

البنك الأهلي  
ahlibank

# البيان

SUMMARY  
REPORT 2014

البنك الأهلي  
ahlibank

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الحوال  
للخدمات المصرفية الإسلامية





## CHAIRMAN'S REPORT FOR 2014

On behalf of the Board of Directors of Ahli Bank SAOG; I am pleased to present ahlibank's financial results and accompanying financial statements for the year ended 31 December 2014.

### Oman's Economy:

The economy witnessed a 4.4% growth in 2014, with Oman's banking sector continuing to show positive results. The Banking sector showed a marked improvement in performance of 10.5% growth in the Credit and 14% increase in deposits during the eleven months period ending November 2014 compared to the same period of 2013. The interest rates on deposits showed a declining trend in line with the global trends and are expected to continue in the short to medium term, which shall contribute the support of Bank credit growth and stimulate investment activity.

The Government's commitment and support towards projects and diversification of the economy to stimulate economic growth is reflected in its affirmative Budgeted expenditure for 2015 at RO 14.1 billion, in spite of the declining oil prices and envisaging a 5% growth in GDP for 2015.

The Sultanate's budget 2015, estimates a significant 19 percent increase in revenue from non-hydrocarbon sectors, highlighting the importance of income diversification amid a sharp decline in global oil prices. Focusing on the growth of non-oil activities, attention will mainly be concentrated on the construction, electricity, water, trade activities and services of public administration, defence and transfer industries.

### Performance Overview:

ahlibank marked yet another year of good performance in 2014, demonstrating the success and viability of its core business model based on a diversified risk management, focused client centric marketing and intelligent spend practices.

|                                     | 31-Dec-14      | 31-Dec-13 | Growth % |
|-------------------------------------|----------------|-----------|----------|
|                                     | RO in millions |           |          |
| Equity                              | 200            | 185       | 8%       |
| Loans & advances and financing, net | 1,389          | 1,105     | 26%      |
| Customers' deposits                 | 1,076          | 955       | 13%      |
| Total assets                        | 1,645          | 1,339     | 23%      |
| Operating income                    | 51.6           | 46.6      | 11%      |
| Operating Expenses                  | 17.7           | 15.8      | 12%      |
| Profit for the year                 | 25.1           | 23.0      | 9%       |

The financial results for the year ended 31 December 2014 reflects growth in key areas in line with the bank's business plan and an increase in core earnings.

- The bank's net profit increased by 9%, and went up to RO 25.1 million, as compared to RO 23.0 million last year.
- Total assets stood at RO 1,645 million from RO 1,339 million last year, depicting an increase of 23%.
- The bank's Loans and Advances portfolio increased by 26%, to RO 1,389 million from RO 1,105 million. The loan book continues to be of a very high quality as reflected in our NPL ratio of 0.97% in 2014 (2013: 0.97%).
- In line with the bank's strategy to build a stable low cost deposit base, Customers' Deposits grew by 13% from RO 955 million to RO 1,076 million.
- Continued focus on enhanced productivity and business diversification resulted in an improvement in the Operating Income by 11%. (RO 51.6 million in 2014, as compared to RO 46.6 million in 2013).
- Operating Expenses (excluding loans and investments impairment net of recoveries) were controlled at RO 17.7 million, due to prudent cost spends resulting in a cost to income ratio of 34.2%.
- The bank's Equity increased to RO 200 million in 2014, from RO 185 million in 2013 (8% increase).

### Recognition:

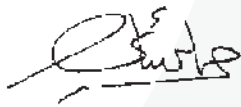
The many awards and recognition received by ahlibank over the years is a direct consequence of the bank's strong financial performance and its adoption of long-term sustainable business strategies. The Bank has adopted a prudent risk management approach enabling it to remain

focused on its asset quality and at the same time continually improving its customers' services and efficiency.

Third year in succession, the Bank is "Ranked Best Bank of the Sultanate" in the OER-Gulf Baader Capital Markets survey of the Best Banks in Oman, 2013. The Bank also received "World's Best Bank Award 2014" from Global Finance Magazine. In the year 2014, yet another prestigious award was conferred on the bank by leading international finance magazine "World Finance's Banking Awards 2014" that declared ahlbank as the 'Best Commercial Bank' and 'Most Sustainable Bank' in Oman. The awards came in appreciation of ahlbank's continuous commitment towards providing excellent services to its clientele, and its vision to implement international best practices to ensure the delivery of trusted and best commercial banking services to its customers.

### Strategic Way Forward:

Based on the 2014 results and its business momentum going forward, 2015 is expected to be another promising year for ahlbank; wherein the bank will continue to remain focused in areas of risk and cost control and will continue to leverage its strategic partner strength to service customer needs. The bank remains optimistic as it is positioned to meet the evolving challenges arising out of changing market conditions both in the region and



**Hamdan Ali Nasser Al Hinai**  
Chairman

**Date: 27<sup>th</sup> January 2015**

globally and will attempt to sustain its progress and positive performance into 2015.

Furthermore, in line with its efforts to expand its network, the bank has also plans to open or relocate branches and broaden its ATM infrastructure in 2015. In line with the directive of the Central Bank of Oman to encourage SME business, the Bank continues to support the growth of SME business in the country through a separate strategic business unit.

### Acknowledgements:

ahlibank remains eternally grateful to His Majesty Sultan Qaboos Bin Said for his vision and guidance, which has helped the country along its path of growth and prosperity during the last 44 years.

On behalf of the Board of Directors and Management, it is once again my pleasure to thank our shareholders to their continuing support and confidence reposed in ahlbank. It is needless to state that our achievements during 2014 were only made possible through the guidance of the Central Bank of Oman and Capital Market Authority, support and trust of our clients, business partners and customers and the dedication, professionalism and resilience of our staff. We also acknowledge the contribution of our strategic partner Ahli United Bank, Bahrain which has been invaluable in terms of ahlbank's development over the years.



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## **Report of Factual Findings on the corporate governance reporting of Ahli Bank SAOG and its application of the corporate governance practices in accordance with the CMA code of corporate governance**

### **TO THE SHAREHOLDERS OF AHLI BANK SAOG**

We have performed the procedures prescribed in Capital Market Authority (CMA) circular no 16/2003, dated 29 December 2003 with respect to the accompanying corporate governance report of Ahli Bank SAOG ('the bank') and its application of corporate governance practices in accordance with the CMA code of corporate governance issued under circular no. 11/2002 dated 3 June 2002 and the CMA Rules and Guidelines on disclosure, issued under CMA administrative decision 5, dated 27 June 2007. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the bank's compliance with the code as issued by the CMA.

We report our findings below:

We found that the bank's corporate governance report fairly reflects the bank's application of the provisions of the code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of the bank to be included in its annual report for the year ended 31 December 2014 and does not extend to any financial statements of the Ahli Bank SAOG, taken as a whole.

27 January 2015  
Muscat



## CORPORATE GOVERNANCE REPORT-2014

### INTRODUCTION

Corporate Governance is about commitment to values and ethical business conduct. It is about how an organization is managed. This includes its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Accordingly, timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the bank is an important part of corporate governance. This improves the public understanding of the structure, activities and policies of the bank. The Capital Market Authority (CMA) directives and the Central Bank of Oman (CBO) circular BM 932 on Corporate Governance in Banks are the principal codes and drives of the Corporate Governance practices in Sultanate and Ahli Bank SAOG (the Bank) fully complies with all of their provisions.

Corporate Governance practice embodies the dual goals of protecting the interests of all stakeholders while respecting the duty of the board and senior management to oversee the affairs of a bank, ensure accountability, inculcate integrity and promote long-term growth and profitability. We believe that sound Corporate Governance is critical to enhance and retain investor trust. Accordingly, we always seek to ensure that we attain our performance rules with integrity. Our Board exercises its fiduciary responsibilities in the widest sense of the term. We also endeavor to enhance long-term shareholder value and respect minority rights in all our business decisions.

