



**AHLI BANK SAOG**

**Unaudited interim condensed financial statements  
31 March 2016**

## 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 31<sup>st</sup> March 2016. This is based on the condensed interim financial statements reviewed by the external auditors.

### The Bank's Financial Performance:

The financial results for the period ended 31st March 2016 reflect sustenance of core earnings.

	31-Mar-16	31-Mar-15	Growth %
	RO in Million		
Equity	220.2	206.1	6.8%
Loans & advances and financing, net	1,531.7	1,467.5	4.4%
Customers' deposits	1,236.2	1,126.1	9.8%
Total assets	1,838.7	1,794.1	2.5%
Net Operating income	12.4	12.5	-0.8%
Operating expenses	4.4	4.8	-8.3%
Profit for the period	7.0	6.8	2.9%

The Bank's customer deposits have positively developed and diversified in line with the focused strategy to build a stable low cost deposit base. Loan growth of over 4.4%, has been achieved with a prudent risk management approach and in a diversified manner. Total assets at 31<sup>st</sup> March 2016 stood at 1,838.7 million showing an increase of 2.5% as compared to the same period last year.

As compared to last year, ahlibank's Net Operating Income has decreased by 0.8% to RO 12.4 Million and Operating Expenses (excluding loan impairment net of recoveries) were controlled at RO 4.4 million resulting in a cost to income ratio of 34%. Overall, the Net Profit After Tax increased by 2.9% to RO 7.0 million, as compared to RO 6.8 million during the same period last year.

**Accolades:**

The bank is ranked “Best Bank of the Sultanate” in the OER-Gulf Baader Capital Markets survey of the Best Banks in Oman, 2015 for fifth year in succession. The recognition received by ahlibank reflects the bank commitment to its clients and the growth and development of its business and footprint in the Sultanate.

The bank is also proud to be the only bank in the Sultanate with the Payment Card Industry – Data Security Standard Certification. This is in addition to it being recertified as ISO 27001-2013 compliant confirming to its solid internal information and data security standards.

**The Year Ahead:**

Given the challenging operating environment ahlibank is pursuing a prudent balance sheet management and risk taking stance while focusing on diversifying its products and services profile to its growing customer base.

In 2016, ahlibank will continue to build its brand equity and seek to expand its banking footprint 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 has upgraded its Core Banking Systems both in the areas of Conventional and Islamic Banking operations. It is now in the process of implementing new modules for treasury and trade finance activities for Islamic Banking. Bank is also in the process of implementing a data warehouse solution that will provide centralized and unified information to assist risk management and business development.

