

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 unaudited financial statements for the half year that ended 30 June 2017. This is based on the condensed interim financial statements which have been reviewed by the external auditors.

The Bank's Financial Performance

We are happy to report a satisfactory financial performance for the second quarter. This achievement has been possible despite the fact that economies including Oman continue to pass through a challenging phase. The Bank's loans & advances and financing grew by 4.5 %, in line with Bank's strategic plan to grow in a prudent way. While the Bank's loans & advances and financing were RO 1,547.5 million in June 2016, these reached to RO 1,617.8 million in June 2017.

The Bank's customer deposits witnessed an increase of 11.7% to RO 1,377.4 million as compared to RO 1,233.5 million at 30 June 2016. Total assets on 30 June 2017 stood at RO 1,939.7 million reflecting an increase of 4.5 per cent as compared to the same period last year.

	30-Jun-17	30-Jun-16	Growth %
	RO Million		
Total assets	1,939.7	1,856.1	4.5%
Loans & advances and financing, net	1,617.8	1,547.5	4.5%
Customers' deposits	1,377.4	1,233.5	11.7%
Equity	240.8	227.9	5.7%
Operating income	25.8	26.1	-1.1%
Operating expenses	9.3	9.3	0.0%
Profit for the period	12.4	14.2	-12.7%

The operating expenses (excluding loan and financing impairment net of recoveries) were controlled at RO 9.3 million for the half year. Overall, the net profit after tax decreased by 12.7 % to RO 12.4 million, as compared to RO 14.2 million during the same period last year.

The operating income of the second quarter of 2017 at RO 13.7 million increased by 13.2% over first quarter of 2017. Operating expenses were controlled at RO 4.3 million compared to RO 5.0 million in first quarter of 2017. The net profit after tax for the second quarter of 2017 was RO 7.2 million as against of RO 5.2 million for first quarter of 2017 recording an increase of 38.5% on a quarter over quarter basis.

Capital

The Bank held a shareholder meeting in April 2017, to raise additional Tier 1 capital of RO 50 million which was approved by shareholders. The Bank is well positioned for growth in 2017, with a high quality portfolio of assets and ample liquidity.

Technology

We are pleased to have been recertified for the Payment Card Industry standards PCI-DSS certification which ensures a global comprehensive standard that secures card payments. PCI-DSS provides additional assurance to customers and stakeholders on the security and reliability of our Bank's systems and processes, handling customer credit and debit card information. In keeping with ahlibank's stringent information security management and its compliance with the highest international standards in information security and information processing facilities, the Bank also was recertified with the ISO-27001-2013 certification.

New MyHassad Scheme

ahlibank revamped its MyHassad prize money scheme in Q1-17 for conventional customers by introducing weekly, monthly, quarterly, annual and "Salary for Life" prizes. The Bank's campaign of 'A seed sown today is tomorrow's harvest' harnesses its belief in building a long term sustainable relationship with customers from one generation to the next. This campaign includes among other prizes a monthly prize of OMR 5,000 for retail customers and OMR 10,000 for premium and exclusive customers. The Bank will also reward one lucky winner with a bumper year end prize of OMR 250,000 cash in addition to the "Salary for Life" prize.

MyHassad Carnival

To strengthen its relationships with customers, ahlibank organised its first carnival at the Oman Avenues Mall recently which was a huge success. While many new customers opened MyHassad accounts with the Bank, existing customers also responded enthusiastically. The customers who were eligible for the draw included existing and new retail, premium and private customers who opened new MyHassad accounts.

Benefits for Credit Cards holders

With access to 25 airport lounges all around the world through the Lounge Key programme, ahlibank platinum credit cardholders can have the privilege of having relaxing, stress-free journeys wherever they go. There is no registration required to activate the card, customers will only need to create login details if they wish to download the APP. ahlibank platinum credit cardholders are eligible for the airport Dining Discount Program with DragonPass. Ahlibank platinum and Signature cardholders can also have access to 985,000+ hotels and vacation rentals globally by visiting www.agoda.com/visamena; at point of payment inputting their eligible Visa card to receive the discount. Customers get free travel Insurance, free purchase protection, free supplementary cards, while earning "Pearl" rewards. The cards have an advanced EMV chip feature and 3D Secure for online transactions via Worldwide Acceptance

CSR – Ramadan Charities

To showcase its enduring commitment to support the community it operates in, ahlibank launched unique volunteering initiatives to mark the Holy Month of Ramadan this year. As part of the Ramadan volunteering initiatives, ahlibank distributed 150,000 water bottles across various wilayats across the Sultanate. Apart from the water bottle supply initiative, ahlibank's

Al Hilal Islamic Banking Services distributed electronic devices to needy families across the Sultanate in coordination with the Ministry of Social Development.

Looking ahead

We believe that the combination of ahlibank's focused strategy and diversified business model will continue to create long-term value for our shareholders, stakeholders and customers. The Bank will continue to adopt a prudential risk management approach and will do the best to service customer needs and meet shareholders expectations, while being committed to facilitating economic growth in the Sultanate. ahlibank will remain dedicated to its organic growth and development, not only in terms of market share but also in diversifying its products and services to its growing customer base. In line with the mandate of the government to support SME businesses, ahlibank will remain resolute on providing this segment with the support it requires.

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 thank our dedicated management and staff for their commitment to maintain a momentum in growth of business. We would also like to acknowledge the contribution of our strategic partner, Ahli United Bank BSC, 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. We also want to thank our shareholders for their confidence and continued support. In closing, we would like to thank our customers for their trust. It is a privilege for us to serve our customers well.

Hamdan Ali Nasser Al Hinai

Chairman

26 July 2017