



**AHLI BANK SAOG**

**Unaudited interim condensed financial statements  
31 March 2015**

## CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of Directors of Ahli Bank S.A.O.G; I am pleased to present to you the Bank's un-audited Financial Statements for the first quarter ended 31st March 2015. This is based on the condensed interim financial statements which have been reviewed by the external auditors.

### The Bank's Financial Performance:

	31-Mar-15	31-Mar-14	Growth %
Equity	206	181	13.8%
Loans & advances and financing, net	1,468	1,170	25.5%
Customers' deposits	1,126	978	15.1%
Total assets	1,794	1,395	28.6%
Operating income	14.08	12.34	14.1%
Operating expenses	4.76	4.14	15.0%
Profit for the period	6.82	6.05	12.7%

The financial results for the period ended 31<sup>st</sup> March 2015 reflect growth in key areas in line with the bank's business plan and an increase in core earnings.

The Bank's customer deposits have grown by 15.1% in line with the strategy to build a stable low cost deposit base. Loan growth of over 25.5%, has been achieved with a prudent risk management approach and in a diversified manner. Total assets at 31<sup>st</sup> March 2015 stood at 1,794 million showing an increase of 28.6% as compared to the same period last year.

Ahlibank's Operating Income has increased by 14.1% to RO 14.08 million as compared to the same period last year, and Operating Expenses (excluding loan impairment net of recoveries) were controlled at RO 4.76 million resulting in a cost to income ratio of 33.9%. Overall, the Net Profit After Tax increased by 12.7% to RO 6.82 million, as compared to RO 6.05 million during the same period last year.

**Accolades:**

Ahlibank has recently been declared the 'Best Bank' in Oman for the fourth consecutive year as per the OER-Gulf Baader Capital Markets survey of Banks in Oman. Ahlibank's top ranking is based on its overall performance in terms of growth, sustainability, asset quality, productivity and efficiency. This recognition reflects ahlibank's commitments to its clients and the growth and development of business in the Sultanate.

**Corporate Governance:**

Ahlibank has established a strong corporate governance framework and is committed to integrating best practices in the Bank's culture and conduct. The Board of Directors continues to review policies and procedures to enhance internal controls and ensure compliance to local laws and regulations.

**The Year Ahead:**

Ahlibank is committed to pursuing its objective of growth, not only in terms of market size but also in diversifying its products and services to its growing customer base.

In 2015, Ahlibank will continue to build its brand equity and expand its banking footprint to further expand its businesses locally as well as regionally. The bank intends to continue to drive profitability across business segments. In the consumer banking area in particular, the Bank will focus on enhancing its customer service proposition. In the wholesale banking segment, the bank aims to focus on developing comprehensive client solutions, and leveraging its banking expertise across networks. The Bank will also continue to upgrade its Information Technology (IT) platforms to ensure secure and better service to its customers.

**Corporate Social Responsibility (CSR):**

Ahlibank's CSR endeavors comprise a host of initiatives that help empower the less fortunate, as the bank feels that as a leading financial institution its role goes beyond merely providing financial products & services. Our CSR initiatives embrace responsibility for corporate actions which will enable positive impact on the environment and other stakeholders and the communities at large.

**Acknowledgements:**

The Board of Directors, would like to thank the Management and staff for their dedication and commitment to maintain a momentum in growth of business. We would also like to acknowledge the contribution of our strategic partner, Ahli United Bank, who has played a key role in our development over the years. At the same time we would also like to thank the Central Bank of Oman and the Capital Market Authority for their guidance and support. We remain eternally grateful to His Majesty Sultan Qaboos Bin Said for his vision and guidance in steering the banking sector and the country along the path of growth and prosperity.