Our Corporate Governance philosophy is based on the following principles:

1. Satisfy the spirit of the law and not just the letter of the law.
2. Be transparent and maintain a high degree of disclosure levels.
3. Communicate externally, in a truthful manner, about how the Bank is run internally.
4. Have a simple and transparent corporate structure driven solely by business needs.
5. Management is the trustee of the shareholders' capital and not the owner.

At the core of Corporate Governance practice is the Board, which oversees how the

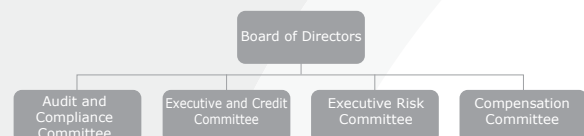
management serves and protects the long-term interests of all the stakeholders of the Bank. We believe that an active, well-informed and independent board is necessary to ensure the highest standards of corporate governance.

### CORPORATE GOVERNANCE IMPLEMENTATION INITIATIVES AT AHLI BANK SAOG

Good corporate governance is vital in supporting the delivery of our strategic objectives. Our Board Committees play an important role in the working with management to ensure our business is financially strong, that it is well-governed and that any risks are identified and mitigated. Over the years, the Board has developed a corporate governance culture to help fulfill our corporate responsibility to various stakeholders. This ensures that the Board will have the necessary authority and practice in place to review and evaluate our operations periodically.

In compliance with the regulatory requirements and as per the best industry practices, four board level sub-committees have been set up to ensure effective functioning of the Board.

**The Corporate Governance Structure of the Ahli Bank SAOG is depicted below:**



### BOARD OF DIRECTORS AND SUB-COMMITTEES OF AHLI BANK SAOG

#### Board of Directors:

Our principal duty, collectively, is to promote the long term success of the ahlibank by creating and delivering sustainable shareholder value. We do this by setting the strategy and overseeing its implementation by management. While our ultimate focus is long term growth, we also need to deliver on the short term objectives and we seek to ensure that the management strikes the right balance between the two.

## Size and terms of the Board

The Board consists of nine non-executive directors who were elected by the Shareholders at the Annual General Meeting which was held on 24 March 2014. The term of office of the Board of Directors is three years which will expire in March 2017.

## Profile of Board Members

The profile of the Board members is provided below;

### 1. Hamdan Ali Nasser Al Hinai, Chairman

Holds Masters in Development and Project Management, Bachelors in Business Management & Economics and Diploma in International Development Management. Director General for Purchasing and Contact, Ministry of Defence; Chairman, Oman Power and Water Procurement Company SAOC.

### 2. Adel Mohamed Abdelshafe El-Labban, First Deputy Chairman

Holds a Masters in Economics from the American University, Cairo, Bachelors in Economics from American University, Cairo and a General Certificate of Education from London University. Group Chief Executive Officer & Managing Director, Ahli United Bank BSC, Bahrain; Director, Ahli United Bank PLC, UK; Director, Ahli United Bank KSCP Kuwait; Deputy Chairman, Ahli United Bank SAE Egypt; Deputy Chairman, Commercial Bank of Iraq PSC, Iraq; Deputy Chairman, United Bank for Commerce & Investment Libya; Director, Bahrain Association of Banks, Bahrain.

### 3. Munir Abdulnabi Yousef Makki, Second Deputy Chairman

Holds Bachelors of Arts in Political Science from the American University, USA, Masters of Arts in international relations, USA and DEA University of Sorbonne, Paris, France. Director, Qatar Oman Investment Company; Chairman and Managing Director, Advent United LLC; Chairman and Managing Director, Rami advanced projects and Services LLC; Chairman, Enthraltech LLC; Member of the Chambers of Commerce and Industry of Oman; Member, Omani Indian Businessmen Council and Economic Committee; Former Ambassador of Oman to France, Belgium, Spain, Portugal, European

Union, Ivory Coast, Chad and Senegal. Former Managing Director and President, The Financial Corporation SAOG (FINCORP).

### 4. Sanjeev Baijal, Director

Chartered Global Management Accountant under Association of International Certified Professional Accountants; Member of the American Institute of Certified Public Accountants (AICPA), and Associate Member of the Institute of Chartered Accountants of India (ACA). Deputy Group CEO: Finance and Strategic Development, Ahli United Bank BSC, Bahrain; Deputy Chairman Legal and General Gulf BSC (c) & Legal and General Gulf Takaful BSC (c), Bahrain; Director, Ahli United Bank KSCP, Kuwait; Previous experience as Group Head of Finance, Ahli United Bank BSC, Bahrain; Financial Controller, Al-Ahli Commercial Bank, Bahrain; Held various positions at Ernst & Young, Bahrain and Price Waterhouse in India.

### 5. Keith Gale, Director

Holds a Bachelors degree in Accounting and Finance from the University of Lancaster, UK. Associate Member of the Institute of Chartered Accountants England & Wales (ACA). Deputy Group CEO: Risk, Legal and Compliance, Ahli United Bank BSC, Bahrain; Director, Ahli United Bank KSCP Kuwait; Previously Group Head of Risk Management, Ahli United Bank BSC, Bahrain; Former Head of Credit and Risk at ABC International Bank PLC; Former Assistant Vice President, Internal Audit Department, Arab Banking Corporation, Bahrain. Held various positions in the UK with KPMG and Ernst & Young.

### 6. Mustafa Shafqat Anwar, Director

Holds a Masters of Business Administration, a Master of Public Administration and a Bachelors of Social Sciences (BSS) with Honours in Public Administration from the University of Dhaka, Bangladesh. Deputy Group CEO: Operations and Technology, Ahli United Bank BSC, Bahrain; Former Director, Ahli United Finance Company, Egypt; Former Director, Ahli United Bank SAE Egypt; Former Deputy Chief Executive Officer, Finance, Risk and Operations, Ahli United Bank SAE Egypt; Former Group Head Of Operations, Ahli United Bank BSC, Bahrain; Former Chief Operating Officer, Commercial Bank of Bahrain, Bahrain; Former Chief Operating

Officer, Grindlays Bahrain Bank, Bahrain; Former Operations Manager Gulf, ANZ Grindlays Bank, UAE. Held various Management positions with ANZ Banking Group in Bangladesh, UK, UAE and Australia.

**7. Safana Mohamed Al Barwani, Director (Ex Director)**

Holds Bachelors degree in Finance from University of Tulsa, USA. Director, MB Holding Company LLC; Director, MB Petroleum Services LLC; Director, Crest Petroleum LLC; Director, Musstir LLC.

**8. Rashad Khamis Hamed Al Battashi, Director**

Hold High Diploma in Advanced Accounting and Bachelors degree in Accounting, having more than 12 years' experience in investment field. Investment Analyst, Civil Services Employees Pension Fund; Director, Oman Chlorine; Director, National Gas; Director, Unigaz Oman.

**9. Usama Mohammed Al Barwani, Director (Ex Director)**

Holds Masters in Commerce, Finance and Energy, Bachelors of Petroleum Engineering. Chairman, Flexible Industrial Packages Co.

**Executive powers of the board are:**

1. Power of approving financial objectives, the business and financial policies of the Bank.
2. Power of approving internal regulations as well as specifying the powers, responsibilities and authorities of the executive management.
3. Power of reviewing and monitoring the disclosures and the compliance with regulatory requirements.
4. Power of nominating the members of the Sub-Committees, CEO and the key employees.

