed to interest rate risk within its Treasury operations which is monitored utilising VaR techniques as detailed in the VaR section below Additionally the Group is exposed to interest rate risk in its non-trading book due to mismatches between the repricing dates of assets and liabilities The net exposure is measured daily in terms of the number of equivalent futures contracts in each currency required to hedge the risk This risk is monitored within agreed limits and the exposures at the end of the year in total and by individual currency were minimal

The total interest rate mismatch including the effect of interest rate contracts used for hedging purposes as at the year end is stated in the table below

2013	Effective Interest Rate %	Within 3 months $000	After 3 months but within 6 months $000	After 6 months but within 1 year $000	After 1 year but within 5 years $000	After 5 years $000	Non-interest bearing funds $000	**Total $000**
Assets								
Loans and advances to banks (including cash)	0 1	1 469 637				-	-	**1,469,637**
Reverse repurchase agreements	0 2	15 000				-	-	**15,000**
Loans and advances to customers	3 5	1 501 991		47 441	44 083	-	3 808	**1,597,323**
Non-trading Investments (including a joint venture)	3 4	305 098		122 148	-	565 043	46 479	**1,038 768**
		3 291 726		**169,589**	**44 083**	**565 043**	**50,287**	**4 120 728**
Non-interest earning other assets		-			-	-	31 216	**31 216**
Total assets		**3 291 726**	-	**169 589**	**44 083**	**565 043**	**81 503**	**4 151 944**
Liabilities								
Deposits from banks	0 8	13 235	-		-	-		**13 235**
Customer deposits	0 8	2 883 531	607 873	65 890	165 351	-		**3 722 645**
Repurchase agreements	1 1		15 204		-	-	-	**15 204**
Subordinated liabilities	1 3	-	12 613		-	-	-	**12 613**
		2 896 766	635 690	65 890	165 351	-	-	**3 763 697**
Non-interest bearing other liabilities			-	-	-	-	90 979	**90 979**
Equity shareholders funds			-	-	-		297 268	**297 268**
Total liabilities		**2 896 766**	**635,690**	**65 890**	**165 351**		**388 247**	**4 151 944**
Total assets less total liabilities		**394 960**	**(635 690)**	**103 699**	**(121 268)**	**565 043**	**(306 744)**	-
Off balance sheet items affecting interest rate sensitivity		757 352		(45 956)	(711 396)	-	-	-
Interest rate sensitivity gap		**1 152 312**	**(635,690)**	**57 743**	**(832 664)**	**565,043**	**(306 744)**	
Cumulative interest rate sensitivity gap		**1 152 312**	**516 622**	**574,365**	**(258 299)**	**306 744**		

All derivative instruments held by the Group the effect of which is to alter the interest bases of the portfolio of assets and liabilities are reflected in the above table

Short-term debtors and creditors are included in the above table as non-interest bearing items

26 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

2012	Effective Interest Rate %	Within 3 months $000	After 3 months but within 6 months $000	After 6 months but within 1 year $000	After 1 year but within 5 years $000	After 5 years $000	Non-interest bearing funds $000	Total $000
Assets								
Loans and advances to banks (including cash)	0 2	799 061		-			-	**799 061**
Reverse repurchase agreements	0 2	231 132		-			-	**231 132**
Loans and advances to customers	3 7	1 451 813	45 881	28 309	79 320	396	3 671	**1 609 390**
Non-trading Investments (including a joint venture)	3 4			19 052	531 530	165 940	35 642	**752 164**
		2 482 006	**45 881**	**47 361**	**610 850**	**166 336**	**39 313**	**3,391,747**
Non-interest earning other assets				-			42 314	**42 314**
Total assets		**2 482 006**	**45 881**	**47,361**	**610,850**	**166 336**	**81 627**	**3 434 061**
Liabilities								
Deposits from banks	1 1	22 903	100 000	-			-	**122 903**
Customer deposits	0 8	1 600 506	530 647	314 580	196 880		-	**2 642 613**
Repurchase agreements	1 1		268 987	20 614			-	**289 601**
Subordinated liabilities	1 7		17 344	-			-	**17 344**
		1 623 409	916 978	335 194	196 880		-	**3 072 461**
Non-interest bearing other liabilities							101 963	**101 963**
Equity shareholders funds		-	-				259 637	**259 637**
Total liabilities		**1 623 409**	**916 978**	**335 194**	**196 880**		**361 600**	**3 434 061**
Total assets less total liabilities		**858 597**	**(871 097)**	**(287 833)**	**413 970**	**166 336**	**(279 973)**	**-**
Off balance sheet items affecting interest rate sensitivity		592 522		127 074	(719 596)		-	-
Interest rate sensitivity gap		**1 451 119**	**(871 097)**	**(160 759)**	**(305,626)**	**166 336**	**(279 973)**	
Cumulative Interest rate sensitivity gap		**1 451 119**	**580 022**	**419 263**	**113 637**	**279 973**	**-**	

