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

		<b>Unaudited 31 March 2016 RO' 000</b>	<b>Audited 31 December 2015 RO' 000</b>	<b>Unaudited 31 March 2015 RO 000</b>
	<b>Notes</b>			
<b>ASSETS</b>				
Cash and balances with Central Banks		<b>2,546,979</b>	2,412,052	2,183,358
Due from banks		<b>987,725</b>	991,491	728,147
Loans and advances	3	<b>6,917,473</b>	6,695,486	6,471,978
Islamic financing receivables	3	<b>664,869</b>	634,729	431,705
Other assets		<b>176,767</b>	168,020	195,506
Investments securities:				
- Fair value through profit or loss	4a	<b>51,252</b>	51,227	978
- Available for sale	4b	<b>441,267</b>	444,973	366,235
- Held to maturity	4c	<b>962,562</b>	1,022,184	225,021
Investment in an associate	5	<b>46,068</b>	47,746	46,097
Property and equipment		<b>76,401</b>	76,621	69,577
		<b>12,871,363</b>	12,544,529	10,718,602
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from banks		<b>2,955,097</b>	2,859,563	1,722,215
Customers' deposits	6	<b>6,974,478</b>	6,738,315	6,504,206
Islamic customers' deposits	6	<b>677,854</b>	625,133	307,720
Certificates of deposit		-	-	15,000
Euro medium term notes		<b>192,202</b>	191,185	191,278
Mandatory convertible bonds		<b>64,380</b>	94,655	94,655
Other liabilities		<b>342,277</b>	369,699	365,203
Taxation		<b>11,280</b>	28,570	13,413
Subordinated liabilities		<b>240,450</b>	240,450	240,450
		<b>11,458,018</b>	11,147,570	9,454,140
<b>EQUITY</b>				
Equity attributable to equity holders of parent:				
Share capital	7	<b>249,625</b>	229,183	229,183
Share premium	7	<b>486,242</b>	464,951	464,951
General reserve		<b>169,808</b>	169,808	169,808
Legal reserve		<b>76,394</b>	76,394	72,756
Revaluation reserve		<b>5,305</b>	5,305	5,145
Subordinated loan reserve		<b>138,600</b>	138,600	118,600
Cash flow hedge reserve		<b>(1,663)</b>	(718)	(1,529)
Cumulative changes in fair value		<b>19,716</b>	19,264	19,647
Foreign currency translation reserve		<b>(1,668)</b>	(1,820)	(1,577)
Retained profit		<b>270,986</b>	295,992	187,478
<b>TOTAL EQUITY</b>		<b>1,413,345</b>	1,396,959	1,264,462
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,871,363</b>	12,544,529	10,718,602
<b>Net assets per share</b>		<b>0.566</b>	0.610	0.552
<b>Contingent liabilities and commitments</b>	8	<b>3,003,890</b>	3,186,412	2,535,907

The interim condensed consolidated financial statements were approved by the Board of Directors on 14 April 2016 and signed on their behalf by:

<b>Director</b>	<b>Chief Executive</b>
The attached notes 1 to 20 form part of these interim condensed consolidated financial statements	

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

	<b>Unaudited 31 March 2016 RO' 000</b>	<b>Unaudited 31 March 2015 RO' 000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period before taxation</b>	<b>49,457</b>	49,985
Adjustments for :		
Share of results from an associate	218	(477)
Depreciation	3,199	2,814
Impairment for investments available-for-sale	3,207	520
Impairment for credit losses	16,949	12,837
Impairment for due from banks	150	150
Recoveries from impairment for credit losses	(5,396)	(7,215)
Profit on sale of equipment	11	-
Profit on sale of investments	(1,158)	(1,374)
Dividend income	(1,748)	(1,857)
<b>Operating profit before working capital changes</b>	<b>64,889</b>	55,383
Due from banks	146,211	(11,267)
Loans and advances	(232,407)	(91,568)
Islamic financing receivables	(31,237)	(31,836)
Other assets	(8,632)	10,465
Deposits from banks	61,727	40,562
Customers' deposits	234,233	204,856
Islamic customer deposits	52,721	24,961
Certificates of deposit	-	(31,000)
Other liabilities	(25,420)	(12,586)
<b>Cash generated from operating activities</b>	<b>262,085</b>	157,970
Income taxes paid	(23,000)	(22,117)
<b>Net cash generated from operating activities</b>	<b>239,085</b>	135,853
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends from an associate	1,610	1,612
Dividends received	1,748	1,857
Net movement in investments	(22,760)	(48,374)
Net movement in property and equipment	(2,990)	(527)
<b>Net cash used in investing activities</b>	<b>(22,392)</b>	(45,432)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(57,295)	(54,567)
<b>Net cash used in financing activities</b>	<b>(57,295)</b>	(54,567)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>159,398</b>	35,854
Cash and cash equivalents at 1 January	1,371,923	1,159,732
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>1,531,321</b>	1,195,586
<b>Cash and cash equivalent comprises of the following:</b>		
	<b>RO' 000</b>	<b>RO' 000</b>
Cash and balances with Central Banks	2,546,479	2,182,858
Due from banks	883,331	194,449
Treasury bills	697,019	241,902
Deposits from banks	(2,595,508)	(1,423,623)
	<b>1,531,321</b>	1,195,586
The attached notes 1 to 20 form part of these interim condensed consolidated financial statements		

## Chairman's Report - First Quarter 2016

Dear Shareholders,

I am glad to share with you the encouraging results achieved by the bank during the first quarter ending 31 March 2016. Reflecting the strategy towards the challenges and opportunities faced in light of the prevailing economic situation, the key business lines of the bank sustained performance momentum during the 3-month period.