**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.

**Adel A. El-Labban**

First Deputy Chairman

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION  
AT 31 MARCH 2016**

Audited 31-Dec-15 US\$ '000	Unaudited 31-Mar-15 US\$ '000	Unaudited 31-Mar-16 US\$ '000		Note	Unaudited 31-Mar-16 RO '000	Unaudited 31-Mar-15 RO '000	Audited 31-Dec-15 RO '000
<b>ASSETS</b>							
			Cash and balances with Central Bank of Oman		<b>84,961</b>	84,815	123,700
321,299	220,299	<b>220,678</b>	Due from banks		<b>41,742</b>	15,070	60,377
156,824	39,143	<b>108,421</b>	Loans & advances and Financing, net	4	<b>1,531,743</b>	1,467,547	1,518,052
3,942,991	3,811,810	<b>3,978,553</b>	Investment securities		<b>144,328</b>	198,644	160,334
416,452	515,958	<b>374,878</b>	Property and equipment		<b>17,435</b>	17,283	17,604
45,725	44,891	<b>45,286</b>	Other assets		<b>18,494</b>	10,791	18,198
47,267	28,029	<b>48,036</b>					
<b>4,930,558</b>	<b>4,660,130</b>	<b>4,775,852</b>	<b>TOTAL ASSETS</b>		<b>1,838,703</b>	1,794,150	1,898,265
<b>LIABILITIES</b>							
565,478	861,257	<b>595,317</b>	Due to banks		<b>229,197</b>	331,584	217,709
3,378,797	2,925,036	<b>3,211,099</b>	Customers' deposits	5	<b>1,236,273</b>	1,126,139	1,300,837
125,000	100,000	<b>125,000</b>	Borrowed funds		<b>48,125</b>	38,500	48,125
8,427	3,875	<b>3,561</b>	Taxation		<b>1,371</b>	1,492	3,245
93,680	81,253	<b>100,091</b>	Other liabilities		<b>38,535</b>	31,282	36,066
168,831	153,247	<b>168,831</b>	Subordinated liabilities		<b>65,000</b>	59,000	65,000
<b>4,340,213</b>	<b>4,124,668</b>	<b>4,203,899</b>	<b>TOTAL LIABILITIES</b>		<b>1,618,501</b>	1,587,997	1,670,982
<b>EQUITY</b>							
370,140	370,140	<b>370,140</b>	Share capital		<b>142,504</b>	142,504	142,504
52,023	44,821	<b>52,023</b>	Legal reserve		<b>20,029</b>	17,256	20,029
16,995	16,995	<b>16,995</b>	General loan loss reserve		<b>6,543</b>	6,543	6,543
104,771	86,436	<b>107,088</b>	Subordinated debt reserve		<b>41,229</b>	33,278	40,337
138	(447)	<b>512</b>	Fair value reserve		<b>197</b>	(172)	53
46,278	17,517	<b>25,195</b>	Retained earnings		<b>9,700</b>	6,744	17,817
<b>590,345</b>	<b>535,462</b>	<b>571,953</b>	<b>TOTAL EQUITY</b>		<b>220,202</b>	206,153	227,283
<b>4,930,558</b>	<b>4,660,130</b>	<b>4,775,852</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,838,703</b>	1,794,150	1,898,265
41.4	37.6	<b>40.1</b>	Net assets value per share (US cents / baizas)	8	<b>154.5</b>	144.7	159.5
734,825	745,691	<b>644,607</b>	Contingent liabilities and commitments	10	<b>248,174</b>	287,091	282,908

The interim condensed financial statements were approved by the Board of Directors on 26 April 2016 and signed on their behalf by:

**Adel A. El-Labban**  
First Deputy 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 2016**

Unaudited 31-Mar-15 US\$ '000	Unaudited 31-Mar-16 US\$ '000		Note	Unaudited 31-Mar-16 RO '000	Unaudited 31-Mar-15 RO '000
37,857	<b>40,286</b>	Interest income		<b>15,510</b>	14,575
(12,488)	<b>(17,758)</b>	Interest expense		<b>(6,837)</b>	(4,808)
25,369	<b>22,528</b>	<b>NET INTEREST INCOME</b>		<b>8,673</b>	9,767
5,418	<b>7,294</b>	Income from Islamic financing and investments		<b>2,808</b>	2,086
(1,252)	<b>(2,439)</b>	Unrestricted investment account holders' share of profit and profit expense		<b>(939)</b>	(482)
4,166	<b>4,855</b>	<b>NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS</b>		<b>1,869</b>	1,604
29,535	<b>27,383</b>	<b>NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS</b>		<b>10,542</b>	11,371
7,036	<b>5,966</b>	Other operating income	3	<b>2,297</b>	2,709
36,571	<b>33,349</b>	<b>OPERATING INCOME</b>		<b>12,839</b>	14,080
(3,992)	<b>(834)</b>	Loans and financing impairment, net of recoveries	4	<b>(321)</b>	(1,537)
-	<b>(423)</b>	Impairment on available for sale investments		<b>(163)</b>	-
32,579	<b>32,092</b>	<b>NET OPERATING INCOME</b>		<b>12,355</b>	12,543
(7,184)	<b>(7,478)</b>	Staff expenses		<b>(2,879)</b>	(2,766)
(894)	<b>(826)</b>	Depreciation		<b>(318)</b>	(344)
(4,296)	<b>(3,047)</b>	Other operating expenses		<b>(1,173)</b>	(1,654)
(12,374)	<b>(11,351)</b>	<b>OPERATING EXPENSES</b>		<b>(4,370)</b>	(4,764)
20,205	<b>20,741</b>	<b>PROFIT BEFORE TAXATION</b>		<b>7,985</b>	7,779
(2,486)	<b>(2,494)</b>	Tax expense		<b>(960)</b>	(957)
17,719	<b>18,247</b>	<b>PROFIT FOR THE PERIOD</b>		<b>7,025</b>	6,822
		<b>OTHER COMPREHENSIVE INCOME / (EXPENSE) - NET OF TAX</b>			
		<b>Fair value reserve (available for sale investments) to be reclassified to profit or loss in subsequent periods</b>			
(312)	<b>5</b>	- Net amount transferred to profit or loss		<b>2</b>	(120)
(205)	<b>369</b>	- Net changes in fair values		<b>142</b>	(79)
(517)	<b>374</b>	<b>OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD</b>		<b>144</b>	(199)
17,202	<b>18,621</b>	<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>7,169</b>	6,623
1.2	<b>1.3</b>	<b>Basic and diluted earnings per share (US cents / baizas)</b>	8	<b>4.9</b>	4.8