All derivative instruments held by the Group the effect of which is to alter the interest bases of the portfolio of assets and liabilities are reflected in the above table
Short term debtors and creditors are included in the above table as non-interest bearing items

26 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

VaR

The Group s exposure to market risk is monitored using the VaR methodology of estimating potential losses

VaR is a technique which estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified time horizon and to a given level of confidence VaR is calculated on an historical simulation basis using one-day movements in market rates and prices a 99% confidence level and taking into account the actual correlations observed historically between different markets and rates The one-day movement in market prices is calculated by reference to market data from a 100 trading day history VaR should be viewed in the context of the limitations of the methodology used

These include
- The use of a one-day holding period assumes that all positions can be liquidated or hedged in one day this does not fully capture the market risk arising from times of illiquidity when one-day liquidation or hedging may not be possible
- The use of a 99% confidence measure does not take account of any losses that might occur beyond this level of confidence
  The use of historical data as a proxy for estimating future events may not include all potential events particularly those that are extreme in nature
- Correlations in the future may change from those correlations observed in the past.
  VaR is calculated at the close of business with intra-day exposures not being subject to intra-day VaR calculations

The key VaR positions for the Group are as follows

	Foreign exchange $000	Interest rate $000	Effects of covariance $000	Total $000
At 31 December 2013	36	0	-	36
At 31 December 2012	(3)	74	-	71
Minimum				
2013	6	8	(1)	13
2012	14	(1)	(1)	12
Maximum				
2013	(3)	75		72
2012	79	-	-	79

The Group is therefore confident within a 99% confidence interval that, given the risks as at 31 December 2013 it will not incur a one day loss on its trading book of more than $36 000 (2012 $71 000) based on the VaR model used

The 2013 average daily key VaR positions for foreign exchange and interest rate were $22 000 (2012 $23 000) and $13 000 (2012 $Nil) respectively

Daily VaR is independently checked against board approved VaR limits Furthermore the Group s exposure to interest rate risk is measured daily against limits by currency on a detailed maturity ladder in futures position equivalents Risk is further controlled by an extensive program of stress and scenario testing performed monthly which calculates the profits and losses which would result from a variety of projected interest and exchange rate shifts The VaR futures equivalents and stress/scenario reports are presented to and discussed with the senior management of the Group at monthly Asset and Liability Committee meetings to ensure knowledge and understanding of the Group s positions strategies and resultant risks remain current among all relevant staff

Fair values measurement

The Group uses forward and futures derivative contracts as part of its asset and liability management process to hedge underlying on-balance sheet positions The use of derivatives is controlled through the Group s Risk department which is an independent area of the Group The Risk department is responsible for ensuring that all interest and exchange rate risk is undertaken within the policy guidelines set by the Board and the Asset and Liability Committee

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

Level 1 Quoted (Unadjusted) prices in active markets for identical assets and 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

	2013 $000 Level 1	2013 $000 Level 2	2012 $000 Level 1	2012 $000 Level 2
Derivative assets				
Interest rate swaps	-	5 656		6 272
Forward Exchange contracts	176	-	4 977	-
Options			-	46
Derivative liabilities				
Interest rate swaps		(21,345)	-	(40 255)
Forward Exchange contracts	(2 637)		(5 096)	
Currency swaps	(20,552)		(3 783)	-

There are no financial instruments other than those disclosed in note 12 for non-trading investments that qualify for classification under Level 3 as at 31 December 2013 and 2012 During the year 2013 and 2012 there have been no transfers between Levels 1 2 and 3