**Details of number of Board Meetings held during the year 2014**

| Sl. No. | Board Meeting |
|---------|---------------|
| 1.      | 20-Jan-2014   |
| 2.      | 24-Mar-2014   |
| 3.      | 22-Apr-2014   |
| 4.      | 22-Jul-2014   |
| 5.      | 22-Oct-2014   |
| 6.      | 09-Dec-2014   |

**Directors Attendance Record in the Board Meetings:**

| Name of Director                       | Position               | Type of Directorship                          | Board Meetings Attended | Sub-committees memberships (at year end) # | Whether attended last AGM |
|--|------------------------|---|-------------------------|--|---------------------------|
| Hamdan Ali Nasser Al-Hinai             | Chairman               | Independent/Representing MOD Pension Fund     | 6                       | CC, ECC                                    | Yes                       |
| Adel Mohamed Abdelshafe El-Labban      | First Deputy Chairman  | Non-Independent/Representing Ahli United Bank | 5                       | CC, ECC, ERC                               | Yes                       |
| Munir Abdulnabi Yousef Makki           | Second Deputy Chairman | Independent                                   | 6                       | AC   | Yes                       |
| Sayyid Khalid Hamad Hamood Al Busaidi* | Director               | Independent                                   | 1                       | ERC  | No                        |
| Sanjeev Baijal                         | Director               | Non-Independent                               | 6                       | AC   | Yes                       |
| Keith Henry Gale                       | Director               | Non-Independent                               | 6                       | CC, ECC, ERC                               | Yes                       |
| Mustafa Shafqat Anwar                  | Director               | Non-Independent                               | 5                       | ERC  | Yes                       |
| Safana Mohamed Al Barwani**            | Director               | Non-Independent/Representing MB Holding       | 4                       | ERC  | Yes                       |
| Rashad Khamis Hamed Al Battashi        | Director               | Independent                                   | 5                       | AC   | Yes                       |
| Usama Mohammed Al Barwani**            | Director               | Non-Independent                               | 4                       | ECC  | Yes                       |

# Audit and Compliance Committee - AC, Executive and Credit Committee - ECC, Executive Risk Committee - ERC, Compensation Committee - CC.

\* Not re-elected in March 2014 election

\*\* Resigned during December 2014

Note 1: All the directors on Board are non-executive directors.

Note 2: Independent directors are as per Article 1 of Code of Corporate Governance of MSM Listed Companies, revised definition issued through circular E/14/2014 dated 24th October 2012.

**SUB-COMMITTEES**

Ahlibank has four board level committees to ensure the smooth functioning of the Bank; these are:

- A. Audit and Compliance Committee
- B. Executive and Credit Committee
- C. Executive Risk Committee
- D. Compensation Committee

**A. Audit and Compliance Committee:**

The role of the Audit and Compliance Committee includes:

- Reviewing the scope of external and internal audits and over-see of the adequacy of the Bank's internal control systems through the reports of the internal and external auditors.
- Reviewing the quarterly and annual financial reports before submission to the Board for approval.
- Over-see the compliance with Corporate Governance and monitoring of Risk Management activity within the Bank.



**Composition of Audit and Compliance Committee and Details of Meetings held and Attendance Record of Members during the year 2014:**

| Composition of Audit Committee   |          | Meetings Dates |           |           |           |
|----------------------------------|----------|----------------|-----------|-----------|-----------|
| Director's Name                  | Position | 20-Jan-14      | 22-Apr-14 | 22-Jul-14 | 22-Oct-14 |
| Munir Abdulnabi Yousef Makki     | Chairman | Yes            | Yes       | Yes       | Yes       |
| Sanjeev Bajjal                   | Member   | Yes            | Yes       | Yes       | Yes       |
| Mustafa Shafqat Anwar*           | Member   | Yes            | N/A       | N/A       | N/A       |
| Rashad Khamis Hamed Al Battashi* | Member   | N/A            | Yes       | Yes       | No        |
| <b>Attendance</b>                |          | <b>3</b>       | <b>3</b>  | <b>3</b>  | <b>2</b>  |

\*Sub-Committees reconstituted after election in March 2014

**B. Executive and Credit Committee:**

The role of the Executive and Credit Committee includes:

- To provide the Board with a mechanism for considering in depth, any issue that the Board considers that requires detailed attention.
- To allow management to obtain input for the development of proposals prior to Board submission.
- To approve matters beyond the management's delegated authority but which do not need full Board approval.
- To focus on strategic reviews and proposals, investments, treasury and liquidity management, business plans and such other matters.

**Composition of Executive Credit Committee and Details of Meetings held and Attendance Record of Members during the year 2014:**

| Composition of Executive & Credit Committee |          | Meetings Dates |           |           |           |           |
|---|----------|----------------|-----------|-----------|-----------|-----------|
| Director's Name                             | Position | 25-Feb-14      | 22-Jul-14 | 23-Sep-14 | 22-Oct-14 | 09-Dec-14 |
| Hamdan Ali Nasser Al Hinai                  | Chairman | Yes            | Yes       | Yes       | Yes       | Yes       |
| Adel Mohamed Abdelshafe El-Labban           | Member   | Yes            | Yes       | Yes       | Yes       | Yes       |
| Keith Henry Gale                            | Member   | Yes            | Yes       | Yes       | Yes       | Yes       |
| Usama Mohammed Al Barwani*                  | Member   | Yes            | Yes       | No        | Yes       | No        |
| <b>Attendance</b>                           |          | <b>4</b>       | <b>4</b>  | <b>3</b>  | <b>4</b>  | <b>3</b>  |

\* Resigned during December 2014

**C. Executive Risk Committee:**

The role of the Executive Risk Committee includes:

- Integrated approach to managing the risks inherent in various aspects of our business.
- Executive Risk Committee is responsible for monitoring risk levels according to various parameters and management is responsible for ensuring mitigation measures.
- To focus on review of all policies governing Bank's risk and funding exposure.
- To ensure the consistent adherence and implementation of the board approved policies and treasury strategies in monitoring market and other risks.

**Composition of Executive Risk Committee and Details of Meetings held and Attendance Record of Members during the year 2014:**

| Composition of Executive Risk Committee |          | Meetings Dates |           |           |           |
|---|----------|----------------|-----------|-----------|-----------|
| Director's Name                         | Position | 25-Feb-14      | 22-Jul-14 | 22-Oct-14 | 09-Dec-14 |
| Adel Mohamed Abdelshafe El-Labban       | Chairman | Yes            | Yes       | Yes       | Yes       |
| Keith Henry Gale                        | Member   | Yes            | Yes       | Yes       | Yes       |
| Safana Mohamed Al Barwani*              | Member   | Yes            | Yes       | Yes       | No        |
| Rashad Khamis Hamed Al Battashi#        | Member   | Yes            | N/A       | N/A       | N/A       |
| Mustafa Shafqat Anwar#                  | Member   | N/A            | No        | Yes       | Yes       |
| <b>Attendance</b>                       |          | <b>4</b>       | <b>3</b>  | <b>4</b>  | <b>3</b>  |

\* Resigned during December 2014

# Sub-Committees reconstituted after election in March 2014

**D. Compensation Committee:**

The role of the Compensation Committee includes:

- The committee reviews the performance of all executive directors and management.
- The committee believes that compensation and benefits are adequate to motivate and retain the senior members of management of the Bank.
- To advise the Bank's Board and Chairman on the remuneration of Board Members, appointment of senior management personnel and remuneration of senior management personnel.

## Composition of Compensation Committee and Details of Meetings held and Attendance Record of Members during the year 2014:

| Composition of Compensation Committee |          | Meetings Date |
|---------------------------------------|----------|---------------|
| Director's Name                       | Position | 20-Jan-14     |
| Hamdan Ali Nasser Al Hinai            | Chairman | Yes           |
| Adel Mohamed Abdelshafe El-Labban     | Member   | Yes           |
| Keith Henry Gale#                     | Member   | N/A           |
| <b>Attendance</b>                     |          | <b>2</b>      |

# Sub-Committees reconstituted after election in March 2014

### PROCEDURE FOR STANDING AS A CANDIDATE FOR THE BOARD:

Anyone who wishes to stand as a candidate for the Board and is eligible for the same as per the regulations as well as the Articles of Association, is required to submit an application form (as prescribed by the Capital Market Authority) not later than 10 days before date fixed for the General Meeting for election of the Board members. The application shall be reviewed by the Board of the Bank to ensure eligibility of the candidate. The Bank shall lodge the application form with the Capital Market Authority at least four days before the date of general meeting.

The director shall be elected by direct secret ballot by the shareholders. Each shareholder shall have number of votes equal to that of the shares held by him.