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 2016**

	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 2016</b>	<b>142,504</b>	<b>20,029</b>	<b>6,543</b>	<b>40,337</b>	<b>53</b>	<b>17,817</b>	<b>227,283</b>
Profit for the period	-	-	-	-	-	7,025	7,025
Other comprehensive Income expense, net of tax	-	-	-	-	144	-	144
<b>Total comprehensive income</b>	-	-	-	-	<b>144</b>	<b>7,025</b>	<b>7,169</b>
Transfer to subordinated debt reserve	-	-	-	892	-	(892)	-
Cash dividends paid	-	-	-	-	-	(14,250)	(14,250)
<b>Balance at 31 March 2016 (unaudited)</b>	<b>142,504</b>	<b>20,029</b>	<b>6,543</b>	<b>41,229</b>	<b>197</b>	<b>9,700</b>	<b>220,202</b>
<b>Balance at 31 March 2016 (US\$ '000) (unaudited)</b>	<b>370,140</b>	<b>52,023</b>	<b>16,995</b>	<b>107,088</b>	<b>512</b>	<b>25,195</b>	<b>571,953</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 2015</i>	129,549	17,256	6,543	30,492	27	15,663	199,530
Profit for the period	-	-	-	-	-	6,822	6,822
Other comprehensive expense, net of tax	-	-	-	-	(199)	-	(199)
<i>Total comprehensive income</i>	-	-	-	-	(199)	6,822	6,623
Transfer to subordinated debt reserve	-	-	-	2,786	-	(2,786)	-
Issue of bonus shares	12,955	-	-	-	-	(12,955)	-
<i>Balance at 31 March 2015 (unaudited)</i>	<i>142,504</i>	<i>17,256</i>	<i>6,543</i>	<i>33,278</i>	<i>(172)</i>	<i>6,744</i>	<i>206,153</i>
<i>Balance at 31 March 2015 (US\$ '000) (unaudited)</i>	<i>370,140</i>	<i>44,821</i>	<i>16,995</i>	<i>86,436</i>	<i>(447)</i>	<i>17,517</i>	<i>535,462</i>
<i>Balance at 1 April 2015</i>	142,504	17,256	6,543	33,278	(172)	6,744	206,153
Profit for the period	-	-	-	-	-	20,905	20,905
Other comprehensive expense, net of tax	-	-	-	-	225	-	225
<i>Total comprehensive income</i>	-	-	-	-	225	20,905	21,130
Transfer to legal reserve	-	2,773	-	-	-	(2,773)	-
Transfer to subordinated debt reserve	-	-	-	7,059	-	(7,059)	-
<i>Balance at 31 December 2015</i>	<i>142,504</i>	<i>20,029</i>	<i>6,543</i>	<i>40,337</i>	<i>53</i>	<i>17,817</i>	<i>227,283</i>
<i>Balance at 31 December 2015 (US\$ '000)</i>	<i>370,140</i>	<i>52,023</i>	<i>16,995</i>	<i>104,771</i>	<i>138</i>	<i>46,278</i>	<i>590,345</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 2016**

