



AHLI BANK SAOG

**Unaudited interim condensed financial statements
31 March 2017**

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CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of Directors of Ahli Bank S.A.O.G, I am presenting to you the Bank's un-audited financial statements for the first quarter that ended 31 March 2017. This is based on the condensed interim financial statements which have been reviewed by the external auditors.

Economy overview and the Bank's Financial Performance

The weakened oil prices in 2016, showed some respite, as the prices continued to stabilize between \$50-55 per barrel levels in Q1-2017. However this was still below the fiscal budget breakeven levels of many GCC economies. The Sultanate of Oman has however taken bold steps to cut non-core expenditure and to increase its revenues from non-oil sectors. The Budget for 2017 showed significant deficit reduction efforts by the Government and will help the country to be resilient in the current situation.

The Bank's Loans, advances and financing grew marginally by 0.4%, in line with bank's strategic plans in a prudent risk management approach. The Bank's customer deposits witnessed an increase by 4.1 % to RO 1,287.6 million as compared to RO 1,236.3 million in 31 March 2016. Total assets on 31 March 2017 stood at RO 1,836.7 million showing a marginal drop of 0.1% as compared to the same period last year.

	31-Mar-17	31-Mar-16	Growth %
	RO Million		
Total assets	1,836.7	1,838.7	-0.1%
Loans & advances and financing, net	1,537.9	1,531.7	0.4%
Customers' deposits	1,287.6	1,236.3	4.1%
Equity	234.3	220.2	6.4%
Operating income	12.1	12.8	-5.5%
Operating expenses	5.0	4.4	-13.6%
Profit for the period	5.2	7.0	-25.7%

Increased liquidity costs resulted in higher interest and profit expenses compared to the three months ended 31-Mar-16, thus resulting in Operating income reduction of 5.5%. The operating expenses (excluding loan and financing impairment net of recoveries) were controlled at RO 5.0 million for the quarter. Overall, the Net Profit after Tax decreased by 25.7% to RO 5.2 million, as compared to RO 7.0 million during the same period last year. In first quarter 2016 a number of positive write backs had taken place which did not recur in first quarter 2017.

Despite the comparatively lower profit figure in the first quarter, the bank is well positioned for growth in 2017, with a high quality portfolio of assets and ample liquidity.

The Year Ahead

The year ahead expected to be another challenging year for the banking sector. Ahlibank is well positioned to face these headwinds, thanks to its robust risk management framework, corporate governance, and solid capitalization. The Bank will continue to remain judicious in the areas of risk and cost and will do the best to service customer needs to meet shareholders expectations while being committed to the growth in the Sultanate.

The Bank is planning to raise RO 50 Million Additional tier 1 capital (AT-1) as per Basel 3 requirements to meet the increasing capital requirements. The issue of AT-1 is being placed for the shareholders' approval through an extra-ordinary meeting scheduled on 27 April 2017.

The Bank will continue to partner with our customers, and continue to expand prudently, to invest in products and all delivery channels, and to constantly strive to exceed customer expectations. In line with this objective, the Bank will continue to upgrade its Information Technology platforms to ensure secure and fast service to customers. The Bank shall continue to innovate in mobile banking services and e-banking services for both its Conventional and Al Hilal Islamic Banking services customers.

The Bank revamped its MyHassad prize money scheme for Conventional customers by introducing weekly, monthly, quarterly, annual and "Salary for Life" prizes. The scheme also has special occasion and female draws separately.

Creating career opportunities for the Omani youth remains one of the Bank's top priorities. Our commitment to the community remains firm, and the Bank will endeavor to meet the aspirations of all stakeholders to the best of our ability. Continuing the strong tradition of giving back, ahlibank will remain committed to the community it operates in.

Corporate Social Responsibility

At ahlibank, Corporate Social Responsibility (CSR) has been the core of its existence right from the time of the bank's inception. Ahlibank will continue to make great progress with its various CSR activities during 2017.

Best Practices

Ahlibank is well-known for its robust corporate governance framework and is dedicated to integrating best practices in the Bank's culture and conduct. The Board of Directors continues to review policies and procedures to enhance internal controls and ensure compliance to local laws and regulations.