### EXECUTIVE MANAGEMENT OF AHLIBANK

#### 1. Lloyd Maddock, Chief Executive Officer

Is a Bachelor of Engineering in Civil & Mining Engineering from the University of Exeter, UK. Former Deputy Group CEO Corporate Banking, Ahli United Bank BSC, Bahrain; Former Chief Executive Officer, HSBC Pakistan; Former Chief Executive Officer, HSBC Kuwait; Former Head of Wholesale Credit & Risk, HSBC MENA region subsequent to working in various senior management roles with HSBC covering Corporate Banking, Strategy and Risk Management.

#### 2. Chandrashekhhar Chetty, DCEO – Support Services

Hold Masters in Administrative Management from the Jamnalal Bajaj Institute of Management Studies, Mumbai University;

Bachelor in Science from Wilson College, Mumbai University. Former COO, Global Retail & Commercial Bank Barclays Bank PLC, India; Former COO, Calyon Bank India; Former COO, Credit Agricole Indosuez, India; Former COO, Dresdner Bank Group, India; Executive Assistant to Group CEO, Dresdner Bank, Group, Asia-Pacific Region, Singapore.

#### 3. CB Ganesh, DCEO - Banking Group (responsible for Wholesale Banking, Retail Banking, Treasury and Investment Banking)

Holds Masters in commerce, Masters of Bank Management, Bachelors in commerce and Certified Associate of Indian Institute of Bankers. Former Head of Trade Finance, ICICI Bank Ltd, India; Former Dy. Chief Executive & Head of Wholesale Banking, North Asia, ICICI Bank Ltd; Former Regional Head, Corporate Banking, South India, ICICI Bank.

### NON-COMPLIANCE

There has neither been any non-compliance of legal requirements nor have been any penalties or strictures imposed by the regulators on any matters relating to the capital market over the last three years.

### REMUNERATION MATTERS

An amount of RO 163,700 is proposed as Board Remuneration in addition to the sitting fees paid to the Board members for year 2014. The details of sitting fees paid are below:

| Name of Director                       | Sitting Fees Paid (RO) |
|--|------------------------|
| Hamdan Ali Nasser Al-Hinai             | 6,000                  |
| Adel Mohamed Abdelshafe El-Labban      | 5,800                  |
| Munir Abdulnabi Yousef Makki           | 4,500                  |
| Sayyid Khalid Hamad Hamood Al Busaidi* | 500                    |
| Sanjeev Bajjal                         | 3,700                  |
| Keith Henry Gale                       | 5,200                  |
| Mustafa Shafqat Anwar                  | 2,900                  |
| Safana Mohamed Al Barwani#             | 2,400                  |
| Rashad Khamis Hamed Al Battashi        | 2,900                  |
| Usama Mohammed Al Barwani#             | 2,400                  |
| <b>Total</b>                           | <b>36,300</b>          |

\* Not re-elected in March 2014 election.

# Resigned during December 2014

Total remuneration paid to the top five executives of the bank amounted to RO 981,080 during the year 2014 which included salary, benefits, perquisites, bonuses and gratuities.

The duration of the standard service contract for expatriate executives is two years. The notice period for executives ranges from one to three months depending on the executive's contract.

No severance fees are payable to the top five executive officers other than compensation for short notice of termination of services.

**COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

Ahli Bank SAOG publishes quarterly accounts and the same are uploaded on the Muscat Securities Market (MSM) website. The latest news and information about the Bank is also available on its website, [www.ahlibank.om](http://www.ahlibank.om)

All annual reports include a comprehensive management report. Management makes regular presentations to analysts, the press and investors. These briefings outline the Bank's performance, and strategy on future prospects.

The Management report is part of the Annual Report.

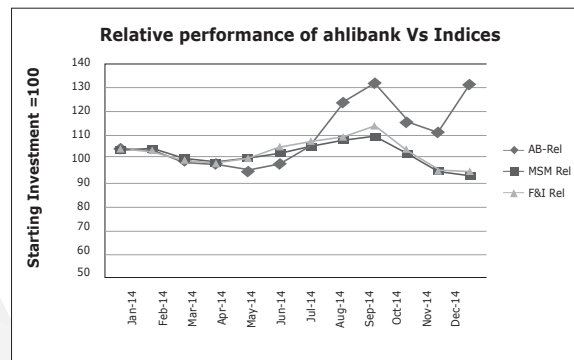
**MARKET PRICE DATA:**

**High / Low share prices in 2014**

Table below shows the high / low prices of the Bank's shares in Rial Omani during the months in the year 2014.

| Month    | High  | Low   |
|----------|-------|-------|
| Jan-2014 | 0.202 | 0.186 |
| Feb-2014 | 0.197 | 0.190 |
| Mar-2014 | 0.192 | 0.182 |
| Apr-2014 | 0.185 | 0.179 |
| May-2014 | 0.182 | 0.173 |
| Jun-2014 | 0.185 | 0.173 |
| Jul-2014 | 0.200 | 0.183 |
| Aug-2014 | 0.233 | 0.197 |
| Sep-2014 | 0.260 | 0.233 |
| Oct-2014 | 0.248 | 0.206 |
| Nov-2014 | 0.223 | 0.198 |
| Dec-2014 | 0.255 | 0.175 |

**Performance of Ahli Bank SAOG Vs MSM and Banking Indices**



**Distribution of share ownership among shareholders as of 31 December 2014:**

| Name   | Country of incorporation | Number of shares | %     |
|--|--------------------------|------------------|-------|
| Ahli United Bank   | Bahrain                  | 453,420,584      | 35.00 |
| International Finance Corporation                          | USA                      | 128,314,941      | 9.91  |
| Oman Investment Fund Holding LLC and Oman Investment Fund  | Oman                     | 123,123,559      | 9.50  |
| Ministry of Civil Services – Pension Fund                  | Oman                     | 109,095,169      | 8.42  |
| Ministry of Defense – Pension Fund                         | Oman                     | 91,785,868       | 7.09  |
| Oman International Development and Investment Company SAOG | Oman                     | 83,898,163       | 6.48  |
| Others   | -                        | 305,849,120      | 23.60 |

**DONATIONS**

The Bank paid a donation of RO 48,000 to various charitable organizations and RO 25,000 towards MyHassad Special Ramadhan Charity offer to various organizations.

## EXTERNAL AUDITOR'S PROFILE – Ernst & Young

Ernst & Young (EY) are the statutory auditors of the Bank. EY have been operating in the Sultanate of Oman since 1974 and are the largest professional services firm in the country. EY Oman, forms part of EY's EMEIA practice, with 4,015 partners and over 90,500 professionals in 462 offices throughout the EMEIA geographical area. Globally EY operates in more than 150 countries and employs 190,000 professionals.

EY in Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOG's). For the year 2014, total remuneration of RO 49,000 is approved for EY towards professional services rendered to the Bank (RO 39,500 audit, RO 7,000 Sharia Audit and RO 1,000 for tax return and RO 1,500 other professional services).



**Hamdan Ali Nasser Al Hinai**  
Chairman Board of Directors

## ACKNOWLEDGMENT BY THE BOARD OF DIRECTORS:

- The Board is responsible for the preparation of the financial statements in accordance with the applicable standards and rules.
- The Board has reviewed the efficiency and adequacy of internal control systems of the issuer and it complies with internal rules and regulations.
- There is no material thing that affects the continuation of the bank and its ability to continue its operations during the next financial year.



**Munir Abdulnabi Yousef Makki**  
Chairman Audit and  
Compliance Committee



Ernst & Young  
P.O. Box 1750, Ruwi 112  
3-4th Floor  
Ernst & Young Building  
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Sultanate of Oman

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ey.com/mena  
C.R. No. 1368095  
P.R. No. MH/4

## Independent auditor's report to the shareholders of Ahli Bank SAOG

### Report on the financial statements

We have audited the accompanying financial statements of Ahli Bank SAOG (the Bank), which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended, and the Rules and Guidelines on disclosures issued by the Capital Market Authority, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other legal and regulatory requirements

In our opinion the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority.

