



AHLI BANK SAOG

**Unaudited interim condensed financial statements
30 June 2017**

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

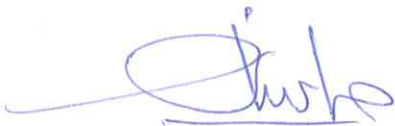
Al Hilal Islamic Banking Services distributed electronic devices to needy families across the Sultanate in coordination with the Ministry of Social Development.

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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AT 30 June 2017**

Audited 31-Dec-16 US\$ '000	Unaudited 30-Jun-16 US\$ '000	Unaudited 30-Jun-17 US\$ '000		Note	Unaudited 30-Jun-17 RO '000	Unaudited 30-Jun-16 RO '000	Audited 31-Dec-16 RO '000
ASSETS							
364,528	261,460	226,987	Cash and balances with Central Bank of Oman		87,390	100,662	140,343
79,927	38,842	19,405	Due from banks		7,471	14,954	30,772
3,953,524	4,019,499	4,201,984	Loans & advances and Financing, net	6	1,617,764	1,547,507	1,522,106
458,812	425,239	504,294	Investment securities	16	194,153	163,717	176,643
43,844	44,805	43,660	Property and equipment		16,809	17,250	16,880
33,533	31,101	41,818	Other assets		16,100	11,974	12,910
4,934,168	4,820,946	5,038,148	TOTAL ASSETS		1,939,687	1,856,064	1,899,654
LIABILITIES							
603,319	640,444	496,140	Due to banks		191,014	246,571	232,278
3,301,367	3,203,870	3,577,782	Customers' deposits	7	1,377,446	1,233,490	1,271,026
130,000	125,000	150,000	Borrowed funds		57,750	48,125	50,050
11,655	6,102	6,462	Taxation		2,488	2,349	4,487
87,961	84,844	104,291	Other liabilities		40,152	32,665	33,865
168,831	168,831	77,922	Subordinated liabilities		30,000	65,000	65,000
4,303,133	4,229,091	4,412,597	TOTAL LIABILITIES		1,698,850	1,628,200	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	109,416	41,374	Subordinated debt reserve		15,929	42,125	44,541
1,081	1,717	327	Fair value reserve		126	661	416
67,429	41,564	137,016	Retained earnings		52,751	16,002	25,960
631,035	591,855	625,551	TOTAL EQUITY		240,837	227,864	242,948
4,934,168	4,820,946	5,038,148	TOTAL LIABILITIES AND EQUITY		1,939,687	1,856,064	1,899,654
44.3	41.5	43.9	Net assets value per share (US cents / baizas)	10	169.0	159.9	170.5
555,382	626,323	987,969	Contingent liabilities and commitments	12	380,368	241,134	213,822