Acknowledgements

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. The Board of Directors would like to acknowledge the contribution of our strategic partner, Ahli United Bank, which 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. Let me reiterate once again our commitment to delivering value to all our stakeholders.

Hamdan Ali Nasser Al Hinai
Chairman

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017**

Audited 31-Dec-16 US\$ '000	Unaudited 31-Mar-16 US\$ '000	Unaudited 31-Mar-17 US\$ '000		Note	Unaudited 31-Mar-17 RO '000	Unaudited 31-Mar-16 RO '000	Audited 31-Dec-16 RO '000
ASSETS							
			Cash and balances with				
364,528	220,678	228,501	Central Bank of Oman		87,973	84,961	140,343
79,927	108,421	86,179	Due from banks		33,179	41,742	30,772
			Loans & advances and				
3,953,524	3,978,553	3,994,418	Financing, net	6	1,537,851	1,531,743	1,522,106
458,812	374,878	377,777	Investment securities		145,444	144,328	176,643
43,844	45,286	43,314	Property and equipment		16,676	17,435	16,880
33,533	48,036	40,470	Other assets		15,581	18,494	12,910
4,934,168	4,775,852	4,770,659	TOTAL ASSETS		1,836,704	1,838,703	1,899,654
LIABILITIES							
			Due to banks		152,437	229,197	232,278
3,301,367	3,211,099	3,344,498	Customers' deposits	7	1,287,632	1,236,273	1,271,026
130,000	125,000	200,000	Borrowed funds		77,000	48,125	50,050
11,655	3,561	3,587	Taxation		1,381	1,371	4,487
87,961	100,091	140,249	Other liabilities		53,996	38,535	33,865
168,831	168,831	77,922	Subordinated liabilities		30,000	65,000	65,000
4,303,133	4,203,899	4,162,196	TOTAL LIABILITIES		1,602,446	1,618,501	1,656,706
EQUITY							
370,140	370,140	370,140	Share capital		142,504	142,504	142,504
59,699	52,023	59,699	Legal reserve		22,984	20,029	22,984
16,995	16,995	16,995	General loan loss reserve		6,543	6,543	6,543
115,691	107,088	37,379	Subordinated debt reserve		14,391	41,229	44,541
1,081	512	2,003	Fair value reserve		771	197	416
67,429	25,195	122,247	Retained earnings		47,065	9,700	25,960
631,035	571,953	608,463	TOTAL EQUITY		234,258	220,202	242,948
4,934,168	4,775,852	4,770,659	TOTAL LIABILITIES AND EQUITY		1,836,704	1,838,703	1,899,654
			Net assets value per share (US cents / baizas)	10	164.4	154.5	170.5
44.3	40.1	42.7					
			Contingent liabilities and commitments	12	227,170	248,174	213,822
555,382	644,607	590,051					

The interim condensed financial statements were approved by the Board of Directors on 26 April 2017 and signed on their behalf by:

Hamdan Ali Nasser Al Hinai
Chairman

Lloyd Maddock
Chief Executive Officer

Notes 1 to 14 form part of these interim condensed financial statements

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

Unaudited 31-Mar-16 US\$ '000	Unaudited 31-Mar-17 US\$ '000		Note	Unaudited 31-Mar-17 RO '000	Unaudited 31-Mar-16 RO '000
40,286	46,694	Interest income		17,977	15,510
(17,758)	(24,520)	Interest expense		(9,440)	(6,837)
22,528	22,174	NET INTEREST INCOME		8,537	8,673
7,294	7,909	Income from Islamic financing and investments		3,045	2,808
(2,439)	(3,816)	Unrestricted investment account holders' share of profit and profit expense		(1,469)	(939)
4,855	4,093	NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		1,576	1,869
27,383	26,267	NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS		10,113	10,542
5,966	5,101	Other operating income	4	1,964	2,297
33,349	31,368	OPERATING INCOME		12,077	12,839
(834)	(2,338)	Loans and financing impairment, net of recoveries	6	(900)	(321)
(423)	(109)	Impairment on available for sale investments		(42)	(163)
32,092	28,921	NET OPERATING INCOME		11,135	12,355
(7,478)	(8,296)	Staff expenses		(3,194)	(2,879)
(826)	(844)	Depreciation		(325)	(318)
(3,047)	(3,875)	Other operating expenses		(1,492)	(1,173)
(11,351)	(13,015)	OPERATING EXPENSES		(5,011)	(4,370)
20,741	15,906	PROFIT BEFORE TAXATION		6,124	7,985
(2,494)	(2,387)	Tax expense	5	(919)	(960)
18,247	13,519	PROFIT FOR THE PERIOD		5,205	7,025
		OTHER COMPREHENSIVE INCOME / (EXPENSE) - NET OF TAX			
		Items that are or may be reclassified subsequently to profit or loss			
5	(109)	- Net amount reclassified to profit or loss		(42)	2
369	1,031	- Net changes in fair values		397	142
374	922	OTHER COMPREHENSIVE INCOME FOR THE PERIOD		355	144
18,621	14,441	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,560	7,169
1.3	0.9	Basic and diluted earnings per share (US cents / baizas)	10	3.7	4.9

Notes 1 to 14 form part of these interim condensed financial statements

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

	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
Balance at 1 January 2017	142,504	22,984	6,543	44,541	416	25,960	242,948
Profit for the period	-	-	-	-	-	5,205	5,205
Other comprehensive Income expense, net of tax	-	-	-	-	355	-	355
Total comprehensive income	-	-	-	-	355	5,205	5,560
Transfer from subordinated debt reserve	-	-	-	(30,150)	-	30,150	-
Cash dividends payable	-	-	-	-	-	(14,250)	(14,250)
Balance at 31 March 2017 (unaudited)	142,504	22,984	6,543	14,391	771	47,065	234,258
Balance at 31 March 2017 (US\$ '000) (unaudited)	370,140	59,699	16,995	37,379	2,003	122,247	608,463
	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 2016</i>	142,504	20,029	6,543	40,337	53	17,817	227,283
Profit for the period	-	-	-	-	-	7,025	7,025
Other comprehensive expense, net of tax	-	-	-	-	144	-	144
<i>Total comprehensive income</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>144</i>	<i>7,025</i>	<i>7,169</i>
Transfer to subordinated debt reserve	-	-	-	892	-	(892)	-
Cash dividends payable	-	-	-	-	-	(14,250)	(14,250)
<i>Balance at 31 March 2016 (unaudited)</i>	<i>142,504</i>	<i>20,029</i>	<i>6,543</i>	<i>41,229</i>	<i>197</i>	<i>9,700</i>	<i>220,202</i>
<i>Balance at 31 March 2016 (US\$ '000) (unaudited)</i>	<i>370,140</i>	<i>52,023</i>	<i>16,995</i>	<i>107,088</i>	<i>512</i>	<i>25,195</i>	<i>571,953</i>
<i>Balance at 1 April 2016</i>	142,504	20,029	6,543	41,229	197	9,700	220,202
Profit for the period	-	-	-	-	-	22,527	22,527
Other comprehensive expense, net of tax	-	-	-	-	219	-	219
<i>Total comprehensive income</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>219</i>	<i>22,527</i>	<i>22,746</i>
Transfer to legal reserve	-	2,955	-	-	-	(2,955)	-
Transfer to subordinated debt reserve	-	-	-	3,312	-	(3,312)	-
<i>Balance at 31 December 2016</i>	<i>142,504</i>	<i>22,984</i>	<i>6,543</i>	<i>44,541</i>	<i>416</i>	<i>25,960</i>	<i>242,948</i>
<i>Balance at 31 December 2016 (US\$ '000)</i>	<i>370,140</i>	<i>59,699</i>	<i>16,995</i>	<i>115,691</i>	<i>1,081</i>	<i>67,429</i>	<i>631,035</i>

Appropriation to legal reserve is made on an annual basis.