26 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

	Within 1 year $000	After 1 year but within 5 years $000	After 5 years $000	Total $000
Contract or underlying principal amount, by maturity				
Exchange rate contracts held for trading purposes				
2013	143 308	-		143 308
2012	477 171	-		477 171
Exchange rate contracts held for hedging purposes				
2013	400 000	237,955	-	637 955
2012	100 000	200 000	-	300 000
Interest rate contracts held for trading purposes				
2013		27 591		27,591
2012		26 378		26 378
Interest rate contracts held for hedging purposes				
2013	196 716	586 907	150 053	933 676
2012	215 422	615 346	170 115	1 000 883
Equity based contracts held for hedging purposes				
2013				-
2012	42 632			42 632
Replacement costs, by maturity				
Exchange rate contracts				
2013	176	-		176
2012	4 977			4 977
Interest rate contracts				
2013	1 990	475	3 191	5,656
2012	256	2 007	4 009	6 272
Equity based contracts				
2013	-	-	-	-
2012	46	-	-	46

	Positive values 2013 $000	Positive values 2012 $000	Negative values 2013 $000	Negative values 2012 $000
Fair values				
Exchange rate contracts held for trading purposes	176	4 977	(2,637)	(5 096)
Exchange rate contracts held for hedging purposes	-	-	(20 552)	(3 783)
Interest rate contracts held for trading purposes	1,329	1 745	(2,019)	(2 436)
Interest rate contracts held for hedging purposes	4 327	4 527	(19 326)	(37 773)
	5 832	11 249	(44 534)	(49 088)
Equity based contracts held for hedging purposes Negative values included with host contract within customer deposits		46	-	(46)
	5 832	11 295	(44 534)	(49 134)

	2013 $000	2012 $000
Credit risk weighted amount		
Exchange rate contracts		
- for trading purposes	1,284	3 313
- for hedging purposes	2,254	2 243
Interest rate contracts		
- for trading purposes	293	375
- for hedging purposes	2 373	2 233
Equity based contracts		
- for hedging purposes		521

26 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

The replacement costs of derivatives can be analysed as follows

	Financial institutions		Non-financial institutions	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Exchange rate contracts				
- for trading purposes	**25**	4 647	**151**	330
- for hedging purposes				-
Interest rate contracts				
- for trading purposes	**1 329**	1 745		-
- for hedging purposes	**3,004**	2 391	**1 323**	2 136
Equity based contracts				
- for hedging purposes	**-**	46		

	OECD		Non- OECD	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Exchange rate contracts				
- for trading purposes	**9**	3 657	**167**	1 320
- for hedging purposes	**-**	-	**-**	
Interest rate contracts				
- for trading purposes	**1,329**	1 745	**-**	
- for hedging purposes	**4 327**	4 527		-
Equity based contracts				
- for hedging purposes		46		-

Gain and losses on financial instruments

Trading income is analysed as follows

	2013	2012
	$000	$000
Treasury	**59**	95
Foreign exchange	**607**	901
	666	996

Treasury profits derive from interest rate futures options FRAs and swaps

Foreign exchange profits derive from spot and forward foreign exchange contracts

Net losses on financial instruments held for hedging purposes and gains on the underlying hedged risk were $11 626 000 (2012 $9 619 000) These derived from interest rate and equity based contracts

Profit on sale of available-for-sale investments and related hedging instruments is detailed in note 4 and provisions against available-for-sale investments are detailed in note 11 These include gains of $Nil (2012 $Nil) which have been recycled from Other Reserves Unrealised gains and losses are included in Other reserves (note 23)

Fair values of other financial instruments

Trading Book

The Group s trading book comprises derivatives All amounts are included in the balance sheet at fair value

Non Trading Book

The fair values of listed and publicly traded securities held for non-trading book purposes (comprising debt securities and fund investments) are disclosed under the relevant balance sheet note

The fair values of other non-trading book balances approximate to their carrying value in the balance sheet where a liquid and active market exists This is because these financial assets and liabilities are largely repriced at regular intervals depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for balances with similar maturities Where the financial instrument pricing includes a fixed rate element, this risk is hedged and valued in accordance with the accounting policy on hedge accounting (note 1 (h) i)

The fair value of financial liabilities is not materially different to their balance sheet value

27 ULTIMATE HOLDING COMPANY

The ultimate holding company of the Bank is Ahli United Bank B S C which is incorporated in Bahrain Copies of the group accounts are available from Ahli United Bank B S C at PO Box 2424 Manama Kingdom of Bahrain

28 MANAGED FUNDS

Funds managed or administered on behalf of customers and to which the Bank does not have legal title are not included in the Bank s balance sheet The value of all such funds managed by the Group at 31 December 2013 was $1 851 000 000 (2012 $1 761 000 000)

29 RETIREMENT BENEFIT OBLIGATIONS

(i) Defined benefits pension plan

The Bank 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 As from 31 March 2010 the scheme was closed with respect to future accruals

The amounts recognised in the balance sheet are as follows.