26 February 2015  
Muscat

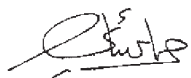
A member firm of Ernst & Young Global Limited




**STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2014**

| 2013<br>US\$'000              | 2014<br>US\$'000        |   | 2014<br>RO'000          | 2013<br>RO'000   |
|-------------------------------|-------------------------|---|-------------------------|------------------|
| <b>ASSETS</b>                 |                         |   |                         |                  |
| 112,922                       | <b>141,416</b>          | Cash and balances with Central Bank of Oman       | <b>54,445</b>           | 43,475           |
| 211,644                       | <b>90,221</b>           | Due from banks                                    | <b>34,735</b>           | 81,483           |
| 2,869,914                     | <b>3,607,457</b>        | Loans & advances and financing, net               | <b>1,388,871</b>        | 1,104,917        |
| 209,371                       | <b>359,026</b>          | Investment securities                             | <b>138,225</b>          | 80,608           |
| 43,055                        | <b>45,343</b>           | Property and equipment                            | <b>17,457</b>           | 16,576           |
| 270                           | -                       | Deferred tax asset                                | -                       | 104              |
| 32,005                        | <b>28,774</b>           | Other assets                                      | <b>11,078</b>           | 12,322           |
| <u>3,479,181</u>              | <u><b>4,272,237</b></u> | <b>TOTAL ASSETS</b>                               | <u><b>1,644,811</b></u> | <u>1,339,485</u> |
| <b>LIABILITIES AND EQUITY</b> |                         |   |                         |                  |
| <b>LIABILITIES</b>            |                         |   |                         |                  |
| 250,392                       | <b>613,927</b>          | Due to banks                                      | <b>236,362</b>          | 96,401           |
| 2,480,662                     | <b>2,795,298</b>        | Customers' deposits                               | <b>1,076,190</b>        | 955,055          |
| 75,000                        | <b>149,351</b>          | Borrowed funds                                    | <b>57,500</b>           | 28,875           |
| 9,657                         | <b>10,023</b>           | Taxation  | <b>3,859</b>            | 3,718            |
| 79,327                        | <b>81,482</b>           | Other liabilities                                 | <b>31,370</b>           | 30,541           |
| 103,896                       | <b>103,896</b>          | Subordinated liabilities                          | <b>40,000</b>           | 40,000           |
| <u>2,998,934</u>              | <u><b>3,753,977</b></u> | <b>TOTAL LIABILITIES</b>                          | <u><b>1,445,281</b></u> | <u>1,154,590</u> |
| <b>EQUITY</b>                 |                         |   |                         |                  |
| 328,283                       | <b>336,491</b>          | Share capital                                     | <b>129,549</b>          | 126,389          |
| 38,294                        | <b>44,821</b>           | Legal reserve                                     | <b>17,256</b>           | 14,743           |
| 16,995                        | <b>16,995</b>           | General loan loss reserve                         | <b>6,543</b>            | 6,543            |
| 58,434                        | <b>79,200</b>           | Subordinated debt reserve                         | <b>30,492</b>           | 22,497           |
| 2,701                         | <b>70</b>               | Fair value reserve                                | <b>27</b>               | 1,040            |
| 35,540                        | <b>40,683</b>           | Retained earnings                                 | <b>15,663</b>           | 13,683           |
| <u>480,247</u>                | <u><b>518,260</b></u>   | <b>TOTAL EQUITY</b>                               | <u><b>199,530</b></u>   | <u>184,895</u>   |
| <u>3,479,181</u>              | <u><b>4,272,237</b></u> | <b>TOTAL LIABILITIES AND EQUITY</b>               | <u><b>1,644,811</b></u> | <u>1,339,485</u> |
| 38.0                          | <b>40.0</b>             | Net assets value per share<br>(US cents / baizas) | <b>154.0</b>            | 146.3            |
| <u>455,418</u>                | <u><b>544,932</b></u>   | Contingent liabilities and commitments            | <u><b>209,799</b></u>   | <u>175,336</u>   |

The financial statements were approved by the Board of Directors on 27 January 2015 and signed on their behalf by:

  
**Hamdan Ali Nasser Al Hinai**  
Chairman

  
**Lloyd Maddock**  
Chief Executive Officer

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

| 2013<br>US\$'000 | 2014<br>US\$'000       |   | 2014<br>RO'000         | 2013<br>RO'000  |
|------------------|------------------------|---|------------------------|-----------------|
| 142,699          | <b>146,598</b>         | Interest income   | <b>56,440</b>          | 54,939          |
| (47,125)         | <b>(51,240)</b>        | Interest expense  | <b>(19,727)</b>        | (18,143)        |
| <u>95,574</u>    | <u><b>95,358</b></u>   | <b>NET INTEREST INCOME</b>  | <u><b>36,713</b></u>   | <u>36,796</u>   |
| 4,138            | <b>14,587</b>          | Income from Islamic financing and investment  | <b>5,616</b>           | 1,593           |
| (197)            | <b>(2,600)</b>         | Unrestricted investment account holders' share of profit and profit expense   | <b>(1,001)</b>         | (76)            |
| <u>3,941</u>     | <u><b>11,987</b></u>   | <b>NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS</b>  | <u><b>4,615</b></u>    | <u>1,517</u>    |
|                  |                        | <b>NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS</b>  | <b>41,328</b>          | 38,313          |
| 99,515           | <b>107,345</b>         | Other operating income  | <b>10,304</b>          | 8,287           |
| <u>21,525</u>    | <u><b>26,763</b></u>   | <b>OPERATING INCOME</b>   | <u><b>51,632</b></u>   | <u>46,600</u>   |
| 121,040          | <b>134,108</b>         | Loans and financing impairment, net of recoveries   | <b>(4,898)</b>         | (4,564)         |
| (11,855)         | <b>(12,722)</b>        | Impairment on available for sale investments  | <b>(346)</b>           | -               |
| -                | <b>(899)</b>           | <b>NET OPERATING INCOME</b>   | <u><b>46,388</b></u>   | <u>42,036</u>   |
| 109,185          | <b>120,487</b>         | Staff expenses  | <b>(10,589)</b>        | (9,057)         |
| (23,525)         | <b>(27,503)</b>        | Depreciation  | <b>(1,162)</b>         | (835)           |
| (2,169)          | <b>(3,018)</b>         | Other operating expenses  | <b>(5,933)</b>         | (5,885)         |
| (15,286)         | <b>(15,410)</b>        | <b>OPERATING EXPENSES</b>   | <u><b>(17,684)</b></u> | <u>(15,777)</u> |
| (40,980)         | <u><b>(45,931)</b></u> |   |                        |                 |
| 68,205           | <b>74,556</b>          | <b>PROFIT BEFORE TAXATION</b>   | <b>28,704</b>          | 26,259          |
| (8,387)          | <b>(9,291)</b>         | Tax expense   | <b>(3,577)</b>         | (3,229)         |
| <u>59,818</u>    | <u><b>65,265</b></u>   | <b>PROFIT FOR THE YEAR</b>  | <u><b>25,127</b></u>   | <u>23,030</u>   |
|                  |                        | <b>OTHER COMPREHENSIVE (EXPENSE) / INCOME - NET OF TAX</b>  |                        |                 |
|                  |                        | <b>Fair value reserve (available for sale investments) to be reclassified to profit or loss in subsequent periods</b> |                        |                 |
| (1,717)          | <b>(2,036)</b>         | -Net amount transferred to Profit or loss   | <b>(784)</b>           | (661)           |
| <u>2,675</u>     | <u><b>(595)</b></u>    | -Net changes in fair values   | <b>(229)</b>           | 1,030           |
| 958              | <b>(2,631)</b>         | <b>OTHER COMPREHENSIVE (EXPENSE) / INCOME FOR THE YEAR</b>  | <u><b>(1,013)</b></u>  | <u>369</u>      |
| <u>60,776</u>    | <u><b>62,634</b></u>   | <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>  | <u><b>24,114</b></u>   | <u>23,399</u>   |
|                  |                        | Basic and diluted earnings per share (US cents / baizas)  | <b>19.4</b>            | <u>17.8</u>     |
| <u>4.6</u>       | <u><b>5.0</b></u>      |   |                        |                 |