Notes 1 to 14 form part of these interim condensed financial statements

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

Unaudited 31-Mar-16 US\$ '000	Unaudited 31-Mar-17 US\$ '000		Unaudited 31-Mar-17 RO '000	Unaudited 31-Mar-16 RO '000
CASH FLOWS FROM OPERATING ACTIVITIES				
20,741	15,906	Profit before taxation	6,124	7,985
Adjustments for:				
826	844	Depreciation	325	318
834	2,338	Loans and financing impairment, net of recoveries	900	321
423	109	Impairment on available for sale investments	42	163
81	99	End of service benefits provision	38	31
42	-	Loss on sale of investment securities	-	16
22,947	19,296	Operating profit before working capital changes	7,429	8,834
-	-	- Decrease in due from banks	-	-
(34)	(26)	End of service benefits paid	(10)	(13)
(36,395)	(43,234)	Increase in loans & advances and financing	(16,645)	(14,012)
221	(28,151)	Net movement in held for trading investments	(10,838)	85
(167,699)	43,132	Increase / (Decrease) in customers' deposits	16,606	(64,564)
5,596	45,279	Changes in other assets and other liabilities	17,432	2,155
(175,364)	36,296	Cash generated from/(used in) operations	13,974	(67,515)
(7,361)	(10,454)	Tax paid	(4,025)	(2,834)
(182,725)	25,842	Net cash generated from / (used in) operating activities	9,949	(70,349)
CASH FLOWS FROM INVESTING ACTIVITIES				
1,262	-	Increase in investment, net (excluding held for trading investments)	-	486
(387)	(314)	Purchase of property and equipment	(121)	(149)
875	(314)	Net cash (used in)/ generated from investing activities	(121)	337
CASH FLOWS FROM FINANCING ACTIVITIES				
(37,013)	(37,013)	Dividends paid	(14,250)	(14,250)
-	(90,909)	Decrease in subordinated liabilities	(35,000)	-
-	70,000	Increase in borrowed funds	26,950	-
(37,013)	(57,922)	Net cash used in financing activities	(22,300)	(14,250)
(218,863)	(32,394)	Net change in cash and cash equivalents	(12,472)	(84,262)
261,281	139,771	Cash and cash equivalents at 1 January	53,812	100,593
42,418	107,377	Cash and cash equivalents at 31 March	41,340	16,331

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

Cash and cash equivalent comprises of the following:

31-Mar-16	31-Mar-17		31-Mar-17	31-Mar-16
US\$ '000	US\$ '000		RO '000	RO '000
		Cash and current balances with Central Bank of		
219,314	227,138	Oman	87,448	84,436
108,421	86,179	Due from banks	33,179	41,742
210,000	90,000	Treasury bills with three months maturity	34,650	80,850
(495,317)	(295,940)	Due to banks	(113,937)	(190,697)
<u>42,418</u>	<u>107,377</u>		<u>41,340</u>	<u>16,331</u>

Reconciliation of liabilities arising from financing activities

31-Mar-16	31-Mar-17		31-Mar-17	31-Mar-16
US\$ '000	US\$ '000		RO '000	RO '000
		Borrowed funds		
125,000	130,000	Balance at beginning of the period	50,050	48,125
-	70,000	Cash flows	26,950	-
<u>125,000</u>	<u>200,000</u>	Balance at end of the period	<u>77,000</u>	<u>48,125</u>
		Subordinated liabilities		
168,831	168,831	Balance at beginning of the period	65,000	65,000
-	(90,909)	Cash flows	(35,000)	-
<u>168,831</u>	<u>77,922</u>	Balance at end of the period	<u>30,000</u>	<u>65,000</u>

Notes 1 to 14 form part of these interim condensed financial statements

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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 544 employees as at 31 March 2017 compared to 513 as at 31 March 2016 and 538 as at 31 December 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) The unaudited interim condensed financial statements for the three month period ended 31 March 2017 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 2017 are consistent with those used in preparing the last audited financial statements as at and for the year ended 31 December 2016.

(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 2017 are not necessarily indicative of the results that may be expected for the financial year 2017.

(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.

(f) The bank has adopted the disclosure requirements in Disclosure Initiatives (Amendment to IAS 7), on 1 January 2017. Consequently the Bank has provided additional disclosure in relation to the change in liabilities arising from financing activities for the period ended 31 March 2017.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim condensed financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2016.