GROUP AND BANK	2013 $000	2012 $000
		Restated
Present value of scheme s obligations	193 184	178 830
Fair value of plan assets	(184 601)	(156 805)
	8 583	22 025
Unrecognised net actuarial losses		(45 873)
Liabilities / (Assets) in the Balance Sheet	8 583	(23,848)
Pension fund Impact of adopting IAS19 (Revised 2011) Employee benefits		45 873
Liabilities in the Balance Sheet	8 583	22 025

The 2012 comparatives for the retirement benefit obligations were restated in accordance with IAS 19 (Revised 2011) Employee Benefits. Under IAS 19 (Revised 2011) it is a requirement that the net actuarial gains and losses are recognised through other comprehensive income

Under IAS 19 (Revised 2011), the deficit in the Fund as at 31 December 2013 of $8 5 million compared to a deficit of $22 0 million as at 31 December 2012
The 2012 impact of recognising all net actuarial gains and losses was that the full deficit of $22 0 million was recognised compared to the $23 8 million asset recognised under the previous accounting policy The main reasons for the decrease in the deficit over 2013 were

(a) a higher than assumed investment return over the period and
(b) the deficit contributions that have been paid into the Funds over the period partially offset by
(c) the increase in the assumed future inflation which increased the assessed value of the inflation-linked benefits from the Fund

The assets of the scheme were as follows:

GROUP AND BANK	2013 Value $000	2012 Value $000
Equities	130 104	109 764
Bonds	26 921	23 520
Cash	25 721	21 952
Other	1 855	1 569
Total market value of assets	184 601	156 805

The charge recognised in the income statement is as follows

GROUP AND BANK	2013 $000	2012 $000
		Restated
Net interest on net defined liability	870	589
Actual running costs	410	313
Current service cost		51
	1,280	953

The actual returns on plan assets were $22 392 000 (2012 $15 752 000).

Principal Actuarial Assumptions

	2013	2012
Future pension increases	3 2% p.a	2 9% p a
Discount rate	4 7%p.a	4 7%p a
Post-retirement mortality	S1NA_lu12CMI11(1 0%)(03)	S1NA_lu12CMI11(1 0%)(03)

The most recent actuarial valuation as at 1 July 2012 showed assets of $140 3 million reduced by technical provisions of $188 1 million, giving a net deficit of $47 8 million. The deficit contributions were agreed at $509 000 per month until June 2020

Sensitivity of obligations to alternative assumptions	2013 $000
Discount rate	
Effect on defined benefit obligation of a 0 1% decrease	3 627
Inflation	
Effect on defined benefit obligation of a 0 1% increase	
(RPI LCI pension increase and CPI)	1 319
Effect on defined benefit obligation of a CPI deduction of 0 9% below RPI	989
Life expectancy	
Effect on defined benefit obligation of members living 1 year longer	5 440

The duration of liabilities is estimated to be 22 years.

The assets of the pension scheme are held in separate trustee administered funds. The trustee board regularly reviews the investment strategy with the aim of meeting benefit payments as they fall due and maintaining the funding position at an appropriate level subject to an appropriate level of risk. These broad principles have led to the investment strategy below There is no exact matching of assets and liabilities in the form of insurance policies or derivatives

Plan assets	2013 Long term strategy	2013 Current allocation	2013 $000
Equities	70%	70%	130 104
Corporate Bonds	15%	15%	26 921
Gilts	15%	14%	25 721
Other	0%	1%	1,855
	100%	100%	184,601

29 RETIREMENT BENEFIT OBLIGATIONS (continued)

The movement in the fair value of plan assets during the year is as follows

GROUP AND BANK	2013 $000	2012 $000 Restated
At 1 January	156 805	132 174
Exchange rate and other adjustments	4 312	6 688
	161 117	138 862
Actuarial gains on plan assets	14 105	7 964
Interest on plan assets	7 206	7 783
Contributions paid into the plan	6,119	6 193
Benefits paid	(3 535)	(3 684)
Running costs	(411)	(313)
At 31 December	184 601	156 805

The movement in the present value of the scheme s obligations during the year is as follows