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

|   | Share capital RO'000 | Legal reserve RO'000 | General loan loss reserve RO'000 | Subordinated debt reserve RO'000 | Fair value reserve RO'000 | Retained earnings RO'000 | Total RO'000 |
|---|----------------------|----------------------|----------------------------------|----------------------------------|---------------------------|--------------------------|--------------|
| <b>At 1 January 2014</b>                                      | 126,389              | 14,743               | 6,543                            | 22,497                           | 1,040                     | 13,683                   | 184,895      |
| <b>Comprehensive income for the year:</b>                     |                      |                      |                                  |                                  |                           |                          |              |
| Profit for the year   | -                    | -                    | -                                | -                                | -                         | 25,127                   | 25,127       |
| Other comprehensive expense, net of tax                       | -                    | -                    | -                                | -                                | (1,013)                   | -                        | (1,013)      |
| <b>Total comprehensive income</b>                             | -                    | -                    | -                                | -                                | (1,013)                   | 25,127                   | 24,114       |
| Transfer to legal reserve                                     | -                    | 2,513                | -                                | -                                | -                         | (2,513)                  | -            |
| Transfer to subordinated debt reserve                         | -                    | -                    | -                                | 7,995                            | -                         | (7,995)                  | -            |
|   | -                    | 2,513                | -                                | 7,995                            | -                         | (10,508)                 | -            |
| <b>Transactions with owners recognised directly in equity</b> |                      |                      |                                  |                                  |                           |                          |              |
| Cash dividends paid   | -                    | -                    | -                                | -                                | -                         | (9,479)                  | (9,479)      |
| Issue of bonus shares   | 3,160                | -                    | -                                | -                                | -                         | (3,160)                  | -            |
| <b>Total transactions with owners</b>                         | 3,160                | -                    | -                                | -                                | -                         | (12,639)                 | (9,479)      |
| <b>At 31 December 2014</b>                                    | 129,549              | 17,256               | 6,543                            | 30,492                           | 27                        | 15,663                   | 199,530      |
| <b>At 31 December 2014 (US\$'000)</b>                         | 336,491              | 44,821               | 16,995                           | 79,200                           | 70                        | 40,683                   | 518,260      |

|   | Share capital RO'000 | Legal reserve RO'000 | General loan loss reserve RO'000 | Subordinated debt reserve RO'000 | Fair value reserve RO'000 | Retained earnings RO'000 | Total RO'000 |
|---|----------------------|----------------------|----------------------------------|----------------------------------|---------------------------|--------------------------|--------------|
| <b>At 1 January 2013</b>                                      | 120,370              | 12,440               | 6,543                            | 14,502                           | 671                       | 12,988                   | 167,514      |
| <b>Comprehensive income for the year:</b>                     |                      |                      |                                  |                                  |                           |                          |              |
| Profit for the year   | -                    | -                    | -                                | -                                | -                         | 23,030                   | 23,030       |
| Other comprehensive income, net of tax                        | -                    | -                    | -                                | -                                | 369                       | -                        | 369          |
| <b>Total comprehensive income</b>                             | -                    | -                    | -                                | -                                | 369                       | 23,030                   | 23,399       |
| Transfer to legal reserve                                     | -                    | 2,303                | -                                | -                                | -                         | (2,303)                  | -            |
| Transfer to subordinated debt reserve                         | -                    | -                    | -                                | 7,995                            | -                         | (7,995)                  | -            |
|   | -                    | 2,303                | -                                | 7,995                            | -                         | (10,298)                 | -            |
| <b>Transactions with owners recognised directly in equity</b> |                      |                      |                                  |                                  |                           |                          |              |
| Cash dividends paid   | -                    | -                    | -                                | -                                | -                         | (6,018)                  | (6,018)      |
| Issue of bonus shares   | 6,019                | -                    | -                                | -                                | -                         | (6,019)                  | -            |
| <b>Total transactions with owners</b>                         | 6,019                | -                    | -                                | -                                | -                         | (12,037)                 | (6,018)      |
| <b>At 31 December 2013</b>                                    | 126,389              | 14,743               | 6,543                            | 22,497                           | 1,040                     | 13,683                   | 184,895      |
| <b>At 31 December 2013 (US\$'000)</b>                         | 328,283              | 38,294               | 16,995                           | 58,434                           | 2,701                     | 35,540                   | 480,247      |

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

| 2013<br>US\$'000 | 2014<br>US\$'000 |   | 2014<br>RO'000   | 2013<br>RO'000 |
|------------------|------------------|---|------------------|----------------|
|                  |                  | <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                  |                |
| 68,205           | <b>74,556</b>    | <b>Profit for the year before taxation</b>  | <b>28,704</b>    | 26,259         |
|                  |                  | <b>Adjustments for:</b>   |                  |                |
| 2,169            | <b>3,018</b>     | Depreciation  | <b>1,162</b>     | 835            |
| 11,855           | <b>12,722</b>    | Loans and financings impairment, net of recoveries                                | <b>4,898</b>     | 4,564          |
| -                | <b>899</b>       | Impairment on available for sale investments                                      | <b>346</b>       | -              |
| 216              | <b>309</b>       | End of service benefits provision   | <b>119</b>       | 83             |
| (16)             | <b>75</b>        | Loss / (gain) on sale of property and equipment                                   | <b>29</b>        | (6)            |
| (2,197)          | <b>(2,283)</b>   | Gain on sale of investment  | <b>(879)</b>     | (846)          |
| 34               | <b>-</b>         | Unrealised loss on revaluation of investment                                      | <b>-</b>         | 13             |
| 80,266           | <b>89,296</b>    | <b>Operating profit before working capital changes</b>                            | <b>34,379</b>    | 30,902         |
| -                | <b>(40,444)</b>  | Increase in due from banks  | <b>(15,571)</b>  | -              |
| (83)             | <b>(94)</b>      | End of service benefits paid  | <b>(36)</b>      | (32)           |
| (472,959)        | <b>(750,265)</b> | Increase in loans & advances and financing  | <b>(288,852)</b> | (182,089)      |
| 828              | <b>(5,530)</b>   | Net investment in held for trading investments                                    | <b>(2,130)</b>   | 319            |
| -                | <b>193,556</b>   | Increase in due to banks  | <b>74,519</b>    | -              |
| (524)            | <b>3,231</b>     | Decrease / (increase) in other assets   | <b>1,244</b>     | (202)          |
| 562,722          | <b>314,636</b>   | Increase in customers' deposits   | <b>121,135</b>   | 216,648        |
| 18,924           | <b>1,938</b>     | Increase in other liabilities   | <b>746</b>       | 7,286          |
| 189,174          | <b>(193,676)</b> | <b>Cash (used in) / from operations</b>   | <b>(74,566)</b>  | 72,832         |
| (8,649)          | <b>(8,655)</b>   | Tax paid  | <b>(3,332)</b>   | (3,330)        |
| 180,525          | <b>(202,331)</b> | <b>Net cash (used in) / from operating activities</b>                             | <b>(77,898)</b>  | 69,502         |
|                  |                  | <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                  |                |
| (14,468)         | <b>17,987</b>    | Decrease / (increase) in investment, net (excluding held for trading investments) | <b>6,925</b>     | (5,570)        |
| (13,873)         | <b>(5,390)</b>   | Purchase of property and equipment  | <b>(2,075)</b>   | (5,341)        |
| 29               | <b>8</b>         | Proceeds from sale of property and equipment                                      | <b>3</b>         | 11             |
| (28,312)         | <b>12,605</b>    | <b>Net cash from / (used in) investing activities</b>                             | <b>4,853</b>     | (10,900)       |
|                  |                  | <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                  |                |
| 45,000           | <b>74,351</b>    | Increase in borrowed funds  | <b>28,625</b>    | 17,325         |
| (15,631)         | <b>(24,621)</b>  | Dividends paid  | <b>(9,479)</b>   | (6,018)        |
| 29,369           | <b>49,730</b>    | <b>Net cash from financing activities</b>   | <b>19,146</b>    | 11,307         |
| 181,582          | <b>(139,996)</b> | <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                                    | <b>(53,899)</b>  | 69,909         |
| (22,128)         | <b>159,454</b>   | Cash and cash equivalents at 1 January  | <b>61,390</b>    | (8,519)        |
| 159,454          | <b>19,458</b>    | <b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>                                   | <b>7,491</b>     | 61,390         |
|                  |                  | <b>(Refer below)</b>  |                  |                |