**Hamdan Ali Nasser Al Hinai**

Chairman

23 April 2015

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION  
AT 31 MARCH 2015**

Audited 31-Dec-14 US\$ '000	Unaudited 31-Mar-14 US\$ '000	Unaudited 31-Mar-15 US\$ '000		Note	Unaudited 31-Mar-15 RO '000	Unaudited 31-Mar-14 RO '000	Audited 31-Dec-14 RO '000
<b>ASSETS</b>							
			Cash and balances with				
141,416	150,153	<b>220,299</b>	Central Bank of Oman		<b>84,815</b>	57,809	54,445
90,221	107,561	<b>39,143</b>	Due from banks		<b>15,070</b>	41,411	34,735
			Loans & advances and				
3,607,457	3,038,943	<b>3,811,810</b>	Financing, net	4	<b>1,467,547</b>	1,169,993	1,388,871
359,026	264,382	<b>515,958</b>	Investment securities		<b>198,644</b>	101,787	138,225
45,343	43,223	<b>44,891</b>	Property and equipment		<b>17,283</b>	16,641	17,457
-	270	-	Deferred tax asset		-	104	-
28,774	20,086	<b>28,029</b>	Other assets		<b>10,791</b>	7,733	11,078
<b>4,272,237</b>	<b>3,624,618</b>	<b>4,660,130</b>	<b>TOTAL ASSETS</b>		<b>1,794,150</b>	<b>1,395,478</b>	<b>1,644,811</b>
<b>LIABILITIES</b>							
613,927	363,000	<b>861,257</b>	Due to banks		<b>331,584</b>	139,755	236,362
2,795,298	2,539,358	<b>2,925,036</b>	Customers' deposits	5	<b>1,126,139</b>	977,653	1,076,190
149,351	75,000	<b>100,000</b>	Borrowed funds		<b>38,500</b>	28,875	57,500
10,023	4,023	<b>3,875</b>	Taxation		<b>1,492</b>	1,549	3,859
81,482	70,106	<b>81,253</b>	Other liabilities		<b>31,282</b>	26,991	31,370
103,896	103,896	<b>153,247</b>	Subordinated liabilities		<b>59,000</b>	40,000	40,000
<b>3,753,977</b>	<b>3,155,383</b>	<b>4,124,668</b>	<b>TOTAL LIABILITIES</b>		<b>1,587,997</b>	<b>1,214,823</b>	<b>1,445,281</b>
<b>EQUITY</b>							
336,491	336,491	<b>370,140</b>	Share capital		<b>142,504</b>	129,549	129,549
44,821	38,294	<b>44,821</b>	Legal reserve		<b>17,256</b>	14,743	17,256
16,995	16,995	<b>16,995</b>	General loan loss reserve		<b>6,543</b>	6,543	6,543
79,200	63,553	<b>86,436</b>	Subordinated debt reserve		<b>33,278</b>	24,468	30,492
70	577	<b>(447)</b>	Fair value reserve		<b>(172)</b>	222	27
40,683	13,325	<b>17,517</b>	Retained earnings		<b>6,744</b>	5,130	15,663
<b>518,260</b>	<b>469,235</b>	<b>535,462</b>	<b>TOTAL EQUITY</b>		<b>206,153</b>	<b>180,655</b>	<b>199,530</b>
<b>4,272,237</b>	<b>3,624,618</b>	<b>4,660,130</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,794,150</b>	<b>1,395,478</b>	<b>1,644,811</b>
			Net assets per share				
40.0	36.2	<b>37.6</b>	(US cents / baizas)	8	<b>144.7</b>	139.4	154.0
			Contingent liabilities and				
544,932	489,553	<b>745,691</b>	commitments	10	<b>287,091</b>	188,478	209,799

The interim condensed financial statements were approved by the Board of Directors on 23 April 2015 and signed on their behalf by:

**Hamdan Ali Nasser Al Hinai**  
Chairman

**Lloyd Maddock**  
Chief Executive Officer

The attached notes 1 to 11 form part of these interim condensed financial statements

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015**

Unaudited 31-Mar-14 US\$ '000	Unaudited 31-Mar-15 US\$ '000		Note	Unaudited 31-Mar-15 RO '000	Unaudited 31-Mar-14 RO '000
35,070	<b>37,857</b>	Interest income		<b>14,575</b>	13,502
(12,745)	<b>(12,488)</b>	Interest expense		<b>(4,808)</b>	(4,907)
<u>22,325</u>	<u><b>25,369</b></u>	<b>NET INTEREST INCOME</b>		<u><b>9,767</b></u>	<u>8,595</u>
2,436	<b>5,418</b>	Income from Islamic financing and investments activities		<b>2,086</b>	938
(73)	<b>(1,252)</b>	Unrestricted investment account holders' share of profit and profit expense		<b>(482)</b>	(28)
<u>2,363</u>	<u><b>4,166</b></u>	<b>NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS</b>		<u><b>1,604</b></u>	<u>910</u>
24,688	<b>29,535</b>	<b>NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS</b>		<b>11,371</b>	9,505
7,369	<b>7,036</b>	Other operating income	3	<b>2,709</b>	2,837
<u>32,057</u>	<u><b>36,571</b></u>	<b>OPERATING INCOME</b>		<u><b>14,080</b></u>	<u>12,342</u>
(3,364)	<b>(3,992)</b>	Loan and financing impairment, net of recoveries	4	<b>(1,537)</b>	(1,295)
<u>28,693</u>	<u><b>32,579</b></u>	<b>NET OPERATING INCOME</b>		<u><b>12,543</b></u>	<u>11,047</u>
(6,571)	<b>(7,184)</b>	Staff expenses		<b>(2,766)</b>	(2,530)
(686)	<b>(894)</b>	Depreciation		<b>(344)</b>	(264)
(3,496)	<b>(4,296)</b>	Other operating expenses		<b>(1,654)</b>	(1,346)
<u>(10,753)</u>	<u><b>(12,374)</b></u>	<b>OPERATING EXPENSES</b>		<u><b>(4,764)</b></u>	<u>(4,140)</u>
17,940	<b>20,205</b>	<b>PROFIT BEFORE TAX</b>		<b>7,779</b>	6,907
(2,208)	<b>(2,486)</b>	Tax expense		<b>(957)</b>	(850)
<u>15,732</u>	<u><b>17,719</b></u>	<b>PROFIT FOR THE PERIOD</b>		<u><b>6,822</b></u>	<u>6,057</u>
		<b>OTHER COMPREHENSIVE EXPENSE - NET OF TAX</b>			
		<b>Fair value reserve (available for sale investments) to be reclassified to profit or loss in subsequent periods</b>			
(2,047)	<b>(312)</b>	- Net amount transferred to profit or loss		<b>(120)</b>	(788)
(78)	<b>(205)</b>	- Net changes in fair values		<b>(79)</b>	(30)
<u>(2,125)</u>	<u><b>(517)</b></u>	<b>OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD</b>		<u><b>(199)</b></u>	<u>(818)</u>
13,607	<b>17,202</b>	<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>6,623</b></u>	<u>5,239</u>
1.1	<b>1.2</b>	<b>Basic and diluted earnings per share (US cents / baizas)</b>	8	<u><b>4.8</b></u>	<u>4.3</u>