GROUP AND BANK	2013 $000	2012 $000 Restated
At 1 January	178 830	146 134
Exchange rate adjustments	3 950	8 129
	182 780	154 263
Employer's part of current Service Cost	-	51
Interest on plan liabilities	8,078	7 732
Actuarial losses	5 861	20 468
Benefits paid	(3 535)	(3 684)
At 31 December	193 184	178 830

The movement in the liability recognised in the Group balance sheet during the year is as follows

GROUP AND BANK	2013 $000	2012 $000 Restated
At 1 January	22 025	13 959
Exchange rate adjustments	(359)	802
	21 666	14 761
Total expenses as above	1 280	953
Contributions by the Group	(6 119)	(6 193)
Actuarial (gains) / losses	(8 244)	12 504
At 31 December	8 583	22 025

The expected contribution to the plan to be paid in the year ending 31 December 2013 is $6 2 million (2012 $6 3 million)

The 2012 figures have been restated under IAS 19 (Revised 2011) for the prior year comparative figures in the 2013 financial statements
The key impact of the IAS 19 (Revised) are

(a) Removal of the expected return on assets and interest cost' components of the pension cost. Instead these are replaced by interest on net defined benefit liability on the balance sheet, calculated using the IAS 19 (Revised) discount rate
(b) Removal of the corridor' option previously used to smooth the impact of gains and losses through profit Removal of this smoothing makes the balance sheet position equal to the IAS 19 (Revised 2011) surplus or deficit in the scheme and therefore more volatile from year to year
(c) Under IAS 19 (Revised 2011) it is required to recognise the net actuarial gains and losses through other comprehensive income
(d) Running costs other than investment management expenses which have previously been accounted for as a deduction to the expected return on on assets are instead reported as a separate cost

GROUP AND BANK	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Present value of scheme s obligations	193 184	178 830	146 134	145 396	148 900
Fair value of plan assets	(184 601)	(156 805)	(132 174)	(127 300)	(112 561)
Deficit at the reporting date	8 583	22 025	13 960	18 096	36 339

(ii) Defined contributions plan

The Bank also operates a defined contribution plan the costs of which are recognised in the period to which they relate
The contribution during the year amounted to $544 000 (2012 $501 000)
The plan participants were the active employees of the Bank

30 RELATED PARTY TRANSACTIONS

The Bank enters into transactions with the parent undertaking fellow subsidiaries fellow associates direct subsidiaries Directors senior management and companies which are controlled jointly controlled or significant influenced by such parties in the ordinary course of business at arm s length All the loans and advances to related parties are performing and free of any provision for loan losses

GROUP AND BANK

2013	Notes	Parent undertaking	Fellow Subsidiaries and Associates	Direct Subsidiaries and Joint Ventures	Directors and senior management	Other related
		$000	$000	$000	$000	$000
Interest and fee income	3	433		26	56	92
Interest and fee expense (a)	3	(643)	(343)			(13,040)
Loans and advances to banks	8	1 657	43 513	-		
Reverse repurchase agreements	9	15 000		-		
Loans and advances to customers	10			1 141	2 784	3 883
Deposits from banks	18	(47)	(4,329)	(119)		-
Repurchase agreements	9	(15 204)		-		-
Customer deposits (a)	19		(2 694)	(7 844)	(1 414)	(1 596 390)
Other liabilities	20			(1 160)		-
Subordinated liabilities (a)	21					(11 059)

(a) The following transactions were related to a major shareholder of the parent undertaking	$000
Interest and fee expense	(13 031)
Customers deposits	(1 577 650)
Subordinated liabilities	(11 059)

(b)The following were classified as fellow and direct subsidiaries and associates respectively
Fellow subsidiaries
Ahli United Bank K S C
Ahli United Bank (Egypt) S.A.E
Tidelink Investments Limited

Fellow Associates
Ahli Bank S.A O G
UBK Private Equity Property
UBK Euro Property LP

Direct subsidiaries
IIBU II Fund PLC
AUB Finance B V

2012	Notes	Parent undertaking	Fellow Subsidiaries and Associates	Direct Subsidiaries and Joint Ventures	Directors and senior management	Other related
		$000	$000	$000	$000	$000
Interest income	3	766		17	159	
Interest expense	3	(1 154)	(164)	-	-	(12 226)
Loans and advances to banks	8	726	1,149	-	-	
Reverse repurchase agreements	9	231 132		-	-	
Loans and advances to customers	10			7 296	6 561	4,175
Deposits from banks	17	(334)	(113 918)	(319)	-	
Repurchase agreements	9	(231 034)				
Customer deposits	18		(2,343)	(252)	(7 640)	(1 176 348)
Other liabilities	19	-		(1 043)		
Subordinated liabilities	21	-			-	(10 942)