4. OTHER OPERATING INCOME

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

5. TAXATION

During the period, a Royal Decree has been issued for increase in income tax rate from 12% to 15% . This increase is effective for the financial years beginning on or after 1 January 2017. This change has increased the Bank's current tax charge for the year 2017 onwards.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

6. LOANS & ADVANCES AND FINANCING ACTIVITIES

Audited 31-Dec-16 US\$ '000	Unaudited 31-Mar-16 US\$ '000	Unaudited 31-Mar-17 US\$ '000		Unaudited 31-Mar-17 RO '000	Unaudited 31-Mar-16 RO '000	Audited 31-Dec-16 RO '000
			Conventional Banking			
2,071,570	2,124,865	2,147,712	Corporate lending	826,869	818,073	797,554
1,349,450	1,367,468	1,331,381	Retail lending	512,582	526,475	519,538
<u>3,421,020</u>	<u>3,492,333</u>	<u>3,479,093</u>	Loans & advances, gross	<u>1,339,451</u>	<u>1,344,548</u>	<u>1,317,092</u>
			Islamic Banking			
264,935	226,701	249,600	Corporate financing	96,096	87,280	102,000
327,205	319,782	327,872	Retail financing	126,231	123,116	125,974
<u>592,140</u>	<u>546,483</u>	<u>577,472</u>	Financing, gross	<u>222,327</u>	<u>210,396</u>	<u>227,974</u>
			Loans & advances and financing, gross			
4,013,160	4,038,816	4,056,565		1,561,778	1,554,944	1,545,066
(33,387)	(34,044)	(34,018)	Loans and financing impairment on portfolio basis	(13,097)	(13,107)	(12,854)
(26,249)	(26,219)	(28,129)	Loans and financing impairment on specific basis (including reserve interest and profit)	(10,830)	(10,094)	(10,106)
<u>3,953,524</u>	<u>3,978,553</u>	<u>3,994,418</u>		<u>1,537,851</u>	<u>1,531,743</u>	<u>1,522,106</u>

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

Audited 31-Dec-16 US\$ '000	Unaudited 31-Mar-16 US\$ '000	Unaudited 31-Mar-17 US\$ '000		Unaudited 31-Mar-17 RO '000	Unaudited 31-Mar-16 RO '000	Audited 31-Dec-16 RO '000
			Impairment provision on portfolio basis			
34,127	34,127	33,387	Balance at beginning of the period / year	12,854	13,139	13,139
(740)	(83)	631	Provided/(Reversal)during the period / year	243	(32)	(285)
<u>33,387</u>	<u>34,044</u>	<u>34,018</u>	Balance at the end of the period / year	<u>13,097</u>	<u>13,107</u>	<u>12,854</u>
			Impairment provision on specific basis			
			Impairment provision			
21,461	21,461	22,057	Balance at beginning of the period / year	8,491	8,262	8,262
8,351	2,161	3,413	Provided during the period / year	1,314	832	3,215
(7,236)	(1,244)	(1,712)	Recoveries during the period / year	(659)	(479)	(2,786)
(519)	356	470	Reversal / (write offs) during the period / year	181	137	(200)
<u>22,057</u>	<u>22,734</u>	<u>24,228</u>	Balance at the end of the period / year	<u>9,327</u>	<u>8,752</u>	<u>8,491</u>
			Reserve interest and profit			
3,146	3,146	4,192	Balance at beginning of the period / year	1,615	1,212	1,212
2,132	492	525	Reserved during the period / year	202	189	821
(917)	(153)	(816)	Interest released during the period / year	(314)	(59)	(353)
(169)	-	-	Write offs during the period / year	-	-	(65)
<u>4,192</u>	<u>3,485</u>	<u>3,901</u>	Balance at end of the period / year	<u>1,503</u>	<u>1,342</u>	<u>1,615</u>
<u>26,249</u>	<u>26,219</u>	<u>28,129</u>		<u>10,830</u>	<u>10,094</u>	<u>10,106</u>