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



Hamdan Ali Nasser Al Hinai
Chairman



Lloyd Maddock
Chief Executive Officer

Notes 1 to 16 form part of these interim condensed financial statements

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 June 2017**

Six month period ended		Three month period ended			Three month period ended		Six month period ended	
Unaudited	Unaudited	Unaudited	Unaudited		Unaudited	Unaudited	Unaudited	Unaudited
30-Jun-16	30-Jun-17	30-Jun-16	30-Jun-17		30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
US\$ '000	US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000	RO '000
83,239	94,332	42,953	47,639	Interest income	18,341	16,537	36,318	32,047
(36,745)	(49,164)	(18,987)	(24,644)	Interest expense	(9,488)	(7,310)	(18,928)	(14,147)
46,494	45,168	23,966	22,995	NET INTEREST INCOME	8,853	9,227	17,390	17,900
14,405	16,062	7,112	8,153	Income from Islamic financing and investments	3,139	2,738	6,184	5,546
(5,096)	(7,790)	(2,657)	(3,974)	Unrestricted investment account holders' share of profit and profit expense	(1,530)	(1,023)	(2,999)	(1,962)
9,309	8,272	4,455	4,179	NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS	1,609	1,715	3,185	3,584
55,803	53,440	28,421	27,174	NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS	10,462	10,942	20,575	21,484
11,971	13,517	6,005	8,416	Other operating income	3,240	2,312	5,204	4,609
67,774	66,957	34,426	35,590	OPERATING INCOME	13,702	13,254	25,779	26,093
(426)	(4,496)	408	(2,158)	Loans and financing impairment, net of recoveries	(831)	157	(1,731)	(164)
(1,327)	(247)	(904)	(138)	Impairment on available for sale investments	(53)	(348)	(95)	(511)
66,021	62,214	33,930	33,294	NET OPERATING INCOME	12,818	13,063	23,953	25,418
(15,249)	(15,922)	(7,771)	(7,626)	Staff expenses	(2,936)	(2,992)	(6,130)	(5,871)
(1,662)	(1,688)	(836)	(844)	Depreciation	(325)	(322)	(650)	(640)
(7,135)	(6,566)	(4,088)	(2,691)	Other operating expenses	(1,036)	(1,574)	(2,528)	(2,747)
(24,046)	(24,176)	(12,695)	(11,161)	OPERATING EXPENSES	(4,297)	(4,888)	(9,308)	(9,258)
41,975	38,038	21,235	22,133	PROFIT BEFORE TAXATION	8,521	8,175	14,645	16,160
(5,031)	(5,756)	(2,538)	(3,369)	Tax expense	(1,297)	(977)	(2,216)	(1,937)
36,944	32,282	18,697	18,764	PROFIT FOR THE PERIOD	7,224	7,198	12,429	14,223
				OTHER COMPREHENSIVE (EXPENSE)/ INCOME - NET OF TAX				
				Items that are or may be reclassified subsequently to profit or loss				
1,421	2,127	992	2,236	- Net amount reclassified to profit or loss	861	382	819	547
158	(2,881)	351	(3,912)	- Net changes in fair values	(1,506)	135	(1,109)	61
1,579	(753)	1,343	(1,675)	OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	(645)	517	(290)	608
38,523	31,529	20,040	17,089	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,579	7,715	12,139	14,831
2.6	2.3	1.3	2.3	Basic and diluted earnings per share (US cents / baizas)	5.1	5.1	8.7	10.0

Notes 1 to 16 form part of these interim condensed financial statements

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 June 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	-	-	-	-	-	12,429	12,429
Other comprehensive expense, net of tax	-	-	-	-	(290)	-	(290)
Total comprehensive income	-	-	-	-	(290)	12,429	12,139
Transfer from subordinated debt reserve	-	-	-	(28,612)	-	28,612	-
Cash dividends paid	-	-	-	-	-	(14,250)	(14,250)
Balance at 30 June 2017 RO (unaudited)	142,504	22,984	6,543	15,929	126	52,751	240,837
Balance at 30 June 2017 (US\$ '000) (unaudited)	370,140	59,699	16,995	41,374	327	137,016	625,551
	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>	<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>
Profit for the period	-	-	-	-	-	14,223	14,223
Other comprehensive income, net of tax	-	-	-	-	608	-	608
<i>Total comprehensive income</i>	-	-	-	-	608	14,223	14,831
Transfer to subordinated debt reserve	-	-	-	1,788	-	(1,788)	-
Cash dividends paid	-	-	-	-	-	(14,250)	(14,250)
<i>Balance at 30 June 2016 RO (unaudited)</i>	<i>142,504</i>	<i>20,029</i>	<i>6,543</i>	<i>42,125</i>	<i>661</i>	<i>16,002</i>	<i>227,864</i>
<i>Balance at 30 June 2016 (US\$ '000) (unaudited)</i>	<i>370,140</i>	<i>52,023</i>	<i>16,995</i>	<i>109,416</i>	<i>1,717</i>	<i>41,564</i>	<i>591,855</i>
<i>Balance at 1 July 2016</i>	<i>142,504</i>	<i>20,029</i>	<i>6,543</i>	<i>42,125</i>	<i>661</i>	<i>16,002</i>	<i>227,864</i>
Profit for the period	-	-	-	-	-	15,329	15,329
Other comprehensive expense, net of tax	-	-	-	-	(245)	-	(245)
<i>Total comprehensive income</i>	-	-	-	-	(245)	15,329	15,084
Transfer to legal reserve	-	2,955	-	-	-	(2,955)	-
Transfer to subordinated debt reserve	-	-	-	2,416	-	(2,416)	-
<i>Balance at 31 December 2016 RO</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 16 form part of these interim condensed financial statements