(a) The following transactions were related to a major shareholder of the parent undertaking	$000
Interest & fee expense	12 196
Customers deposits	1 156 940
Subordinated liabilities	(10 942)

Key management and personnel remuneration	2013	2012
	$000	$000
Short term employee benefits	1 307	1 178
Post employment benefits	97	84
	1,404	1,262

Details of Directors remuneration are set out in note 6

There are no provisions or impairment on the related party balances

31 CAPITAL ADEQUACY

The primary objectives of the Bank's capital management policies are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value The Bank had complied in full throughout the year with all its externally imposed capital requirements

In order to maintain or adjust the capital structure The Bank may adjust the amount of dividend payment to shareholders or issue capital securities No changes were made to the objectives, policies and processes from the previous years

The Bank is subject to capital requirements imposed by the Prudential Regulatory Authority (PRA) and as such must ensure that it has sufficient capital as defined by the PRA to meet its requirements as set out by the PRA These requirements have been met throughout the year

The surplus capital calculated in accordance with PRA requirements is $46 3 million (2012 $60 8 million) over the Individual Capital Guidance and Capital Planning Buffer

The Group's ordinary shares are classified as equity instruments The Group considers its capital to comprise its ordinary share capital share premium accumulated retained earnings and other reserves There have been no changes in what the Group considers to be capital since the previous period

ADDITIONAL PILLAR III DISCLOSURES - Unaudited

The major risks associated with the Bank s and Group's businesses together with key risk management objectives and policies are detailed in note 26 to the Financial Statements

There are no restrictions to the movement of capital between the legal entities within the statutory accounting group

Capital resources

The called up share capital of the Bank is fully paid Principal terms of the dated subordinated debt are detailed in note 21 to the Financial Statements

	2013 $000	2012 $000
Core tier 1 capital		
Called up share capital	200,080	200 080
Share premium account	128	128
Profit and loss account (verified)	67 839	78 303
	268,047	278 511
Upper tier 2 capital		
Collective provision (restricted)	12,850	20 430
	12 850	20 430
Lower tier 2 capital		
Dated subordinated debt (amortised)	11,991	13 146
	11,991	13 146
Deductions from total capital	(1,422)	(1 595)
	(1,422)	(1 595)
Net available capital	291,466	310,492

Capital requirements

The Bank monitors the adequacy of its capital to support current activities at least monthly against limits which are the equivalent to an additional 4% over the capital requirement imposed on the Bank by the FSA When the actual ratio is close to this limit the capital requirement is calculated on a daily basis Additionally detailed capital adequacy calculations are carried out as part of the budget process with frequently updated forecasts being produced throughout the year Detailed analysis is carried out in order to assess the impact on capital resource requirements of all new products

	2013 $000	2012 $000
Credit risk capital requirement (Standardised approach)		
Central governments or central banks	2 205	2 790
Multilateral development banks	-	-
Institutions	6,019	6 239
Corporates	16,222	19 774
Secured on real estate property	33,174	34 203
Secured on commercial real estate property	28,542	21 854
Past due items	2,729	1,647
Items belonging to regulatory high risk categories	5,431	6 078
Short term claims on institutions and corporates	24,693	18 557
Other items	2,086	3 378
	121 101	114 520
Market risk capital requirement (Standardised approach)		
Interest rate PRR	256	5 765
Foreign currency PRR	948	932
Counterparty risk capital component	306	475
	1,510	7,172
Operational risk capital requirement (Basic indicator approach)	10,511	9 536
	10,511	9 536
Total capital requirement	133,122	131 228

The Bank calculates its credit risk weighted exposure amounts in accordance with the standardised approach The Bank uses external credit assessments provided by Moody's to determine the risk weight of rated counterparties in certain standardised credit risk exposure classes The external rating is mapped to the prescribed quality assessment scale that in turn produces standard risk weightings The standardised credit risk exposure classes for which such external ratings are used are Central governments or central banks Institutions Corporates, and Short term claims on institutions and corporates