During the period, an amount of RO 0.002 million equivalent to US\$ 0.005 million (31 March 2016: Nil and 31 December 2016: RO 0.008 million equivalent to US\$ 0.020million) of loans & advances and financing is directly written off / recovered in the statement of comprehensive income.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

7. CUSTOMERS' DEPOSITS

Customers' deposits can be analysed as follows:

Audited 31-Dec-16 US\$ '000	Unaudited 31-Mar-16 US\$ '000	Unaudited 31-Mar-17 US\$ '000		Unaudited 31-Mar-17 RO '000	Unaudited 31-Mar-16 RO '000	Audited 31-Dec-16 RO '000
			Conventional Banking			
1,956,192	2,079,073	2,078,569	Time deposits	800,249	800,443	753,134
901,904	729,403	818,810	Demand and saving deposits	315,242	280,820	347,233
<u>2,858,096</u>	<u>2,808,476</u>	<u>2,897,379</u>		<u>1,115,491</u>	<u>1,081,263</u>	<u>1,100,367</u>
			Islamic Banking			
30,317	43,545	22,244	Current deposits	8,564	16,765	11,672
			Unrestricted investment accounts			
56,504	33,159	70,875	- under mudaraba agreement	27,287	12,766	21,754
356,450	325,919	354,000	- under wakala agreement	136,290	125,479	137,233
<u>443,271</u>	<u>402,623</u>	<u>447,119</u>		<u>172,141</u>	<u>155,010</u>	<u>170,659</u>
<u>3,301,367</u>	<u>3,211,099</u>	<u>3,344,498</u>		<u>1,287,632</u>	<u>1,236,273</u>	<u>1,271,026</u>

8. 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-16 US\$ '000	Unaudited 31-Mar-16 US\$ '000	Unaudited 31-Mar-17 US\$ '000		Unaudited 31-Mar-17 RO '000	Unaudited 31-Mar-16 RO '000	Audited 31-Dec-16 RO '000
			Directors and senior management			
1,958	1,662	1,891	Loans & advances and financing, net	728	640	754
3,104	3,927	3,410	Customers' deposits	1,313	1,512	1,195
174	21	143	Prepaid rent	55	8	67
			Major shareholders and others			
1,727	2,319	1,382	Due from banks	532	893	665
1,234	1,210	1,226	Investment securities	472	466	475
			Other assets			
-	-	275	- Fair value of forward contracts	106	-	-
	57	-	- Fair value of swaps	-	22	-
160,860	338,551	130,704	Due to banks	50,321	130,342	61,931
94	39	68	Customers' deposits	26	15	36
			Other liabilities			
			- Fair value of foreign exchange forward			
91	140	-	- contracts	-	54	35
-	-	-	- Fair value of swaps	-	-	-
2,213	616	2,530	- Other payables	974	237	852
57,127	58,177	57,909	Contingent liabilities and commitments	22,295	22,398	21,994

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

8. RELATED PARTY TRANSACTIONS (continued)

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

Audited 31-Dec-16	Unaudited 31-Mar-16	Unaudited 31-Mar-17	Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 31-Dec-16
US\$ '000	US\$ '000	US\$ '000	RO'000	RO '000	RO '000
			Directors and Senior Management		
52	16	16	Interest and profit income	6	20
44	13	8	Interest and profit expense	3	17
418	-	-	- Board remuneration proposed	-	161
101	8	68	Board sitting fees	26	39
94	21	23	Shariah supervisory board expenses	9	36
122	31	31	Other operating expenses	12	47
			Major shareholders and others		
-	-	-	- Interest and profit income	-	-
2,818	642	706	Interest and profit expense	272	1,085
			Other operating income	1	-
5	5	-	- Loss on fair value of interest rate swaps	-	2
148	140	-	- Loss on foreign exchange forward	-	57
2,930	647	600	Other operating expenses	231	1,128

The Bank has a committed line of loans from one of the related parties of RO 57.8 million equivalent to US\$ 150 million (31 March 2016: RO 40 million equivalent to US\$ 103.896 million and 31 December 2016: RO 38.5 million equivalent to US\$ 100 million).