**CASH AND CASH EQUIVALENTS COMPRISE OF THE FOLLOWING:**

| 2013<br>US\$'000 | 2014<br>US\$'000 |   | 2014<br>RO'000   | 2013<br>RO'000 |
|------------------|------------------|---|------------------|----------------|
| 111,558          | <b>140,052</b>   | Cash and balances with Central Bank of Oman | <b>53,920</b>    | 42,950         |
| 211,644          | <b>49,777</b>    | Due from banks                              | <b>19,164</b>    | 81,483         |
| 86,644           | <b>250,000</b>   | Treasury bills with three months maturity   | <b>96,250</b>    | 33,358         |
| (250,392)        | <b>(420,371)</b> | Due to banks                                | <b>(161,843)</b> | (96,401)       |
| 159,454          | <b>19,458</b>    | <b>Cash and cash equivalents</b>            | <b>7,491</b>     | 61,390         |

## SHARIA COMPLIANCE REPORT OF SHARIA SUPERVISORY BOARD AL HILAL ISLAMIC BANKING SERVICES, AHLI BANK SAOG

In the name of Allah, The Beneficent, The Merciful All praise to Allah, and peace be upon His messenger, his family, his companions and all followers of his guidance.

To Shareholders of Al Hilal Islamic Banking Services, Ahli Bank SAOG (the "Bank").

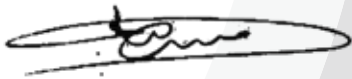
Assalam Alikum wa Ramat Allah wa Barakatuh

In compliance with the letter of appointment, we are required to submit the following report:

Sharia Supervisory Board has reviewed the products and the contracts relating to the transactions and applications developed by the Bank during the period (1 January 2014 to 31 December 2014) ended 2014. We have also conducted our review to form an opinion as to whether the Bank has complied with Sharia principles and also with the specific Fatawa, ruling and guidelines issued by us.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Sharia rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to you.

We conducted our review which included



**Dr. Fareed Mohammed Hadi**  
Chairman SSB  
Al Hilal Islamic Banking Services,  
Ahli Bank SAOG.

**Date: 27<sup>th</sup> January 2015**

examining, on a test basis of each type of transaction, the relevant documentation and procedures adopted by the Bank.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Sharia rules and principles.

### In our opinion:

a) The contracts, transactions and dealings entered into by the Bank during the year ended 2014 that we have reviewed are in compliance with Sharia rules and principles.

b) The allocation of profit and charging of losses relating to investment account conform to the basis that had been approved by us in accordance with Sharia rules and principles.

c) All earning that has been realized from sources or by means prohibited by Sharia principles have been disposed of to charitable causes, and the calculation of Zakah is in compliance with Sharia rules and principles.

We beg Allah the Almighty to grant us all the success.



## RELATED PARTY TRANSACTIONS

In the ordinary course of business the Bank enters into transactions with major shareholders, directors, senior management and their related concerns. These transactions are conducted on an arm's length basis and are approved by the Bank's management and Board of Directors.

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

| 2013<br>US\$'000 | 2014<br>US\$'000 |  | 2014<br>RO'000 | 2013<br>RO'000 |
|------------------|------------------|--|----------------|----------------|
|                  |                  | <b>Directors and senior management</b>             |                |                |
| 1,314            | <b>1,312</b>     | Loans & advances and financing, net                | <b>505</b>     | 506            |
| 847              | <b>2,000</b>     | Customers' deposits                                | <b>770</b>     | 326            |
|                  |                  | <b>Major shareholders and others</b>               |                |                |
| 45,330           | <b>2,052</b>     | Loans & advances and financing, net                | <b>790</b>     | 17,452         |
| 19,332           | <b>2,779</b>     | Due from banks                                     | <b>1,070</b>   | 7,443          |
| 6,114            | <b>1,203</b>     | Investments securities                             | <b>463</b>     | 2,354          |
|                  |                  | Other assets                                       |                |                |
| 138              | <b>309</b>       | - Fair value of forward contracts                  | <b>119</b>     | 53             |
| 108,522          | <b>448,351</b>   | Due to banks                                       | <b>172,615</b> | 41,781         |
| 35,023           | <b>68</b>        | Customers' deposits                                | <b>26</b>      | 13,484         |
|                  |                  | Other liabilities                                  |                |                |
| 304              | <b>348</b>       | - Fair value of foreign exchange forward contracts | <b>134</b>     | 117            |
| 538              | -                | - Fair value of swaps                              | -              | 207            |
| 1,971            | <b>1,696</b>     | - Accrued expenses                                 | <b>653</b>     | 759            |
| 45,961           | <b>47,205</b>    | Contingent liabilities and commitments             | <b>18,174</b>  | 17,695         |

The income and expenses in respect of related parties included in the statement of comprehensive income are as follows:

| 2013<br>US\$'000 | 2014<br>US\$'000 |  | 2014<br>RO'000 | 2013<br>RO'000 |
|------------------|------------------|--|----------------|----------------|
|                  |                  | <b>Directors and senior management</b>     |                |                |
| 34               | <b>31</b>        | Interest income                            | <b>12</b>      | 13             |
| 18               | <b>23</b>        | Interest expense                           | <b>9</b>       | 7              |
| 377              | <b>426</b>       | Board remuneration proposed                | <b>164</b>     | 145            |
| 143              | <b>94</b>        | Board sitting fees                         | <b>36</b>      | 55             |
|                  |                  | <b>Major shareholders and others</b>       |                |                |
| 3,795            | <b>1,418</b>     | Interest income                            | <b>546</b>     | 1,461          |
| 644              | <b>1,112</b>     | Interest expense                           | <b>428</b>     | 248            |
| 29               | -                | Fees and commission, net                   | -              | 11             |
| 114              | <b>361</b>       | Loss on fair value of interest rate swaps  | <b>139</b>     | 44             |
| 304              | <b>348</b>       | Loss on foreign exchange forward contracts | <b>134</b>     | 117            |
| 1,971            | <b>2,244</b>     | Other operating expenses                   | <b>864</b>     | 759            |

The Bank has a technical and support agreement (TMSA) with a major shareholder. In accordance with the agreement, an amount of RO 0.653 million equivalent to US\$ 1.696 million is included in other operating expenses during 2014 (31 December 2013: RO 0.597 million equivalent to US\$ 1.551 million).

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 December 2013: RO 25 million equivalent to US\$ 64.9 million).

Compensation of the key management personnel is as follows:

| 2013<br>US\$'000 | 2014<br>US\$'000    |   | 2014<br>RO'000    | 2013<br>RO'000 |
|------------------|---------------------|---|-------------------|----------------|
| 2,182            | <b>2,047</b>        | Salaries and allowances                 | <b>788</b>        | 840            |
| 68               | <b>109</b>          | End of service benefits                 | <b>42</b>         | 26             |
| <u>2,250</u>     | <u><b>2,156</b></u> | Total compensation paid during the year | <u><b>830</b></u> | <u>866</u>     |

## REMUNERATION MATTERS

An amount of RO 163,700/- is proposed as Board Remuneration in addition to the sitting fees paid to the Board members for year 2014. The details of sitting fees paid are below:

| Name of Director                       | Sitting Fees Paid (RO) |
|--|------------------------|
| Hamdan Ali Nasser Al-Hinai             | 6,000                  |
| Adel Mohamed Abdelshafe El-Labban      | 5,800                  |
| Munir Abdulnabi Yousef Makki           | 4,500                  |
| Sayyid Khalid Hamad Hamood Al Busaidi* | 500                    |
| Sanjeev Baijal                         | 3,700                  |
| Keith Henry Gale                       | 5,200                  |
| Mustafa Shafqat Anwar                  | 2,900                  |
| Safana Mohamed Al Barwani#             | 2,400                  |
| Rashad Khamis Hamed Al Battashi        | 2,900                  |
| Usama Mohammed Al Barwani#             | 2,400                  |
| <b>Total</b>                           | <b>36,300</b>          |

\* Not re-elected in March 2014 election.  
# Resigned during December 2014

Total remuneration paid to the top five executives of the Bank amounted to RO 981,080/- during the year 2014 which includes salary, benefits, perquisites, bonuses and gratuities.