Unaudited 31-Mar-15 US\$ '000	Unaudited 31-Mar-16 US\$ '000		Unaudited 31-Mar-16 RO '000	Unaudited 31-Mar-15 RO '000
		<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
20,205	<b>20,741</b>	<b>Profit before taxation</b>	<b>7,985</b>	7,779
		<b>Adjustments for:</b>		
894	<b>826</b>	Depreciation	<b>318</b>	344
3,992	<b>834</b>	Loans and financing impairment, net of recoveries	<b>321</b>	1,537
	<b>423</b>	Impairment on available for sale investments	<b>163</b>	-
119	<b>81</b>	End of service benefits provision	<b>31</b>	46
13	-	Loss on scrap of property and equipment	-	5
(431)	<b>42</b>	Loss / (gain) on sale of investment securities	<b>16</b>	(166)
24,792	<b>22,947</b>	<b>Operating profit before working capital changes</b>	<b>8,834</b>	9,545
40,444	-	Decrease in due from banks	-	15,571
(10)	<b>(34)</b>	End of service benefits paid	<b>(13)</b>	(4)
(208,345)	<b>(36,395)</b>	Increase in loans & advances and financing	<b>(14,012)</b>	(80,213)
(10,714)	<b>221</b>	Net movement in held for trading investments	<b>85</b>	(4,125)
16,244	-	Increase in due to banks	-	6,254
129,738	<b>(167,699)</b>	(Decrease) / Increase in customers' deposits	<b>(64,564)</b>	49,949
396	<b>5,596</b>	Changes in other assets and other liabilities	<b>2,155</b>	153
(7,455)	<b>(175,364)</b>	<b>Cash used in operations</b>	<b>(67,515)</b>	(2,870)
(8,634)	<b>(7,361)</b>	Tax paid	<b>(2,834)</b>	(3,324)
(16,089)	<b>(182,725)</b>	<b>Net cash used in operating activities</b>	<b>(70,349)</b>	(6,194)
		<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
3,695	<b>1,262</b>	Increase in investment, net (excluding held for trading investments)	<b>486</b>	1,423
(442)	<b>(387)</b>	Purchase of property and equipment	<b>(149)</b>	(170)
3,253	<b>875</b>	<b>Net cash from investing activities</b>	<b>337</b>	1,253
		<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
-	<b>(37,013)</b>	Dividends paid	<b>(14,250)</b>	-
-	<b>(37,013)</b>	<b>Net cash used in financing activities</b>	<b>(14,250)</b>	-
(12,836)	<b>(218,863)</b>	<b>Net change in cash and cash equivalents</b>	<b>(84,262)</b>	(4,941)
19,457	<b>261,281</b>	Cash and cash equivalents at 1 January	<b>100,593</b>	7,491
6,621	<b>42,418</b>	<b>Cash and cash equivalents at 31 March 2016</b>	<b>16,331</b>	2,550

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

31-Mar-15 US\$ '000	31-Mar-16 US\$ '000		31-Mar-16 RO '000	31-Mar-15 RO '000
218,935	<b>219,314</b>	Cash and current balances with Central Bank of Oman	<b>84,436</b>	84,290
39,143	<b>108,421</b>	Due from banks	<b>41,742</b>	15,070
400,000	<b>210,000</b>	Treasury bills with three months maturity	<b>80,850</b>	154,000
(651,457)	<b>(495,317)</b>	Due to banks	<b>(190,697)</b>	(250,810)
6,621	<b>42,418</b>		<b>16,331</b>	2,550

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 2016**

**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 twenty branches (thirteen conventional and seven Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, Postal Code 116, Sultanate of Oman.

The Bank employed 513 employees as at 31 March 2016 compared to 476 as at 31 March 2015 and 505 as at 31 December 2015.

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

(a) The unaudited interim condensed financial statements for the three month period ended 31 March 2016 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 2016 are consistent with those used in preparing the last audited financial statements as at and for the year ended 31 December 2015.