The Bank has a technical and management support agreement (TMSA) with a major shareholder. In accordance with the agreement, an amount of RO 0.139 million equivalent to US\$ 0.361 million is included in other operating expenses during the three months period ended 31 March 2017 (31 March 2016: RO 0.181 million equivalent to US\$ 0.471 million and 31 December 2016: RO 0.764 million equivalent to US\$ 1.984 million).

The Bank has rented a branch premises from a Director. In accordance with the agreement, an amount of RO 0.012 million equivalent to US\$ 0.031 million was included in the other operating expenses (31 March 2016: RO 0.012 million equivalent to US\$ 0.031 million and 31 December 2016: RO 0.047 million equivalent to US\$ 0.123 million).

Compensation of the key management personnel for the three month period ended 31 March 2017 was RO 0.389 million equivalent to US\$ 1.010 million (31 March 2016: RO 0.321 million equivalent to US\$ 0.834 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

9. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (31 March 2016 and 31 December 2016: 2,500,000,000 shares of 100 baizas each) out of which 1,425,036,144 (31 March 2016 and 31 December 2016: 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 2017 shareholding of AUB was 498,762,642 shares equivalent to 35% (31 March 2016 and 31 December 2016: 498,762,642 shares equivalent to 35%)

10. 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-17	Unaudited 31-Mar-16	Audited 31-Dec-16
Weighted average number of shares in 000's			1,425,036	1,425,036	1,425,036
Outstanding number of shares in 000's			1,425,036	1,425,036	1,425,036
Audited 31-Dec-16	Unaudited 31-Mar-16	Unaudited 31-Mar-17	Unaudited 31-Mar-17	Unaudited 31-Mar-16	Audited 31-Dec-16
US\$ '000	US\$ '000	US\$ '000	RO '000	RO '000	RO '000
76,760	18,247	13,519	5,205	7,025	29,552
631,035	571,953	608,463	234,258	220,202	242,948
5.4	1.3	0.9	3.7	4.9	20.7
44.3	40.1	42.7	164.4	154.5	170.5

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.

11. 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 2017**

11. SEGMENT INFORMATION (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 is approximates the cost of the funds.

Segment information is as follows:

	31 March 2017			31 March 2016		
	Retail banking RO '000	Corporate banking, Treasury & Investment RO '000	Total RO '000	Retail banking RO '000	Corporate banking, Treasury & Investment RO '000	Total RO '000
Net interest income	2,899	5,638	8,537	3,843	4,830	8,673
Net income from islamic financing and investments	520	1,056	1,576	671	1,198	1,869
Net interest income and income from islamic financing	3,419	6,694	10,113	4,514	6,028	10,542
Other operating income	258	1,706	1,964	325	1,972	2,297
Net operating income	3,677	8,400	12,077	4,839	8,000	12,839
Loans and financing impairment, net of recoveries	(498)	(402)	(900)	(449)	128	(321)
Impairment for investments	-	(42)	(42)	-	(163)	(163)
Operating expenses	(2,717)	(2,294)	(5,011)	(2,321)	(2,049)	(4,370)
Profit before taxation	462	5,662	6,124	2,069	5,916	7,985
Tax expense	(69)	(850)	(919)	(247)	(713)	(960)
Segment profit for the period	393	4,812	5,205	1,822	5,203	7,025
Segment assets	628,029	1,208,675	1,836,704	639,745	1,198,958	1,838,703
Segment liabilities	181,958	1,420,488	1,602,446	198,568	1,419,933	1,618,501
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net interest income	7,530	14,644	22,174	9,982	12,546	22,528
Net income from islamic financing and investments	1,351	2,742	4,093	1,743	3,112	4,855
Net interest income and income from islamic financing	8,881	17,386	26,267	11,725	15,658	27,383
Other operating income	670	4,431	5,101	843	5,123	5,966
Net operating income	9,551	21,817	31,368	12,568	20,781	33,349
Loans and financing impairment, net of recoveries	(1,294)	(1,044)	(2,338)	(1,166)	332	(834)
Impairment for investments	-	(109)	(109)	-	(423)	(423)
Operating expenses	(7,057)	(5,958)	(13,016)	(6,027)	(5,324)	(11,351)
Profit before taxation	1,200	14,706	15,905	5,375	15,366	20,741
Tax expense	(179)	(2,208)	(2,387)	(643)	(1,851)	(2,494)
Segment profit for the period	1,021	12,498	13,518	4,732	13,515	18,247
Segment assets	1,631,244	3,139,415	4,770,659	1,661,675	3,114,177	4,775,852
Segment liabilities	472,618	3,689,578	4,162,196	515,761	3,688,138	4,203,899