The duration of the standard service contract for expatriate executives is two years. The notice period for executives ranges from one to three months depending on the executive's contract.

No severance fees are payable to the top five executive officers other than compensation for short notice of termination of services.

### Proposed Sitting Fees for 2015:

Board Meeting: The sitting fees for Chairman is Rial 600/- and for other members Rial 500/- per meeting.

Other Subcommittee Meeting: The sitting fees for Chairman is Rial 500/- and for other members Rial 300/- per meeting.

The total sitting fees shall not be more than Rial 10,000/- for each director per annum.

## Annexure to the Agenda of the Annual General Meeting

### Annexure A

#### Appointment of the Sharia Supervisory Board members, remunerations and Sitting fees:

##### I. Composition of Sharia Board Members:

The Shareholders' approval is required on the composition of Sharia Supervisory Board as below;

|   |  |          |
|---|--|----------|
| 1 | Dr. Fareed Mohammed Hadi               | Chairman |
| 2 | Dr. Ahmed Mohiyeldin Ahmed             | Member   |
| 3 | Dr. Abdulrauf Abdullah Hamood Al Tubi  | Member   |
| 4 | Dr. Mohammed Taher Mohammed Al Ibrahim | Member   |

##### II. Remuneration and sitting fees:

The Board of Directors has proposed the remuneration of Sharia Supervisory Board as below;

|   |                            |                                  |
|---|----------------------------|----------------------------------|
| - | Chairman of SSB:           | RO 9,625 (US\$ 25,000) per annum |
| - | Member of SSB:             | RO 6,738 (US\$ 17,500) per annum |
| - | Sitting fees per meeting*: | RO 385 (US\$ 1,000) per meeting  |

(\*Maximum of five sitting per year per member)

The shareholders' approval is required on remuneration and sitting fee as proposed by Board of Directors.

### Annexure B

#### Amendments to the Articles of Association of Ahli Bank SAOG

| Article No.      | Existing  | Amendment   |
|------------------|---|---|
| Article (1)      | The authorised share capital of the Bank shall be RO 150,000,000 (Rials Omani One hundred and Fifty Million only) divided into 1,500,000,000 (one billion and Five Hundred Million) shares of RO 0.100 (One Hundred Baisas only) each.  | The authorised share capital of the Bank shall be RO 250,000,000 (Rials Omani Two hundred and Fifty Million only) divided into 2,500,000,000 (Two billion and Five Hundred Million) shares of RO 0.100 (One Hundred Baisas only) each   |
| Article (21 - A) | The management of the Bank shall be entrusted to a board of directors comprising 9 members to be elected by the Ordinary General Meeting from among the shareholders or others, provided that the nominee if a shareholder, shall own at least 5,000 shares throughout the term of his office which he shall not dispose of to the extent that he shall be deprived of his status as a shareholder in the Bank throughout the term of his office. | The management of the Bank shall be entrusted to a board of directors comprising 8 members to be elected by the Ordinary General Meeting from among the shareholders or others, provided that the nominee if a shareholder, shall own at least 5,000 shares throughout the term of his office which he shall not dispose of to the extent that he shall be deprived of his status as a shareholder in the Bank throughout the term of his office. |

### Annexure C

#### Tier II Capital (Subordinated Debt), approval of conversion price and formula

The Regulatory Framework of Basel III is aimed at specifying the necessary criteria for increasing the resilience of the banking system to face shocks resulting from financial and economic crisis. For this purpose the Regulatory Framework of Basel III identified the criteria which ensure the bank's ability to absorb the loss and protect the capital through the increase thereof, consolidation of risk coverage and enhancement of the percentage of liquidity coverage for the short term and the percentage of financing the financial position for the long term. Guided by these criteria and the directives issued by the Central Bank of Oman the management of Ahli Bank S.A.O.G. submits to this proposal to the General Meeting for their approval.

- The possibility of conversion of Basel III compliant, Tier 2 capital (Subordinated Debt) into shares of Ahli Bank SAOG at the point of non-viability, at the instruction of Central Bank of Oman (CBO).
- The Subordinated Debt shall be converted into shares of the Bank at a conversion price which shall be the higher of:
  - average of the weekly high and low closing prices of the Bank's shares quotes in Muscat Securities Market in the last twenty six (26) weeks or
  - such average during four (4) weeks before the date of the conversion, as communicated by the CBO.

The conversion formula shall be determined as below

Number of Shares to be issued = Subordinate Debt outstanding plus interest accrued thereon / Conversion Price

The Bank will implement the above by either of the following two cases:

- A notification from the CBO to the Bank in writing that the CBO is of the opinion that a write-off or conversion is necessary without which the Bank will become non-viable; or
- A decision is taken to make injection of capital.

We would also like to confirm that the Board of Directors will take the necessary measures to meet the requirements of the Central Bank of Oman. In all cases if the conversion of the subordinated debt into shares or an increase of the capital is required, the Board of Directors will promptly disclose such matter and invite the shareholders to convene an Extraordinary General Meeting for approval of the conversion as may be required by the Regulations issued by the Capital Market Authority.

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Website:  
E-mail:

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(+968) 24577177  
www.ahlibank.om  
info@ahlibank.om

## Conventional Branches

|            |                                    |   |
|------------|------------------------------------|---|
| Wattayah   | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24577000 Fax: (+968) 24568168 |
| Seeb       | P.O Box 270, PC 121, Seeb          | Tel: (+968) 24427627 Fax: (+968) 24423500 |
| Sohar      | P.O Box 454, PC 321, Tarif         | Tel: (+968) 26843843 Fax: (+968) 26844936 |
| Nizwa      | P.O Box 1212, PC 611, Nizwa        | Tel: (+968) 25412370 Fax: (+968) 25412373 |
| Sur        | P.O Box 806, PC 411, Sur           | Tel: (+968) 25542244 Fax: (+968) 25542277 |
| Ibri       | P.O Box 300, PC 516, Ibri          | Tel: (+968) 25690005 Fax: (+968) 25690330 |
| Salalah    | P.O Box 636, PC 211, Salalah       | Tel: (+968) 23298288 Fax: (+968) 23298857 |
| Al Ghubra  | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24498270 Fax: (+968) 24498275 |
| Ibra       | P.O Box 565, PC 400, Ibra          | Tel: (+968) 25570568 Fax: (+968) 25570637 |
| Barka      | P.O Box 494, PC 320, Barka         | Tel: (+968) 26883092 Fax: (+968) 26886008 |
| Al Khoudh  | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24541386 Fax: (+968) 24541309 |
| Al Khuwair | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24480050 Fax: (+968) 24480766 |

## Al Hilal Islamic Banking Services Branches

|          |                                    |   |
|----------|------------------------------------|---|
| CBD      | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24577834 Fax: (+968) 24707148 |
| Bahla    | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24577862 Fax: (+968) 25419933 |
| Rustaq   | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24577859 Fax: (+968) 26772700 |
| Samail   | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24577854 Fax: (+968) 25350425 |
| Salalah  | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24577894 Fax: (+968) 23203260 |
| Saham    | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24577874 Fax: (+968) 26857225 |
| Wattayah | P.O Box 545, PC 116, Mina Al Fahal | Tel: (+968) 24577954 Fax: (+968) 24565513 |





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