The attached notes 1 to 11 form part of these interim condensed financial statements

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015**

	Share capital	Legal reserve	General loan loss reserve	Subordinated debt reserve	Fair value reserve	Retained earnings	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
<b>Balance at 1 January 2015</b>	<b>129,549</b>	<b>17,256</b>	<b>6,543</b>	<b>30,492</b>	<b>27</b>	<b>15,663</b>	<b>199,530</b>
Profit for the period	-	-	-	-	-	6,822	6,822
Other comprehensive Income expense, net of tax	-	-	-	-	(199)	-	(199)
<b>Total comprehensive income</b>	-	-	-	-	(199)	6,822	6,623
Transfer to subordinated debt reserve	-	-	-	2,786	-	(2,786)	-
Issue of bonus shares	12,955	-	-	-	-	(12,955)	-
<b>Balance at 31 March 2015 (unaudited)</b>	<b>142,504</b>	<b>17,256</b>	<b>6,543</b>	<b>33,278</b>	<b>(172)</b>	<b>6,744</b>	<b>206,153</b>
<b>Balance at 31 March 2015 (US\$ '000) (unaudited)</b>	<b>370,140</b>	<b>44,821</b>	<b>16,995</b>	<b>86,436</b>	<b>(447)</b>	<b>17,517</b>	<b>535,462</b>
	Share capital	Legal reserve	General loan loss reserve	Subordinated debt reserve	Fair value reserve	Retained earnings	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
<i>Balance at 1 January 2014</i>	126,389	14,743	6,543	22,497	1,040	13,683	184,895
Profit for the period	-	-	-	-	-	6,057	6,057
Other comprehensive expense, net of tax	-	-	-	-	(818)	-	(818)
<i>Total comprehensive income</i>	-	-	-	-	(818)	6,057	5,239
Transfer to subordinated debt reserve	-	-	-	1,971	-	(1,971)	-
Issue of bonus shares	3,160	-	-	-	-	(3,160)	-
Cash dividends paid	-	-	-	-	-	(9,479)	(9,479)
<i>Balance at 31 March 2014 (unaudited)</i>	<i>129,549</i>	<i>14,743</i>	<i>6,543</i>	<i>24,468</i>	<i>222</i>	<i>5,130</i>	<i>180,655</i>
<i>Balance at 31 March 2014 (US\$ '000) (unaudited)</i>	<i>336,491</i>	<i>38,294</i>	<i>16,995</i>	<i>63,553</i>	<i>577</i>	<i>13,325</i>	<i>469,235</i>
<i>Balance at 1 April 2014</i>	129,549	14,743	6,543	24,468	222	5,130	180,655
Profit for the period	-	-	-	-	-	19,070	19,070
Other comprehensive expense, net of tax	-	-	-	-	(195)	-	(195)
<i>Total comprehensive income</i>	-	-	-	-	(195)	19,070	18,875
Transfer to legal reserve	-	2,513	-	-	-	(2,513)	-
Transfer to subordinated debt reserve	-	-	-	6,024	-	(6,024)	-
<i>Balance at 31 December 2014</i>	<i>129,549</i>	<i>17,256</i>	<i>6,543</i>	<i>30,492</i>	<i>27</i>	<i>15,663</i>	<i>199,530</i>
<i>Balance at 31 December 2014 (US\$ '000)</i>	<i>336,491</i>	<i>44,821</i>	<i>16,995</i>	<i>79,200</i>	<i>70</i>	<i>40,683</i>	<i>518,260</i>

Appropriation to legal reserve is made on an annual basis.