ADDITIONAL PILLAR III DISCLOSURES (continued) - Unaudited

Exposure values both before and after credit risk mitigation (CRM) for each credit quality step prescribed by the PRA are as follows

2013	Credit Quality Step	Risk Weight %	Exposure $000	Exposure (after CRM) $000
Central governments or central banks				
	1	-	448 234	448 234
	3	50	30 876	30 876
	Unrated	100	12 119	12 119
			491 229	491 229
Multilateral development banks				
	1	-	182 078	182 078
			182,078	182 078
Institutions				
	1	20	40 868	40 868
	2	50	127 752	127 752
	3	50	6 376	6 376
			174 996	174 996
Corporates				
	1	20	30 781	30 781
	2	50	10 076	10,076
	3	100	134 028	134 028
	4	100	9 966	9 966
	Unrated	100	66 646	47 590
			251 497	232 441
Short term claims on institutions and corporates				
Institutions	1	20	680 287	680 287
	2	20	765 754	765 754
	3	20	16 915	16 915
	Unrated	20	20 261	20 261
Corporates	Unrated	100	12 019	12 014
			1 495 236	1 495 231

2012	Credit Quality Step	Risk Weight %	Exposure $000	Exposure (after CRM) $000
Central governments or central banks				
	1	-	157 364	157 364
	3	50	25 663	25 663
	5	100	13 394	13 394
	Unrated	100	8 649	8 649
			205 070	205 070
Institutions				
	1	20	29 442	29 442
	2	50	125,284	125 284
	3	50	9 731	9 731
	3	100	4 592	4 592
			169 049	169 049
Corporates				
	1	20	35 903	35 903
	2	50	18 402	17 886
	3	100	120,928	120 928
	4	100	4 912	4 912
	6	150	25 636	25 636
	Unrated	100	95 594	66 756
			301 375	272,021
Short term claims on institutions and corporates				
Institutions	1	20	384 017	384 017
	2	20	413,997	413 997
	3	20	232 055	232 055
Corporates	Unrated	100	25 949	25 949
			1 056 018	1 056 018

ADDITIONAL PILLAR III DISCLOSURES (continued) - Unaudited

Counterparty credit risk

The gross positive fair value of derivative contracts is detailed in note 26 to the Financial Statements No advantage is taken of netting agreements or collateral agreements The Group has not entered into any contracts whereby it would be required to provide additional collateral given a downgrade in its credit rating

The measures for exposures values of derivative financial instruments under the Counterparty Credit Risk mark-to-market method are as follows

	2013 $000	2012 $000
Exchange rate contracts		
for trading purposes	**1,537**	16 129
for hedging purposes	**15,898**	11,000
Interest rate contracts		
for trading purposes	**1 467**	1 876
for hedging purposes	**9,511**	7 590
Equity based contracts		
- for hedging purposes	**-**	2,604

The amounts after credit risk weighting are included in note 25 to the Financial Statements

Credit risk

Details regarding the Bank s methodology in assigning credit limits and securing collateral are detailed in note 26 to the Financial Statements

The bank rarely makes use of on and off-balance sheet netting and where this is utilised detailed analysis is carried out in order to ensure that the relevant PRA criteria have been met

Total exposures (before credit risk mitigation) by exposure class and by maturity together with average amounts for the year are as follows

2013	Within 3 months $000	After 3 months but within 1 year $000	After 1 year but within 5 years $000	After 5 years $000	TOTAL $000	AVERAGE $000
Loans and advances to banks	1 464 222	-	-	-	1 464,222	1 190 943
Reverse Repurchase agreements	15 000	-	-	-	15 000	128 472
Derivative financial instruments	176	-	2 902	2 754	5 832	35 634
Loans and advances to customers	101 625	182 055	777 226	536 417	1 597 323	1 584 356
Investment securities						
Available-for-sale	140,302	286 862	539,423	68 971	1,035 558	728 477
Investments in a joint venture	-	3 210	-		3,210	3 210
Contingent liabilities	75	12 950	-	478	13,503	11 601
Commitments	7 003	99 262	70 282	15 434	191 981	149 109
	1 728 403	584 339	1 389 833	624 054	4 326 629	3 831 802