(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 2016 are not necessarily indicative of the results that may be expected for the financial year 2016.

(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-15 US\$ '000	Unaudited 31-Mar-15 US\$ '000	Unaudited 31-Mar-16 US\$ '000		Unaudited 31-Mar-16 RO '000	Unaudited 31-Mar-15 RO '000	Audited 31-Dec-15 RO '000
			<b>Conventional Banking</b>			
2,064,860	2,004,724	<b>2,124,865</b>	Corporate lending	<b>818,073</b>	771,819	794,971
1,371,048	1,371,911	<b>1,367,468</b>	Retail lending	<b>526,475</b>	528,186	527,854
3,435,908	3,376,635	<b>3,492,333</b>	Loans & advances, gross	<b>1,344,548</b>	1,300,005	1,322,825
			<b>Islamic Banking</b>			
254,553	233,060	<b>226,701</b>	Corporate financing	<b>87,280</b>	89,728	98,003
311,265	253,973	<b>319,782</b>	Retail financing	<b>123,116</b>	97,780	119,837
565,818	487,033	<b>546,483</b>	Financing, gross	<b>210,396</b>	187,508	217,840
			<b>Loans &amp; advances and financing, gross</b>			
4,001,726	3,863,668	<b>4,038,816</b>		<b>1,554,944</b>	1,487,513	1,540,665
(34,127)	(32,140)	<b>(34,044)</b>	Loans and financing impairment on portfolio basis	<b>(13,107)</b>	(12,374)	(13,139)
(24,608)	(19,718)	<b>(26,219)</b>	Loans and financing impairment on specific basis (including reserve interest and profit)	<b>(10,094)</b>	(7,592)	(9,474)
3,942,991	3,811,810	<b>3,978,553</b>		<b>1,531,743</b>	1,467,547	1,518,052



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

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

As per CBO requirements, the movement in the loan and financing impairment provisions is analysed as below:

Audited 31-Dec-15 US\$ '000	Unaudited 31-Mar-15 US\$ '000	Unaudited 31-Mar-16 US\$ '000		Unaudited 31-Mar-16 RO '000	Unaudited 31-Mar-15 RO '000	Audited 31-Dec-15 RO '000
<b>Impairment provision on portfolio basis</b>						
29,106	29,106	<b>34,127</b>	Balance at beginning of the period / year	<b>13,139</b>	11,206	11,206
5,021	3,034	<b>(83)</b>	(Reversal) / Provided during the period / year	<b>(32)</b>	1,168	1,933
<u>34,127</u>	<u>32,140</u>	<u><b>34,044</b></u>	Balance at the end of the period / year	<u><b>13,107</b></u>	<u>12,374</u>	<u>13,139</u>
<b>Impairment provision on specific basis</b>						
<b>Impairment provision</b>						
16,253	16,253	<b>21,461</b>	Balance at beginning of the period / year	<b>8,262</b>	6,257	6,257
11,956	2,659	<b>2,161</b>	Provided during the period / year	<b>832</b>	1,024	4,603
(4,652)	(1,701)	<b>(1,244)</b>	Recoveries during the period / year	<b>(479)</b>	(655)	(1,791)
(2,096)	83	<b>356</b>	Reversal / (write offs) during the period / year	<b>137</b>	32	(807)
<u>21,461</u>	<u>17,294</u>	<u><b>22,734</b></u>	Balance at the end of the period / year	<u><b>8,752</b></u>	<u>6,658</u>	<u>8,262</u>
<b>Reserve interest and profit</b>						
2,152	2,152	<b>3,146</b>	Balance at beginning of the period / year	<b>1,212</b>	829	829
2,251	540	<b>492</b>	Reserved during the period / year	<b>189</b>	208	867
(951)	(268)	<b>(153)</b>	Interest released during the period / year	<b>(59)</b>	(103)	(366)
(306)	-	<b>-</b>	- Write offs during the period / year	<b>-</b>	-	(118)
<u>3,146</u>	<u>2,424</u>	<u><b>3,485</b></u>	Balance at end of the period / year	<u><b>1,342</b></u>	<u>934</u>	<u>1,212</u>
<u>24,607</u>	<u>19,718</u>	<u><b>26,219</b></u>		<u><b>10,094</b></u>	<u>7,592</u>	<u>9,474</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-15 US\$ '000	Unaudited 31-Mar-15 US\$ '000	Unaudited 31-Mar-16 US\$ '000		Unaudited 31-Mar-16 RO '000	Unaudited 31-Mar-15 RO '000	Audited 31-Dec-15 RO '000
<b>Conventional Banking</b>						
2,156,862	1,760,639	<b>2,079,073</b>	Time deposits	<b>800,443</b>	677,846	830,392
820,265	957,356	<b>729,403</b>	Demand and saving deposits	<b>280,820</b>	368,582	315,802
<u>2,977,127</u>	<u>2,717,995</u>	<u><b>2,808,476</b></u>		<u><b>1,081,263</b></u>	<u>1,046,428</u>	<u>1,146,194</u>
<b>Islamic Banking</b>						
44,740	28,171	<b>43,545</b>	Current deposits	<b>16,765</b>	10,846	17,225
25,465	16,218	<b>33,159</b>	Unrestricted investment accounts	<b>12,766</b>	6,244	9,804
331,465	162,652	<b>325,919</b>	- under mudaraba agreement	<b>125,479</b>	62,621	127,614
401,670	207,041	<b>402,623</b>	- under wakala agreement	<b>155,010</b>	79,711	154,643
<u>3,378,797</u>	<u>2,925,036</u>	<u><b>3,211,099</b></u>		<u><b>1,236,273</b></u>	<u>1,126,139</u>	<u>1,300,837</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