The attached notes 1 to 11 form part of these interim condensed financial statements

**INTERIM CONDENSED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015**

Unaudited 31-Mar-14 US\$ '000	Unaudited 31-Mar-15 US\$ '000		Unaudited 31-Mar-15 RO '000	Unaudited 31-Mar-14 RO '000
		<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
17,940	<b>20,205</b>	<b>Profit before taxation</b>	<b>7,779</b>	6,907
		<b>Adjustments for:</b>		
686	<b>894</b>	Depreciation	<b>344</b>	264
3,364	<b>3,992</b>	Loan and financing impairment, net of recoveries	<b>1,537</b>	1,295
31	<b>119</b>	End of service benefits provision	<b>46</b>	12
-	<b>13</b>	Loss on scrap of property and equipment	<b>5</b>	-
(2,730)	<b>(431)</b>	Gain on sale of investment securities	<b>(166)</b>	(1,051)
		<b>Operating profit before changes in operating assets and liabilities</b>	<b>9,545</b>	7,427
19,291	<b>24,792</b>	Decrease in due from banks	<b>15,571</b>	-
-	<b>40,444</b>	End of service benefits paid	<b>(4)</b>	-
(172,391)	<b>(208,345)</b>	Increase in loans & advances and financing	<b>(80,213)</b>	(66,371)
205	<b>(10,714)</b>	Net investment in held for trading investment	<b>(4,125)</b>	79
-	<b>16,244</b>	Increase in due to banks	<b>6,254</b>	-
58,697	<b>129,738</b>	Increase in customers' deposits	<b>49,949</b>	22,598
2,668	<b>396</b>	Changes in other assets and other liabilities	<b>153</b>	1,027
(91,530)	<b>(7,455)</b>	<b>Cash used in operations</b>	<b>(2,870)</b>	(35,240)
(7,841)	<b>(8,634)</b>	Tax paid	<b>(3,324)</b>	(3,019)
(99,371)	<b>(16,089)</b>	<b>Net cash used in operating activities</b>	<b>(6,194)</b>	(38,259)
		<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
13,779	<b>3,695</b>	Increase in investment, net (excluding held for trading investments)	<b>1,423</b>	5,305
(855)	<b>(442)</b>	Purchase of property and equipment	<b>(170)</b>	(329)
12,924	<b>3,253</b>	<b>Net cash generated from investing activities</b>	<b>1,253</b>	4,976
		<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(24,621)	-	Dividends paid	-	(9,479)
(24,621)	-	<b>Net cash used in financing activities</b>	-	(9,479)
(111,068)	<b>(12,836)</b>	<b>Net change in cash and cash equivalents</b>	<b>(4,941)</b>	(42,762)
159,454	<b>19,457</b>	Cash and cash equivalents at 1 January	<b>7,491</b>	61,390
48,386	<b>6,621</b>	<b>Cash and cash equivalents at 31 March 2015</b>	<b>2,550</b>	18,628

**Cash and cash equivalent comprises of the following:**

31-Mar-14 US\$ '000	31-Mar-15 US\$ '000		31-Mar-15 RO '000	31-Mar-14 RO '000
148,791	<b>218,935</b>	Cash and current balances with Central Bank of Oman	<b>84,290</b>	57,284
107,561	<b>39,143</b>	Due from banks	<b>15,070</b>	41,411
155,034	<b>400,000</b>	Treasury bills with three months maturity	<b>154,000</b>	59,688
(363,000)	<b>(651,457)</b>	Due to banks	<b>(250,810)</b>	(139,755)
48,386	<b>6,621</b>		<b>2,550</b>	18,628

The attached notes 1 to 11 form part of these interim condensed financial statements



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015**

**1. LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Ahli Bank SAOG (the Bank) is a joint stock company incorporated in the Sultanate of Oman and is engaged in the commercial banking activities through a network of nineteen branches (twelve conventional and seven Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, 116, Sultanate of Oman.

The Bank employed 476 employees as at 31 March 2015 compared to 437 as at 31 March 2014 and 445 as at 31 December 2014.

**2. BASIS OF PREPERATION AND ACCOUNTING POLICIES**

(a) The unaudited interim condensed financial statements for the three month period ended 31 March 2015 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the disclosure requirements set out in the Rules and Disclosure and Proformas issued by the Capital Market Authority (CMA).