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 June 2017**

Unaudited 30-Jun-16 US\$ '000	Unaudited 30-Jun-17 US\$ '000		Unaudited 30-Jun-17 RO '000	Unaudited 30-Jun-16 RO '000
		CASH FLOWS FROM OPERATING ACTIVITIES		
41,975	38,038	Profit before taxation	14,645	16,160
		Adjustments for:		
1,662	1,688	Depreciation	650	640
426	4,496	Loans and financing impairment, net of recoveries	1,731	164
1,327	247	Impairment on available for sale investments	95	511
195	161	End of service benefits provision	62	75
80	-	Loss on sale of investment securities	-	31
45,665	44,630	Operating profit before working capital changes	17,183	17,581
(5,000)	-	Decrease in due to banks	-	(1,925)
(44)	(55)	End of service benefits paid	(21)	(17)
(76,932)	(252,958)	Increase in loans & advances and financing	(97,389)	(29,619)
(63,984)	(59,475)	Net movement in held for trading investments	(22,898)	(24,634)
(174,927)	276,416	Increase / (Decrease) in customers' deposits	106,420	(67,347)
7,179	7,938	Changes in other assets and other liabilities	3,056	2,765
(268,043)	16,496	Cash generated from/(used in) operations	6,351	(103,196)
(7,358)	(10,948)	Tax paid	(4,215)	(2,833)
(275,401)	5,548	Net cash generated from / (used in) operating activities	2,136	(106,029)
		CASH FLOWS FROM INVESTING ACTIVITIES		
5,369	(42,005)	Increase in investment, net (excluding held for trading investments)	(16,172)	2,067
(743)	(1,504)	Purchase of property and equipment	(579)	(286)
4,626	(43,509)	Net cash (used in)/ generated from investing activities	(16,751)	1,781
		CASH FLOWS FROM FINANCING ACTIVITIES		
(37,013)	(37,013)	Dividends paid	(14,250)	(14,250)
-	(90,909)	Decrease in subordinated liabilities	(35,000)	-
-	20,000	Increase in borrowed funds	7,700	-
(37,013)	(107,922)	Net cash used in financing activities	(41,550)	(14,250)
(307,788)	(145,883)	Net change in cash and cash equivalents	(56,165)	(118,498)
261,282	139,771	Cash and cash equivalents at 1 January	53,812	100,593
(46,506)	(6,112)	Cash and cash equivalents at 30 June	(2,353)	(17,905)

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 June 2017**

Cash and cash equivalent comprises of the following:

30-Jun-16 US\$ '000	30-Jun-17 US\$ '000		30-Jun-17 RO '000	30-Jun-16 RO '000
260,096	225,623	Cash and current balances with Central Bank of Oman	86,865	100,137
33,842	19,405	Due from banks	7,471	13,029
200,000	145,000	Treasury bills with three months maturity	55,825	77,000
(540,444)	(396,140)	Due to banks	(152,514)	(208,071)
<u>(46,506)</u>	<u>(6,112)</u>		<u>(2,353)</u>	<u>(17,905)</u>

Reconciliation of liabilities arising from financing activities

30-Jun-16 US\$ '000	30-Jun-17 US\$ '000		30-Jun-17 RO '000	30-Jun-16 RO '000
Borrowed funds				
125,000	130,000	Balance at beginning of the period	50,050	48,125
-	20,000	Cash flows	7,700	-
<u>125,000</u>	<u>150,000</u>	Balance at end of the period	<u>57,750</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 16 form part of these interim condensed financial statements

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 June 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 549 employees as at 30 June 2017 compared to 521 as at 30 June 2016 and 538 as at 31 December 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) The unaudited interim condensed financial statements for the six month period ended 30 June 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 six month ended 30 June 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 six month period ended 30 June 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 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 30 June 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 first quarter, 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 SIX MONTH PERIOD ENDED 30 June 2017**