**6. RELATED PARTY TRANSACTIONS**

The Bank enters into transactions with major shareholders, directors, senior management and their related entities 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-15 US\$ '000	Unaudited 31-Mar-15 US\$ '000	Unaudited 31-Mar-16 US\$ '000		Unaudited 31-Mar-16 RO '000	Unaudited 31-Mar-15 RO '000	Audited 31-Dec-15 RO '000
			<b>Directors and senior management</b>			
2,327	1,260	<b>1,662</b>	Loans & advances and financing, net	<b>640</b>	485	896
3,119	2,647	<b>3,927</b>	Customers' deposits	<b>1,512</b>	1,019	1,201
52	-	<b>21</b>	Prepaid rent	<b>8</b>	-	20
			<b>Major shareholders and others</b>			
-	-	-	- Loans & advances and financing, net	-	-	-
1,979	2,031	<b>2,319</b>	Due from banks	<b>893</b>	782	762
1,236	1,205	<b>1,210</b>	Investment securities	<b>466</b>	464	476
			Other assets			
16	1,457	-	- Fair value of forward contracts	-	561	6
-	-	<b>57</b>	- Fair value of swaps	<b>22</b>	-	-
401,094	190,273	<b>338,551</b>	Due to banks	<b>130,342</b>	73,255	154,421
3	60	<b>39</b>	Customers' deposits	<b>15</b>	23	1
			Other liabilities			
-	691	<b>140</b>	- Fair value of foreign exchange forward contracts	<b>54</b>	266	-
86	-	-	- Fair value of swaps	-	-	33
1,795	457	<b>616</b>	- Other payables	<b>237</b>	176	691
63,722	65,595	<b>58,177</b>	Contingent liabilities and commitments	<b>22,398</b>	25,254	24,533

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

			<b>Directors and Senior Management</b>			
68	8	<b>16</b>	Interest and profit income	<b>6</b>	3	26
57	13	<b>13</b>	Interest and profit expense	<b>5</b>	5	22
421	-	-	- Board remuneration proposed	-	-	162
99	34	<b>8</b>	Board sitting fees	<b>3</b>	13	38
83	18	<b>21</b>	Shariah supervisory board expenses	<b>8</b>	7	32
73	-	<b>31</b>	Other operating expenses	<b>12</b>	-	28
			<b>Major shareholders and others</b>			
34	5	-	- Interest and profit income	-	2	13
2,073	530	<b>642</b>	Interest and profit expense	<b>247</b>	204	798
			Other operating income	-	-	-
88	29	<b>5</b>	Loss on fair value of interest rate swaps	<b>2</b>	11	34
			Loss on foreign exchange forward contracts	<b>54</b>	266	68
177	691	<b>140</b>		<b>54</b>	266	68
2,436	631	<b>647</b>	Other operating expenses	<b>249</b>	243	938