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

12. CONTINGENT LIABILITIES AND COMMITMENTS

Audited 31-Dec-16 US\$ '000	Unaudited 31-Mar-16 US\$ '000	Unaudited 31-Mar-17 US\$ '000		Unaudited 31-Mar-17 RO '000	Unaudited 31-Mar-16 RO '000	Audited 31-Dec-16 RO '000
397,818	443,444	386,309	Financial guarantees	148,729	170,726	153,160
60,205	65,200	69,506	Letters of credit	26,760	25,102	23,179
89,543	128,000	126,132	Loan commitments	48,561	49,280	34,474
6,395	6,171	6,553	Capital commitments	2,523	2,376	2,462
1,421	1,792	1,551	Lease commitments	597	690	547
555,382	644,607	590,051		227,170	248,174	213,822

13. ASSETS AND LIABILITIES MATURITY

As at 31 March 2017	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
Assets	623,814	131,700	264,122	817,068	1,836,704
Liabilities and equity	(454,482)	(468,808)	(478,834)	(434,580)	(1,836,704)
Net liquidity gap	169,332	(337,108)	(214,712)	382,488	-
Net liquidity gap in US \$ '000	439,824	(875,605)	(557,694)	993,475	-

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

As at 31 December 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
Assets	686,966	121,265	257,432	833,991	1,899,654
Liabilities and equity	(428,663)	(561,862)	(416,449)	(492,680)	(1,899,654)
Net liquidity gap	258,303	(440,597)	(159,017)	341,311	-
Net liquidity gap in US \$ '000	670,917	(1,144,407)	(413,032)	886,522	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017**

14. CAPITAL MANAGEMENT

The following table sets out the capital adequacy position

	Unaudited 31-Mar-17 RO '000	Unaudited 31-Mar-16 RO '000	Audited 31-Dec-16 RO '000
Common Equity Tier 1 (CET1)	226,810	213,029	221,400
Additional Tier 1	-	-	-
Tier 1	226,810	213,029	221,400
Tier 2	35,656	43,705	40,196
Total regulatory capital	262,466	256,734	261,596
Risk weighted assets			
Credit risk	1,586,320	1,581,460	1,563,083
Market risk	91,152	34,357	80,469
Operational risk	101,544	96,123	96,123
Total risk weighted assets	1,779,016	1,711,940	1,739,675
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	12.75%	12.44%	12.73%
Total tier I capital expressed as a percentage of total risk-weighted assets	12.75%	12.44%	12.73%
Tier II capital expressed as a percentage of total risk-weighted assets	2.00%	2.56%	2.31%
Total regulatory capital expressed as a percentage of total risk-weighted assets	14.75%	15.00%	15.04%
	Unaudited 31-Mar-17 US\$ '000	Unaudited 31-Mar-16 US\$ '000	Audited 31-Dec-16 US\$ '000
Common Equity Tier 1 (CET1)	589,116	553,322	575,065
Additional Tier 1	-	-	-
Tier 1	589,116	553,322	575,065
Tier 2	92,612	113,519	104,405
Total regulatory capital	681,729	666,842	679,470
Risk weighted assets			
Credit risk	4,120,311	4,107,689	4,059,956
Market risk	236,759	89,239	209,010
Operational risk	263,752	249,670	249,670
Total risk weighted assets	4,620,821	4,446,598	4,518,636
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	12.75%	12.44%	12.73%
Total tier I capital expressed as a percentage of total risk-weighted assets	12.75%	12.44%	12.73%
Tier II capital expressed as a percentage of total risk-weighted assets	2.00%	2.56%	2.31%
Total regulatory capital expressed as a percentage of total risk-weighted assets	14.75%	15.00%	15.04%