6. LOANS & ADVANCES AND FINANCING ACTIVITIES

Audited 31-Dec-16 US\$ '000	Unaudited 30-Jun-16 US\$ '000	Unaudited 30-Jun-17 US\$ '000		Unaudited 30-Jun-17 RO '000	Unaudited 30-Jun-16 RO '000	Audited 31-Dec-16 RO '000
			Conventional Banking			
2,071,570	2,171,169	2,312,449	Corporate lending	890,293	835,900	797,554
1,349,450	1,345,943	1,336,985	Retail lending	514,739	518,188	519,538
3,421,020	3,517,112	3,649,434	Loans & advances, gross	1,405,032	1,354,088	1,317,092
			Islamic Banking			
264,935	237,730	291,701	Corporate financing	112,305	91,526	102,000
327,205	325,065	325,522	Retail financing	125,326	125,150	125,974
592,140	562,795	617,223	Financing, gross	237,631	216,676	227,974
4,013,160	4,079,907	4,266,657	Loans & advances and financing, gross	1,642,663	1,570,764	1,545,066
(33,387)	(34,047)	(35,569)	Loans and financing impairment on portfolio basis	(13,694)	(13,108)	(12,854)
(26,249)	(26,361)	(29,104)	Loans and financing impairment on specific basis (including reserve interest and profit)	(11,205)	(10,149)	(10,106)
3,953,524	4,019,499	4,201,984		1,617,764	1,547,507	1,522,106

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

Audited 31-Dec-16 US\$ '000	Unaudited 30-Jun-16 US\$ '000	Unaudited 30-Jun-17 US\$ '000		Unaudited 30-Jun-17 RO '000	Unaudited 30-Jun-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)	(80)	2,182	Provided/(Reversal)during the period / year	840	(31)	(285)
33,387	34,047	35,569	Balance at the end of the period / year	13,694	13,108	12,854
			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	2,855	5,662	Provided during the period / year	2,180	1,099	3,215
(7,236)	(2,377)	(3,356)	Recoveries during the period / year	(1,292)	(915)	(2,786)
(519)	603	475	Reversal / (write offs) during the period / year	183	232	(200)
22,057	22,542	24,838	Balance at the end of the period / year	9,562	8,678	8,491
			Reserve interest and profit			
3,146	3,147	4,192	Balance at beginning of the period / year	1,615	1,212	1,212
2,132	1,007	1,106	Reserved during the period / year	426	388	821
(917)	(335)	(1,034)	Interest released during the period / year	(398)	(129)	(353)
(169)	-		- Write offs during the period / year	-	-	(65)
4,192	3,819	4,264	Balance at end of the period / year	1,643	1,471	1,615
26,249	26,361	29,102		11,205	10,149	10,106

During the period, an amount of RO 0.003 million equivalent to US\$ 0.068 million (30 June 2016: RO 0.011 million equivalent to US\$ 0.029million 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 SIX MONTH PERIOD ENDED 30 June 2017**

7. CUSTOMERS' DEPOSITS

Customers' deposits can be analysed as follows:

Audited 31-Dec-16 US\$ '000	Unaudited 30-Jun-16 US\$ '000	Unaudited 30-Jun-17 US\$ '000		Unaudited 30-Jun-17 RO '000	Unaudited 30-Jun-16 RO '000	Audited 31-Dec-16 RO '000
			Conventional Banking			
1,956,192	1,945,608	1,830,909	Time deposits	704,900	749,059	753,134
189,094	213,514	173,171	Saving deposits	66,671	82,203	72,801
712,810	619,577	1,076,688	Demand and Call deposits	414,525	238,537	274,432
<u>2,858,096</u>	<u>2,778,699</u>	<u>3,080,768</u>		<u>1,186,096</u>	<u>1,069,799</u>	<u>1,100,367</u>
			Islamic Banking			
30,317	29,914	29,013	Current deposits	11,170	11,517	11,672
			Unrestricted investment accounts			
56,504	36,023	98,504	- under mudaraba agreement	37,924	13,869	21,754
356,450	359,234	369,497	- under wakala agreement	142,256	138,305	137,233
<u>443,271</u>	<u>425,171</u>	<u>497,014</u>		<u>191,350</u>	<u>163,691</u>	<u>170,659</u>
<u>3,301,367</u>	<u>3,203,870</u>	<u>3,577,782</u>		<u>1,377,446</u>	<u>1,233,490</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 mutually agreed terms and conditions.

