

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.

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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.

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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
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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 30-Jun-16	Unaudited 30-Jun-17	Unaudited 30-Jun-17	Unaudited 30-Jun-16	Audited 31-Dec-16
US\$ '000	US\$ '000	US\$ '000	RO'000	RO '000	RO '000
			Directors and Senior Management		
52	26	31	Interest and profit income	12	20
44	23	16	Interest and profit expense	6	17
418	-	-	- Board remuneration proposed	-	161
101	57	47	Board sitting fees	18	39
94	47	47	Shariah supervisory board expenses	18	36
122	62	62	Other operating expenses	24	47
			Major shareholders and others		
-	-	-	- Interest and profit income	-	-
2,818	1,216	1,449	Interest and profit expense	558	1,085
			Other operating income	1	-
5	5	21	Loss on fair value of interest rate swaps	8	2
148	3	21	Gain on foreign exchange forward	8	57
2,930	1,429	475	Other operating expenses	183	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	Unaudited 30-Jun-16	Unaudited 30-Jun-17	Unaudited 30-Jun-17	Unaudited 30-Jun-16	Audited 31-Dec-16
US\$ '000	US\$ '000	US\$ '000	RO '000	RO '000	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.

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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

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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
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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
<u>458,812</u>	<u>425,239</u>	<u>504,294</u>		<u>194,153</u>	<u>163,717</u>	<u>176,643</u>

Held for trading investments comprise:

	30-Jun-17		30-Jun-16		31-Dec-16	
	Carrying value	Cost	Carrying value	Cost	Carrying value	Cost
	RO '000	RO '000	RO '000	RO '000	RO '000	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
	<u>108,101</u>	<u>108,101</u>	<u>79,569</u>	<u>79,569</u>	<u>85,203</u>	<u>85,203</u>
	Carrying value	Cost	Carrying value	Cost	Carrying value	Cost
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	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
	<u>280,782</u>	<u>280,782</u>	<u>206,673</u>	<u>206,673</u>	<u>221,306</u>	<u>221,306</u>

Available for sale investments comprise:

	30-Jun-17		30-Jun-16		31-Dec-16	
	Carrying value	Cost	Carrying value	Cost	Carrying value	Cost
	RO '000	RO '000	RO '000	RO '000	RO '000	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)
	<u>86,052</u>	<u>86,699</u>	<u>84,148</u>	<u>83,487</u>	<u>91,440</u>	<u>91,024</u>
	Carrying value	Cost	Carrying value	Cost	Carrying value	Cost
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	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)
	<u>223,512</u>	<u>225,192</u>	<u>218,566</u>	<u>216,849</u>	<u>237,506</u>	<u>236,426</u>