(b) The accounting policies used in the preparation of the unaudited interim condensed financial statements as at end of the three month ended 31 March 2015 are consistent with those used in preparing the last audited financial statements as at and for the year ended 31 December 2014.

(c) The unaudited interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three month period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year 2015.

(d) The unaudited interim condensed financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives and investment securities other than held to maturity securities.

(e) The functional currency of the Bank is the Rial Omani (RO). These unaudited interim condensed financial statements of the Bank are prepared in RO. Certain figures are also presented in US dollars (US\$) for information purposes only, using the exchange rate of RO 0.385 =US\$ 1.00.

**3. OTHER OPERATING INCOME**

Other operating income comprises commission, fees, dividend, gain on sales of financial investments and miscellaneous income.

**4. LOANS & ADVANCES AND FINANCING ACTIVITIES**

Audited 31-Dec-14	Unaudited 31-Mar-14	Unaudited 31-Mar-15		Unaudited 31-Mar-15	Unaudited 31-Mar-14	Audited 31-Dec-14
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
			<b>Conventional Banking</b>			
1,909,787	1,671,356	<b>2,004,724</b>	Corporate lending	<b>771,819</b>	643,472	735,268
1,325,007	1,189,797	<b>1,371,911</b>	Retail lending	<b>528,186</b>	458,072	510,128
3,234,794	2,861,153	<b>3,376,635</b>	Loans & advances, gross	<b>1,300,005</b>	1,101,544	1,245,396
			<b>Islamic Banking</b>			
200,538	118,883	<b>233,060</b>	Corporate financing	<b>89,728</b>	45,770	77,207
219,636	100,626	<b>253,973</b>	Retail financing	<b>97,780</b>	38,741	84,560
420,174	219,509	<b>487,033</b>	Financing, gross	<b>187,508</b>	84,511	161,767
3,654,968	3,080,662	<b>3,863,668</b>	Loans & advances and financing, gross	<b>1,487,513</b>	1,186,055	1,407,163
(29,106)	(24,065)	<b>(32,140)</b>	Loan and financing impairment on portfolio basis	<b>(12,374)</b>	(9,265)	(11,206)
(18,405)	(17,654)	<b>(19,718)</b>	Loan and financing impairment on specific basis (including reserve interest and profit)	<b>(7,592)</b>	(6,797)	(7,086)
3,607,457	3,038,943	<b>3,811,810</b>	Loans & advances and financing, net	<b>1,467,547</b>	1,169,993	1,388,871

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015**

**4. LOANS & ADVANCES AND FINANCING ACTIVITIES (continued)**

In accordance with the CBO requirements, the movement in the loan impairment provisions is analysed as below:

**Loan and financing impairment on portfolio basis**

Audited 31-Dec-14 US\$ '000	Unaudited 31-Mar-14 US\$ '000	Unaudited 31-Mar-15 US\$ '000		Unaudited 31-Mar-15 RO '000	Unaudited 31-Mar-14 RO '000	Audited 31-Dec-14 RO '000
			<b>Impairment loss on portfolio basis</b>			
22,200	22,200	<b>29,106</b>	Balance at beginning of the period / year	<b>11,206</b>	8,547	8,547
6,906	1,865	<b>3,034</b>	Provided during the period / year	<b>1,168</b>	718	2,659
<u>29,106</u>	<u>24,065</u>	<u><b>32,140</b></u>	Balance at the end of the period / year	<u><b>12,374</b></u>	<u>9,265</u>	<u>11,206</u>

**Loan and financing impairment on specific basis**

			<b>Impairment loss of Loan and financing</b>			
13,567	13,567	<b>16,253</b>	Balance at beginning of the period / year	<b>6,257</b>	5,223	5,223
9,013	1,844	<b>2,659</b>	Provided during the period / year	<b>1,024</b>	710	3,470
(3,218)	(345)	<b>(1,701)</b>	Recoveries during the period / year	<b>(655)</b>	(133)	(1,239)
(3,109)	745	<b>83</b>	Reversal / (write offs) during the period / year	<b>32</b>	287	(1,197)
<u>16,253</u>	<u>15,811</u>	<u><b>17,294</b></u>	Balance at the end of the period / year	<u><b>6,658</b></u>	<u>6,087</u>	<u>6,257</u>
			<b>Reserved interest and profit</b>			
1,654	1,654	<b>2,152</b>	Balance at beginning of the period / year	<b>829</b>	637	637
1,690	425	<b>540</b>	Reserved during the period / year	<b>208</b>	164	651
(618)	(236)	<b>(268)</b>	Interest released during the period / year	<b>(103)</b>	(91)	(238)
(574)	-	<b>-</b>	- Write offs during the period / year	<b>-</b>	-	(221)
<u>2,152</u>	<u>1,843</u>	<u><b>2,424</b></u>	Balance at end of the period / year	<u><b>934</b></u>	<u>710</u>	<u>829</u>
<u>18,405</u>	<u>17,654</u>	<u><b>19,718</b></u>		<u><b>7,592</b></u>	<u>6,797</u>	<u>7,086</u>

Credit risk is the risk that counter-party to a financial instrument will fail to perform according to the terms and conditions of the contract thus causing the bank to incur a financial loss.