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

Audited 31-Dec-16 US\$ '000	Unaudited 30-Jun-16 US\$ '000	Unaudited 30-Jun-17 US\$ '000		Unaudited 30-Jun-17 RO '000	Unaudited 30-Jun-16 RO '000	Audited 31-Dec-16 RO '000
			Directors and senior management			
1,958	1,688	1,548	Loans & advances and financing, net	596	650	754
3,104	3,556	3,166	Customers' deposits	1,219	1,369	1,195
174	18	112	Prepaid rent	43	7	67
			Major shareholders and others			
1,727	2,914	2,140	Due from banks	824	1,122	665
1,234	1,213	1,226	Investment securities	472	467	475
			Other assets	-	-	-
-	-	21	- Fair value of forward contracts	8	-	-
	190	-	- Fair value of swaps	13	73	-
160,860	226,668	130,587	Due to banks	50,276	87,267	61,931
94	70	31	Customers' deposits	12	27	36
			Other liabilities			
			- Fair value of foreign exchange forward			
91	3	-	- contracts	-	1	35
-	-	62	- Fair value of swaps	24	-	-
2,213	1,140	182	- Other payables	70	439	852
<u>57,127</u>	<u>58,177</u>	<u>43,551</u>	Contingent liabilities and commitments	<u>16,767</u>	<u>22,398</u>	<u>21,994</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 June 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 US\$ 000	Unaudited 30-Jun-16 US\$ 000	Unaudited 30-Jun-17 US\$ 000	Unaudited 30-Jun-17 RO'000	Unaudited 30-Jun-16 RO '000	Audited 31-Dec-16 RO '000
Directors and Senior Management					
52	26	31	12	10	20
44	23	16	6	9	17
418	-	-	-	-	161
101	57	47	18	22	39
94	47	47	18	18	36
122	62	62	24	24	47
Major shareholders and others					
-	-	-	-	-	-
2,818	1,216	1,449	558	468	1,085
5	5	21	1	-	-
148	3	21	8	2	2
2,930	1,429	475	183	550	1,128

The Bank has a committed line of loans from one of the related parties of RO 57.75 million equivalent to US\$ 150 million (30 June 2016: RO 38.5 million equivalent to US\$ 100 million and 31 December 2016: RO 38.5 million equivalent to US\$ 100 million).

Other Operating expenses includes management fee under a Technical and Management Support Agreement (TMSA) with a major shareholder. In accordance with the agreement, no management fees was included in other operating expenses during the six months period ended 30 June 2017 (30 June 2016: RO 0.366 million equivalent to US\$ 0.951 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 0.024 million equivalent to US\$ 0.062 million was included in the other operating expenses (30 June 2016: RO 0.024 million equivalent to US\$ 0.062 million and 31 December 2016: RO 0.047 million equivalent to US\$ 0.123 million).

Compensation of the key management personnel for the six month period ended 30 June 2017 was RO 0.789 million equivalent to US\$ 2.048 million (30 June 2016: RO 0.757 million equivalent to US\$ 1.966 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 June 2017

9. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (30 June 2016 and 31 December 2016: 2,500,000,000 shares of 100 baizas each) out of which 1,425,036,144 (30 June 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 30 June 2017 shareholding of AUB was 498,762,642 shares equivalent to 35% (30 June 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 30-Jun-17	Unaudited 30-Jun-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 US\$ '000	Unaudited 30-Jun-16 US\$ '000	Unaudited 30-Jun-17 US\$ '000	Unaudited 30-Jun-17 RO '000	Unaudited 30-Jun-16 RO '000	Audited 31-Dec-16 RO '000
76,760	36,944	32,282	12,429	14,223	29,552
631,035	591,855	625,551	240,837	227,864	242,948
5.4	2.6	2.3	8.7	10.0	20.7
44.3	41.5	43.9	169.0	159.9	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, SME 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 SIX MONTH PERIOD ENDED 30 June 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:

	30-Jun-17			30-Jun-16			31-Dec-16		
	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	Retail banking RO '000	Corporate banking, Treasury & Investment RO '000	Total RO '000
Net interest income	6,299	11,091	17,390	7,311	10,589	17,900	15,492	22,205	37,697
Net income from islamic financing and investments	1,025	2,160	3,185	1,305	2,279	3,584	2,720	4,315	7,035
Net interest income and income from islamic financing	7,324	13,251	20,575	8,616	12,868	21,484	18,212	26,520	44,732
Other operating income	415	4,789	5,204	716	3,893	4,609	1,257	7,583	8,840
Net operating income	7,739	18,040	25,779	9,332	16,761	26,093	19,469	34,103	53,572
Loans and financing impairment, net of recoveries	(735)	(996)	(1,731)	(22)	(142)	(164)	(601)	449	(152)
Impairment for investments	-	(95)	(95)	-	(511)	(511)	-	(576)	(576)
Operating expenses	(5,009)	(4,299)	(9,308)	(4,774)	(4,484)	(9,258)	(10,243)	(8,973)	(19,216)
Profit before taxation	1,995	12,650	14,645	4,536	11,624	16,160	8,625	25,003	33,628
Tax expense	(299)	(1,917)	(2,216)	(544)	(1,393)	(1,937)	(1,035)	(3,041)	(4,076)
Segment profit for the period	1,696	10,733	12,429	3,992	10,231	14,223	7,590	21,962	29,552
Segment assets	629,531	1,310,156	1,939,687	635,838	1,220,226	1,856,064	633,945	1,265,709	1,899,654
Segment liabilities	187,561	1,511,289	1,698,850	180,117	1,448,083	1,628,200	181,335	1,475,371	1,656,706
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net interest income	16,361	28,808	45,169	18,990	27,504	46,494	40,239	57,676	97,915
Net income from islamic financing and investments	2,662	5,610	8,272	3,389	5,920	9,309	7,065	11,207	18,272
Net interest income and income from islamic financing	19,023	34,418	53,441	22,379	33,424	55,803	47,304	68,883	116,187
Other operating income	1,078	12,439	13,517	1,860	10,111	11,971	3,265	19,696	22,961
Net operating income	20,101	46,857	66,958	24,239	43,535	67,774	50,569	88,579	139,148
Loans and financing impairment, net of recoveries	(1,909)	(2,587)	(4,496)	(57)	(369)	(426)	(1,561)	1,166	(395)
Impairment for investments	-	(247)	(247)	-	(1,327)	(1,327)	-	(1,496)	(1,496)
Operating expenses	(13,010)	(11,166)	(24,177)	(12,400)	(11,646)	(24,046)	(26,605)	(23,305)	(49,910)
Profit before taxation	5,182	32,857	38,038	11,782	30,193	41,975	22,403	64,944	87,347
Tax expense	(777)	(4,979)	(5,756)	(1,413)	(3,618)	(5,031)	(2,688)	(7,899)	(10,587)
Segment profit for the period	4,405	27,878	32,282	10,369	26,575	36,944	19,715	57,045	76,760
Segment assets	1,635,145	3,403,003	5,038,148	1,651,527	3,169,419	4,820,946	1,646,610	3,287,558	4,934,168
Segment liabilities	487,171	3,925,426	4,412,597	467,836	3,761,255	4,229,091	471,000	3,832,133	4,303,133

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 June 2017**

12. CONTINGENT LIABILITIES AND COMMITMENTS

Audited 31-Dec-16 US\$ '000	Unaudited 30-Jun-16 US\$ '000	Unaudited 30-Jun-17 US\$ '000		Unaudited 30-Jun-17 RO '000	Unaudited 30-Jun-16 RO '000	Audited 31-Dec-16 RO '000
397,818	431,478	367,543	Financial guarantees	141,504	166,119	153,160
60,205	58,943	477,262	Letters of credit	183,746	22,693	23,179
89,543	128,000	134,951	Loan commitments	51,956	49,280	34,474
6,395	6,146	7,052	Capital commitments	2,715	2,366	2,462
1,421	1,756	1,161	Lease commitments	447	676	547
555,382	626,323	987,969		380,368	241,134	213,822