The Bank has a technical and management services agreement (TMSA) with a major shareholder. In accordance with the agreement, an amount of RO 181 K equivalent to US\$ 471 K was included in the operating expenses for the three month period ended 31 March 2016 (31 March 2015: RO 176 K equivalent to US\$ 457 K and 31 December 2015: RO 691 K equivalent to US\$ 1,795 K).

The Bank has rented a branch premises from one of the Director. In accordance with the agreement, an amount of RO 12 k equivalent to US\$ 31 k was included in the other operating expenses (31 March 2015: Nil and 31 December 2015: RO 30k equivalent to US\$ 73 k).

The Bank has a committed line of credit from one of the related parties of RO 40 million equivalent to US\$ 103.896 million (31 Mar 2015 and 31 December 2015: RO 40 million equivalent to US\$ 103.896 million)

Compensation of the key management personnel for the three month period ended 31 March 2016 was RO 285 K equivalent to US\$ 740 K (31 March 2015: RO 355 K equivalent to US\$ 922 K).

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

### 7. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (31 March 2015 and 31 December 2015: 2,500,000,000 shares of 100 baizas each) out of which 1,425,036,144 (31 March 2015 and 31 December 2015: 1,425,036,144 shares) are issued and fully paid up.

Ahli United Bank BSC (AUB) is the only shareholder owning 10% or more of the Bank's shares. On 31 March 2016 shareholding of AUB was 498,762,642 shares equivalent to 35% (31 March 2015 and 31 December 2015: 498,762,642 shares equivalent to 35%)

### 8. BASIC AND DILUTED EARNINGS AND NET ASSETS VALUE 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-16	Unaudited 31-Mar-15	Audited 31-Dec-15
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>	1,425,036	1,425,036
Audited 31-Dec-15 US\$ '000	Unaudited 31-Mar-15 US\$ '000	Unaudited 31-Mar-16 US\$ '000	Unaudited 31-Mar-16 RO '000	Unaudited 31-Mar-15 RO '000	Audited 31-Dec-15 RO '000
72,021	17,719	<b>18,247</b>			
590,345	535,462	<b>571,953</b>	<b>7,025</b>	6,822	27,727
			<b>220,202</b>	206,153	227,283
5.1	1.2	<b>1.3</b>	<b>4.9</b>	4.8	19.5
41.4	37.6	<b>40.1</b>	<b>154.5</b>	144.7	159.5

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 2016**

**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 2016 is as follows:

Total US\$ '000	Corporate banking, Treasury and Investments	Retail banking		Retail banking	Corporate banking, Treasury and Investments	Total RO '000
	US\$ '000	US\$ '000		RO '000	RO '000	
			Net interest income and income from Islamic financing and investments			
<b>27,383</b>	<b>15,657</b>	<b>11,725</b>		<b>4,514</b>	<b>6,028</b>	<b>10,542</b>
<b>5,966</b>	<b>5,123</b>	<b>843</b>	Other operating income	<b>325</b>	<b>1,972</b>	<b>2,297</b>
<b>33,349</b>	<b>20,780</b>	<b>12,568</b>	Operating income	<b>4,839</b>	<b>8,000</b>	<b>12,839</b>
<b>(834)</b>	<b>332</b>	<b>(1,166)</b>	Loans and financing impairment, net of recoveries	<b>(449)</b>	<b>128</b>	<b>(321)</b>
<b>(423)</b>	<b>(423)</b>	-	Impairment on available for sale investments	-	<b>(163)</b>	<b>(163)</b>
<b>(11,350)</b>	<b>(5,323)</b>	<b>(6,027)</b>	Operating expenses	<b>(2,321)</b>	<b>(2,049)</b>	<b>(4,370)</b>
<b>20,742</b>	<b>15,366</b>	<b>5,375</b>	Profit before taxation	<b>2,069</b>	<b>5,916</b>	<b>7,985</b>
<b>(2,494)</b>	<b>(1,851)</b>	<b>(643)</b>	Income tax expense	<b>(247)</b>	<b>(713)</b>	<b>(960)</b>
<b>18,248</b>	<b>13,515</b>	<b>4,732</b>	Profit for the period	<b>1,822</b>	<b>5,203</b>	<b>7,025</b>