**5. CUSTOMERS' DEPOSITS**

Customers' deposits can be analysed as follows:

Audited 31-Dec-14 US\$ '000	Unaudited 31-Mar-14 US\$ '000	Unaudited 31-Mar-15 US\$ '000		Unaudited 31-Mar-15 RO '000	Unaudited 31-Mar-14 RO '000	Audited 31-Dec-14 RO '000
			<b>Conventional Banking</b>			
1,844,644	1,694,473	<b>1,760,639</b>	Time deposits	<b>677,846</b>	652,372	710,188
768,862	814,709	<b>957,356</b>	Demand and saving deposits	<b>368,582</b>	313,663	296,012
<u>2,613,506</u>	<u>2,509,182</u>	<u><b>2,717,995</b></u>	Total Conventional Banking deposits	<u><b>1,046,428</b></u>	<u>966,035</u>	<u>1,006,200</u>
			<b>Islamic Banking</b>			
26,779	14,797	<b>28,171</b>	Current deposits	<b>10,846</b>	5,697	10,310
13,530	10,413	<b>16,218</b>	Unrestricted investment accounts	<b>6,244</b>	4,009	5,209
141,483	4,966	<b>162,652</b>	- under mudaraba agreement	<b>62,621</b>	1,912	54,471
181,792	30,176	<b>207,041</b>	- under wakala agreement	<b>79,711</b>	11,618	69,990
<u>2,795,298</u>	<u>2,539,358</u>	<u><b>2,925,036</b></u>	Total Islamic Banking deposits	<u><b>1,126,139</b></u>	<u>977,653</u>	<u>1,076,190</u>
			Total customers' deposits			

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015**

**6. RELATED PARTY TRANSACTIONS**

The Bank enters into transactions with major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates on an arms' length basis.

The balances in respect of related parties included in the statement of financial position are as follows:

Audited 31-Dec-14 US\$ '000	Unaudited 31-Mar-14 US\$ '000	Unaudited 31-Mar-15 US\$ '000		Unaudited 31-Mar-15 RO '000	Unaudited 31-Mar-14 RO '000	Audited 31-Dec-14 RO '000
			<b>Directors and senior management</b>			
1,312	1,270	<b>1,260</b>	Loans & advances and financing	<b>485</b>	489	505
2,000	1,418	<b>2,647</b>	Customers' deposits	<b>1,019</b>	546	770
			<b>Major shareholders and others</b>			
2,052	45,888	-	- Loans & advances and financing	-	17,667	790
2,779	3,751	<b>2,031</b>	Due from banks	<b>782</b>	1,444	1,070
1,203	5,932	<b>1,205</b>	Investments securities	<b>464</b>	2,284	463
			Other assets			
309	8	<b>1,457</b>	- Fair value of forward contracts	<b>561</b>	3	119
-	-	-	- Acceptances	-	-	-
448,351	96,286	<b>190,273</b>	Due to banks	<b>73,255</b>	37,070	172,615
68	48,494	<b>60</b>	Customers' deposits	<b>23</b>	18,670	26
			Other liabilities			
			- Fair value of foreign exchange forward			
348	273	<b>691</b>	contracts	<b>266</b>	105	134
-	512	-	- Fair value of swaps	-	197	-
1,696	408	<b>457</b>	- Payables	<b>176</b>	157	653
47,205	34,992	<b>65,595</b>	Contingent liabilities and commitments	<b>25,254</b>	13,472	18,174

The income and expenses in respect of related parties included in the financial statements are as follows:

			<b>Directors and Senior Management</b>			
31	8	<b>8</b>	Interest and profit income	<b>3</b>	3	12
23	3	<b>13</b>	Interest and profit expense	<b>5</b>	1	9
426	-	-	- Board remuneration proposed	-	-	164
94	23	<b>34</b>	Board sitting fees	<b>13</b>	9	36
			<b>Major shareholders and others</b>			
1,418	587	<b>5</b>	Interest and profit income	<b>2</b>	226	546
1,112	213	<b>530</b>	Interest and profit expense	<b>204</b>	82	428
-	8	-	- Fees and commission income	-	3	-
361	18	<b>29</b>	Loss on fair value of interest rate swaps	<b>11</b>	7	139
			Loss on foreign exchange forward			
348	273	<b>691</b>	contracts	<b>266</b>	105	134
2,244	519	<b>631</b>	Other operating expenses	<b>243</b>	200	864

The Bank has a technical and management services agreement (TMSA) with a major shareholder. In accordance with the agreement, an amount of RO 176 K equivalent to US\$ 457K was included in the operating expenses for the three month period ended 31 March 2015 (31 March 2014: RO 157 K equivalent to US\$ 407 K and 31 December 2014: RO 653 K equivalent to US\$ 1,696 K).