13. ASSETS AND LIABILITIES MATURITY

As at 30 June 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	647,676	146,882	286,846	858,283	1,939,687
Liabilities and equity	(562,597)	(405,005)	(539,923)	(432,162)	(1,939,687)
Net liquidity gap	85,079	(258,123)	(253,077)	426,121	-
Net liquidity gap in US \$ '000	220,984	(670,449)	(657,343)	1,106,808	-

As at 30 June 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	695,414	90,201	253,963	816,486	1,856,064
Liabilities and equity	(477,807)	(389,003)	(500,563)	(488,691)	(1,856,064)
Net liquidity gap	217,607	(298,802)	(246,600)	327,795	-
Net liquidity gap in US \$ '000	565,212	(776,109)	(640,519)	851,416	-

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 SIX MONTH PERIOD ENDED 30 June 2017**

14. CAPITAL MANAGEMENT

The following table sets out the capital adequacy position

	Unaudited 30-Jun-17 RO '000	Unaudited 30-Jun-16 RO '000	Audited 31-Dec-16 RO '000
Common Equity Tier 1 (CET1)	233,758	220,574	221,400
Additional Tier 1	-	-	-
Tier 1	233,758	220,574	221,400
Tier 2	34,549	42,484	40,196
Total regulatory capital	268,307	263,058	261,596
Risk weighted assets			
Credit risk	1,678,367	1,541,856	1,563,083
Market risk	98,335	35,356	80,469
Operational risk	101,544	96,123	96,123
Total risk weighted assets	1,878,246	1,673,335	1,739,675
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	12.45%	13.18%	12.73%
Total tier I capital expressed as a percentage of total risk-weighted assets	12.45%	13.18%	12.73%
Tier II capital expressed as a percentage of total risk-weighted assets	1.84%	2.54%	2.31%
Total regulatory capital expressed as a percentage of total risk-weighted assets	14.28%	15.72%	15.04%
	Unaudited 30-Jun-17 US\$ '000	Unaudited 30-Jun-16 US\$ '000	Audited 31-Dec-16 US\$ '000
Common Equity Tier 1 (CET1)	607,164	572,918	575,065
Additional Tier 1	-	-	-
Tier 1	607,164	572,918	575,065
Tier 2	89,738	110,348	104,405
Total regulatory capital	696,902	683,266	679,470
Risk weighted assets			
Credit risk	4,359,394	4,004,821	4,059,956
Market risk	255,415	91,834	209,010
Operational risk	263,752	249,670	249,670
Total risk weighted assets	4,878,561	4,346,325	4,518,636
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	12.45%	13.18%	12.73%
Total tier I capital expressed as a percentage of total risk-weighted assets	12.45%	13.18%	12.73%
Tier II capital expressed as a percentage of total risk-weighted assets	1.84%	2.54%	2.31%
Total regulatory capital expressed as a percentage of total risk-weighted assets	14.28%	15.72%	15.04%

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 June 2017**

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities, other than those disclosed in the table below and in note 8, approximate their carrying values.

The bank's primary medium and long-term financial liabilities are the borrowed funds and subordinated liabilities. The fair values of these financial liabilities not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The table below analysis of financial instruments measured at fair value at the reporting date:

	30-Jun-17			30-Jun-16			31-Dec-16		
	Level 1 RO '000	Level 2 RO '000	Total RO '000	Level 1 RO '000	Level 2 RO '000	Total RO '000	Level 1 RO '000	Level 2 RO '000	Total RO '000
Financial assets:									
Held for trading investments	-	108,101	108,101	-	79,569	79,569	-	85,203	85,203
Available for sale investments	30,227	55,825	86,052	7,148	77,000	84,148	14,440	77,000	91,440
<i>Derivative financial instruments</i>									
Interest rate swaps	-	13	-	-	-	-	-	-	-
Forward foreign exchange contracts	1,086	-	1,086	428	-	428	1,093	-	1,093
	31,313	163,939	195,239	7,576	156,569	164,145	15,533	162,203	177,736
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	24	24	-	442	442	-	-	-
Forward foreign exchange contracts	1,016	-	1,016	803	-	803	1,274	-	1,274
	1,016	24	1,040	803	442	1,245	1,274	-	1,274
Financial assets:	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Held for trading investments	-	280,782	280,782	-	206,673	206,673	-	221,306	221,306
Available for sale investments	78,512	145,000	223,512	18,566	200,000	218,566	37,506	200,000	237,506
<i>Derivative financial instruments</i>									
Interest rate swaps	-	-	-	-	-	-	-	-	-
Forward foreign exchange contracts	-	-	2,821	1,112	-	1,112	2,839	-	2,839
	78,512	425,782	507,115	19,678	406,673	426,351	40,345	421,306	461,651
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	-	62	-	1,148	1,148	-	-	-
Forward foreign exchange contracts	2,639	-	2,639	2,086	-	2,086	3,309	-	3,309
	2,639	-	2,701	2,086	1,148	3,234	3,309	-	3,309

No financial instruments are carried at level 3 fair value as on 30 June 2017 (30 June 2016: nil)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 June 2017**

16. INVESTMENT SECURITIES

31-Dec-16	30-Jun-16	30-Jun-17		30-Jun-17	30-Jun-16	31-Dec-16
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
221,306	206,673	280,782	Held for trading investments	108,101	79,569	85,203
237,506	218,566	223,512	Available for sale investments	86,052	84,148	91,440
458,812	425,239	504,294		194,153	163,717	176,643

Held for trading investments comprise:

	30-Jun-17		30-Jun-16		31-Dec-16	
	Carrying value RO '000	Cost RO '000	Carrying value RO '000	Cost RO '000	Carrying value RO '000	Cost RO '000
Government Development Bonds - Oman	98,101	98,101	69,569	69,569	75,203	75,203
Government Sukuks - Oman	10,000	10,000	10,000	10,000	10,000	10,000
	108,101	108,101	79,569	79,569	85,203	85,203
	Carrying value US\$ '000	Cost US\$ '000	Carrying value US\$ '000	Cost US\$ '000	Carrying value US\$ '000	Cost US\$ '000
Government Development Bonds - Oman	254,808	254,808	180,699	180,699	195,332	195,332
Government Sukuks - Oman	25,974	25,974	25,974	25,974	25,974	25,974
	280,782	280,782	206,673	206,673	221,306	221,306

Available for sale investments comprise:

	30-Jun-17		30-Jun-16		31-Dec-16	
	Carrying value RO '000	Cost RO '000	Carrying value RO '000	Cost RO '000	Carrying value RO '000	Cost RO '000
Government Bonds - Oman	9,531	9,633	-	-	7,464	7,698
Government Sukuks - Oman	1,638	1,638	-	-	-	-
Quoted securities	5,701	7,608	7,148	7,757	6,976	7,651
Treasury bills	55,825	55,825	77,000	77,000	77,000	77,000
Local bonds	7,790	7,653	-	-	-	-
Foreign bonds	5,567	5,442	-	-	-	-
	86,052	87,799	84,148	84,757	91,440	92,349
Impairment - quoted securities	-	(1,100)	-	(1,270)	-	(1,325)
	86,052	86,699	84,148	83,487	91,440	91,024
	Carrying value US\$ '000	Cost US\$ '000	Carrying value US\$ '000	Cost US\$ '000	Carrying value US\$ '000	Cost US\$ '000
Government Bonds - Oman	24,756	25,021	-	-	19,387	19,995
Government Sukuks - Oman	4,255	4,255	-	-	-	-
Quoted securities	14,808	19,761	18,566	20,148	18,119	19,873
Treasury bills	145,000	145,000	200,000	200,000	200,000	200,000
Local bonds	20,233	19,877	-	-	-	-
Foreign bonds	14,460	14,135	-	-	-	-
	223,512	228,049	218,566	220,148	237,506	239,868
Impairment - quoted securities	-	(2,857)	-	(3,299)	-	(3,442)
	223,512	225,192	218,566	216,849	237,506	236,426