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

Total US\$ '000	Corporate banking, Treasury and Investments	Retail banking		Retail banking	Corporate banking, treasury and investments	Total RO '000
	US\$ '000	US\$ '000		RO '000	RO '000	
			Net interest income and income from Islamic financing and investments			
29,535	15,524	14,011		5,394	5,977	11,371
7,036	5,096	1,940	Other operating income	747	1,962	2,709
36,571	20,620	15,951	Operating income	6,141	7,939	14,080
(3,992)	(1,427)	(2,565)	Loans and financing impairment, net of recoveries	(988)	(549)	(1,537)
(12,374)	(5,889)	(6,485)	Operating expenses	(2,497)	(2,267)	(4,764)
20,205	13,304	6,901	Profit before taxation	2,656	5,123	7,779
(2,486)	(1,637)	(849)	Income tax expense	(327)	(630)	(957)
17,719	11,667	6,052	Profit for the period	2,329	4,493	6,822

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016**

**10. CONTINGENT LIABILITIES AND COMMITMENTS**

Audited 31-Dec-15 US\$ '000	Unaudited 31-Mar-15 US\$ '000	Unaudited 31-Mar-16 US\$ '000		Unaudited 31-Mar-16 RO '000	Unaudited 31-Mar-15 RO '000	Audited 31-Dec-15 RO '000
468,016	418,008	<b>443,444</b>	Financial guarantees	<b>170,726</b>	160,933	180,186
78,779	78,714	<b>65,200</b>	Letters of credit	<b>25,102</b>	30,305	30,330
6,384	7,496	<b>6,171</b>	Capital commitments	<b>2,376</b>	2,886	2,458
179,675	238,577	<b>128,000</b>	Loan commitments	<b>49,280</b>	91,852	69,175
1,971	2,896	<b>1,792</b>	Lease commitments	<b>690</b>	1,115	759
<b>734,825</b>	<b>745,691</b>	<b>644,607</b>		<b>248,174</b>	<b>287,091</b>	<b>282,908</b>

**11. ASSETS AND LIABILITIES MATURITY**

As at 31 March 2016	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>685,283</b>	<b>102,516</b>	<b>244,714</b>	<b>806,190</b>	<b>1,838,703</b>
<b>Liabilities and equity</b>	<b>(444,194)</b>	<b>(383,938)</b>	<b>(529,052)</b>	<b>(481,519)</b>	<b>(1,838,703)</b>
<b>Net liquidity gap</b>	<b>241,089</b>	<b>(281,422)</b>	<b>(284,338)</b>	<b>324,671</b>	<b>-</b>
<b>Net liquidity gap in US \$ '000</b>	<b>626,205</b>	<b>(730,966)</b>	<b>(738,540)</b>	<b>843,301</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 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>

  

As at 31 December 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>745,260</b>	<b>122,865</b>	<b>242,025</b>	<b>788,115</b>	<b>1,898,265</b>
<b>Liabilities and equity</b>	<b>(440,084)</b>	<b>(449,809)</b>	<b>(504,961)</b>	<b>(503,411)</b>	<b>(1,898,265)</b>
<b>Net liquidity gap</b>	<b>305,176</b>	<b>(326,944)</b>	<b>(262,936)</b>	<b>284,704</b>	<b>-</b>
<b>Net liquidity gap in US \$ '000</b>	<b>792,665</b>	<b>(849,206)</b>	<b>(682,951)</b>	<b>739,492</b>	<b>-</b>