The Bank has a committed line of loans from one of the related parties of RO 40 million equivalent to US\$ 103.896 million (31 Mar 2014: RO 25 million equivalent to US\$ 64.9 million and 31 Dec 2014: RO 40 million equivalent to US\$ 103.896 million).

Compensation of the key management personnel for the three month period ended 31 March 2015 was RO 355 K equivalent to US\$ 922 K (31 March 2014: RO 174 K equivalent to US\$ 452 K).

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015

### 7. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (31 March 2014 and 31 December 2014: 1,500,000,000 shares of 100 baizas each) out of which 1,425,036,144 (31 March 2014 and 31 December 2014: 1,295,487,404 shares) are issued and fully paid up. During the period ended 31 March 2015, 129,548,740 shares (31 March 2014 and 31 December 2014: 31,597,254 shares) were issued as bonus shares.

Ahli United Bank BSC (AUB) is the only shareholder who owns 10% or more of the Bank's shares. On 31 March 2015 shareholding of AUB was 498,762,642 shares equivalent to 35% (31 March 2014 and 31 December 2014 : 453,420,584 shares equivalent to 35%)

### 8. BASIC AND DILUTED EARNINGS AND NET ASSETS PER SHARE

Basic earnings per share figures are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

			Unaudited 31-Mar-15	Unaudited 31-Mar-14	Audited 31-Dec-14
Weighted average number of shares in 000's			<b>1,425,036</b>	1,425,036	1,425,036
Outstanding number of shares in 000's			<b>1,425,036</b>	1,295,487	1,295,487
Audited 31-Dec-14 US\$ '000	Unaudited 31-Mar-14 US\$ '000	Unaudited 31-Mar-15 US\$ '000	Unaudited 31-Mar-15 RO '000	Unaudited 31-Mar-14 RO '000	Audited 31-Dec-14 RO '000
65,265	15,732	<b>17,719</b>	<b>6,822</b>	6,057	25,127
518,260	469,235	<b>535,462</b>	<b>206,153</b>	180,655	199,530
4.6	1.1	<b>1.2</b>	<b>4.8</b>	4.3	17.6
40.0	36.2	<b>37.6</b>	<b>144.7</b>	139.4	154.0

No figure for diluted earnings per share has been presented as the Bank has not issued any instruments which would have a diluting impact on earnings per share when exercised.

The weighted average number of shares outstanding before the event is adjusted for the change in the number of shares due to bonus issue as if the event had occurred at the beginning of the earliest period presented.

### 9. SEGMENT REPORTING

Segment information is presented in respect of the Bank's operating segments. For management purposes, the Bank is organised into two operating segments based on products and services as follows:

1. Retail banking includes customers' deposits, unrestricted investments accounts, consumer loans, overdrafts, credit card, Islamic financing and fund transfer facilities.
2. Corporate banking, treasury and investments include deposits including current accounts, term deposits, loans & advances and Islamic financing etc. for corporate and institutional customers, Treasury, Trade Finance and Investment Banking Services.

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the profit after tax.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015**

**9. SEGMENT REPORTING (continued)**

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on pool rate, which approximates the cost of the funds.

Segment information for the three month period ended 31 March 2015 is as follows:

Total	Corporate banking, Treasury and	Retail		Retail	Corporate banking, Treasury and	Total
	Investments	banking		banking	Investments	
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
			Net interest income and income from Islamic financing and investments	5,394	5,977	11,371
29,535	15,524	14,011	Other operating income	747	1,962	2,709
7,036	5,096	1,940				
<b>36,571</b>	<b>20,620</b>	<b>15,951</b>	Operating income	<b>6,141</b>	<b>7,939</b>	<b>14,080</b>
			Loan and financing impairment, net of recoveries	(988)	(549)	(1,537)
(3,992)	(1,427)	(2,565)	Operating expenses	(2,497)	(2,267)	(4,764)
(12,374)	(5,889)	(6,485)	Profit before tax	2,656	5,123	7,779
20,205	13,304	6,901	Income tax expense	(327)	(630)	(957)
(2,486)	(1,637)	(849)	Profit for the period	2,330	4,492	6,822
<b>17,719</b>	<b>11,667</b>	<b>6,052</b>				