2012	Within 3 months $000	After 3 months but within 1 year $000	After 1 year but within 5 years $000	After 5 years $000	TOTAL $000	AVERAGE $000
Loans and advances to banks	796,928	-	-	-	796 928	1 244 314
Reverse Repurchase agreements	231,132	-	-	-	231 132	219 516
Derivative financial instruments	1 211	4 068	2 007	4 009	11 295	20 698
Loans and advances to customers	69 592	85 873	746 031	707 894	1 609 390	1,712 638
Investment securities						
Available-for-sale		18,971	555 981	177 131	752 083	655 240
Investments in a joint venture		81	-		81	81
Contingent liabilities	75	9 633	-	469	10,177	12 286
Commitments	7 322	62 490	33 294	16 659	119 765	142 284
	1 106 260	181,116	1 337 313	906 162	3 530 851	4 007 057

The above exposures are analysed by geography and industry in note 26 to the Financial Statements

The total exposure value covered by eligible financial collateral by exposure class is

	2013 $000	2012 $000
Loans and advances to customers	**18,910**	29 149
Contingent liabilities	**150**	205
	19 060	29 354

The eligible financial collateral is principally cash

ADDITIONAL PILLAR III DISCLOSURES (continued) - Unaudited

Details of impaired exposure together with related provisions and past due (but not impaired) exposures analysed by geography are

2013	GROSS IMPAIRED $000	SPECIFIC PROVISIONS $000	NET IMPAIRED $000	PROVISION CHARGE/ (CREDIT) $000	PAST DUE $000
Europe (excluding United Kingdom)			-	713	7 505
United Kingdom	28 021	(17,217)	10 804	(4 467)	93
United States of America	52		52	-	
Other	-			-	112
	28 073	(17 217)	10 856	(3 754)	7 710

2012	GROSS IMPAIRED $000	SPECIFIC PROVISIONS $000	NET IMPAIRED $000	PROVISION CHARGE/ (CREDIT) $000	PAST DUE $000
Europe (excluding United Kingdom)		(45)	(45)	(3 627)	1,551
United Kingdom	34 174	(22,799)	11,375	(1 807)	11 049
United States of America	62	-	62	-	-
Other				-	252
	34 236	(22 844)	11 392	(5 434)	12 852

Details of impaired exposure together with related provisions and past due (but not impaired) exposures analysed by industry are

2013	GROSS IMPAIRED $000	SPECIFIC PROVISIONS $000	NET IMPAIRED $000	PROVISION CHARGE $000	PAST DUE $000
Manufacturing		-			
Personal		-			
Real Estate	27 442	(17,134)	10 308	(4 469)	7,710
Other	631	(83)	548	715	
	28 073	(17,217)	10 856	(3 754)	7 710

2012	GROSS IMPAIRED $000	SPECIFIC PROVISIONS $000	NET IMPAIRED $000	PROVISION CHARGE $000	PAST DUE $000
Manufacturing	-	-		(1,294)	-
Personal	82	(101)	(19)	-	-
Real Estate	34 154	(22,716)	11 438	(2 970)	12 852
Other	-	(27)	(27)	(1 170)	-
	34,236	(22 844)	11 392	(5,434)	12,852

Only those loans which have been past due for more than 90 days are treated as past due for the purposes of calculating the Banks minimum capital requirements and in the tables above Identification and treatment of impaired loans together with the methods adopted for determining provisions are detailed in note 1 to the Financial Statements

Operational Risk

The Bank has adopted the Basic Indicator approach for operational risk Under this approach the regulatory capital requirement for operational risk is calculated by applying a co-efficient of 15 per cent to the average gross income for the preceding three financial years

Exposure to interest rate risk in the non-trading book

Details of the nature of this risk and of its measurement by the Bank are included in note 26 to the Financial Statements

Remuneration

The Banks remuneration policy is incorporated into its HR policy which is reviewed by the Board of Directors and the Group Compensation Committee on an annual basis

The total variable amount available is determined firstly by assessing the Banks profitability compared to budget. The employees variable remuneration is based on the results of the annual performance appraisal process The process assesses the financial and non financial attributes of the employees awarding grades which result in a formula driven bonus The resulting awards are then subject to a moderation review by senior management before being presented to the Compensation Committee for further revision and approval

The table below shows the fixed and variable remuneration for code staff based on bonus payments paid during 2013

	Fixed $000	Variable $000	Total $000	Number of Code Staff
Private banking & Wealth Management	3 098	741	3 839	19
Corporate Banking	1 730	439	2 169	10
Total	4,828	1 180	6,008	29
Senior Management	4 828	1 180	6 008	29