Segment information for the three month period ended 31 March 2014 is as follows:

Total	Corporate banking, Treasury and	Retail		Retail	Corporate banking, treasury and	Total
	Investments	banking		banking	investments	
US\$ 000	US\$ 000	US\$ 000		RO '000	RO '000	RO '000
			Net interest income and income from Islamic financing and investments	4,466	5,039	9,505
24,688	13,088	11,600	Other operating income	269	2,568	2,837
7,369	6,670	699				
<b>32,057</b>	<b>19,758</b>	<b>12,299</b>	Operating income	<b>4,735</b>	<b>7,607</b>	<b>12,342</b>
			Loan impairment, net of recoveries	(922)	(373)	(1,295)
(3,364)	(969)	(2,395)	Operating expenses	(2,448)	(1,692)	(4,140)
(10,753)	(4,395)	(6,358)	Profit before tax	1,365	5,542	6,907
17,940	14,394	3,546	Income tax expense	(167)	(683)	(850)
(2,208)	(1,774)	(434)	Profit for the period	1,198	4,859	6,057
<b>15,732</b>	<b>12,620</b>	<b>3,112</b>				

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2015**

**10. CONTINGENT LIABILITIES AND COMMITMENTS**

Audited 31-Dec-14 US\$ '000	Unaudited 31-Mar-14 US\$ '000	Unaudited 31-Mar-15 US\$ '000		Unaudited 31-Mar-15 RO '000	Unaudited 31-Mar-14 RO '000	Audited 31-Dec-14 RO '000
428,332	386,444	<b>418,008</b>	Financial guarantees	<b>160,933</b>	148,781	164,908
86,395	64,094	<b>78,714</b>	Letters of credit	<b>30,305</b>	24,676	33,262
5,364	3,423	<b>7,496</b>	Capital commitments	<b>2,886</b>	1,318	2,065
22,761	34,457	<b>238,577</b>	Loan commitments	<b>91,852</b>	13,266	8,763
2,080	1,135	<b>2,896</b>	Lease commitments	<b>1,115</b>	437	801
<b>544,932</b>	<b>489,553</b>	<b>745,691</b>		<b>287,091</b>	<b>188,478</b>	<b>209,799</b>

**11. ASSET AND LIABILITY MATURITY**

As at 31 March 2015	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
<b>Assets</b>	<b>694,995</b>	<b>136,735</b>	<b>234,842</b>	<b>727,578</b>	<b>1,794,150</b>
<b>Liabilities and equity</b>	<b>(581,420)</b>	<b>(386,179)</b>	<b>(386,138)</b>	<b>(440,413)</b>	<b>(1,794,150)</b>
<b>Net liquidity gap</b>	<b>113,575</b>	<b>(249,444)</b>	<b>(151,296)</b>	<b>287,165</b>	<b>-</b>
<b>Net liquidity gap in US \$ '000</b>	<b>295,000</b>	<b>(647,906)</b>	<b>(392,977)</b>	<b>745,883</b>	<b>-</b>

Interest rate risk arises from the possibility of changes in interest rates and mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities through a number of strategies.

As at 31 March 2014	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
<b>Assets</b>	<b>556,254</b>	<b>104,563</b>	<b>193,207</b>	<b>541,454</b>	<b>1,395,478</b>
<b>Liabilities and equity</b>	<b>(402,142)</b>	<b>(289,691)</b>	<b>(321,427)</b>	<b>(382,218)</b>	<b>(1,395,478)</b>
<b>Net liquidity gap</b>	<b>154,112</b>	<b>(185,128)</b>	<b>(128,220)</b>	<b>159,236</b>	<b>-</b>
<b>Net liquidity gap in US \$ '000</b>	<b>400,291</b>	<b>(480,852)</b>	<b>(333,039)</b>	<b>413,600</b>	<b>-</b>

  

As at 31 December 2014	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
<b>Assets</b>	<b>647,329</b>	<b>116,275</b>	<b>207,391</b>	<b>673,816</b>	<b>1,644,811</b>
<b>Liabilities and equity</b>	<b>(452,962)</b>	<b>(411,290)</b>	<b>(362,371)</b>	<b>(418,188)</b>	<b>(1,644,811)</b>
<b>Net liquidity gap</b>	<b>194,367</b>	<b>(295,015)</b>	<b>(154,980)</b>	<b>255,628</b>	<b>-</b>
<b>Net liquidity gap in US \$ '000</b>	<b>504,848</b>	<b>(766,273)</b>	<b>(402,543)</b>	<b>663,969</b>	<b>-</b>