### *Financial Overview*

**bank muscat** announces the first quarter 2016 results approved by the Board. The bank posted a net profit of RO 43.8 million for the three months ended 31 March 2016 compared to RO 43.3 million reported for the same period in 2015, an increase of 1.1 per cent.

Net Interest Income from Conventional Banking and Income from Islamic financing stood at RO 68.04 million for the three months of 2016 compared to RO 61.56 million for the same period in 2015, an increase of 10.5 per cent.

Non-interest income at RO 40 million was higher by 10.5 per cent compared to RO 36.19 million for the three months ended 31 March 2015. Operating expenses for the three month period ended 31 March 2016 at RO 43.44 million was higher by 3.6 per cent as compared to RO 41.95 million for the same period of 2015.

Impairment for credit losses for the three month period in 2016 was RO 16.95 million as against RO 12.84 million for the same period in 2015. Recoveries from impairment for credit losses were RO 5.4 million for the three month period in 2016 as against RO 7.22 million for the same period in 2015. Share of income from associates for the first quarter of 2016 was a loss of RO 0.22 million as against a share of profit of RO 0.48 million for the same period of 2015.

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Net Loans and advances from conventional operation increased by 6.9 per cent to RO 6,917 million as at 31 March 2016 as against RO 6,472 million as at 31 March 2015. Customer deposits, including CDs from the conventional operations increased by 7 per cent to RO 6,974 million as at 31 March 2016 as against RO 6,519 million as at 31 March 2015.

Islamic financing receivables amounted to RO 665 million as at 31<sup>1</sup> March 2016 compared to RO 432 million as at 31 March 2015. Islamic Banking customer deposits amounted to RO 678 million as of 31 March 2016 compared to RO 308 million as at 31 March 2015.

The basic earnings per share for the quarter ended 31 March 2016 was RO 0.018 as against RO 0.018 for the quarter ended 31 March 2015. The bank's capital adequacy ratio stood at 16.13 per cent as at 31 March 2016 against the minimum required level of 12.625 per cent as per Basel III regulations issued by the Central Bank of Oman.

### ***Strategic initiatives***

The Izdihar Real Estate Fund managed by the bank marked its first acquisition of a new mixed use property, fulfilling the objective of generating sustainable and attractive long-term returns through investment in income generating real estate assets.

Meethaq Islamic Banking took a major stride in supporting the Sultanate's economic development as Oman's first and only Shari'a based aircraft finance was extended to the national carrier Oman Air for acquiring its second Boeing 787 Dreamliner.

### ***Key developments***

Reaching out with a powerful call for savings, the bank launched the 2016 al Mazyona Savings Scheme to offer the biggest prize money of RO 10 million in Oman and the region. The bank distributed over 700,000 Chip and PIN debit cards with advanced security features, thereby reiterating commitment to secure card transactions.

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In pursuance of the private sector role in the economic development of Oman, the bank, in association with Riyada – the Public Authority for SME Development, hosted an SME Forum to explore joint collaboration between Oman and Malta in the field of entrepreneurial pursuits.

In step with its commitment to partnership in development of Omani talents, the bank launched 'Jadara' Management Development Programme in collaboration with Duke Corporate Education, which will serve as the platform for future human resources training and development programmes in the bank. As part of its 'Jesr al Mustaqbal' (Bridge to Future) CSR programme, the bank signed an agreement with the Ministry of Higher Education to provide 20 scholarships to social welfare Omani students to pursue undergraduate programmes in Oman during the 2015/2016 academic year.

During the first quarter of the year, the bank announced the 2016 Green Sports programme. The program, marking its fifth year, evoked a remarkable response as the bank is set to support the development of 15 football fields in line with its commitment to promote Oman as a sporting nation.

### ***Accolades***

In recognition of consistent performance, the bank received the 'Best Asset Manager in Oman' award by MENA Fund Manager. The bank also won the 'Best Credit Card in Oman' award by Banker Middle East, as well as the straight through processing (STP) award from Barclays Bank for British Pound (GBP) payments processing.

The bank also won the 'Entrepreneurship Award 2015' by Riyada, the Public Authority for SME Development, for adopting tangible steps aimed at SME development benefiting the country's youth. Meethaq Islamic Banking received the 'Best Islamic Bank in Oman' award and the 'Sovereign Deal of the Year' award by Islamic Finance News (IFN) in recognition of vital contributions to Islamic banking in Oman.

In recognition of distinctive brand-building initiatives, the bank was ranked the 'Best Brand' in the banking segment in the annual Best Brands in Oman survey conducted by *Business Today* magazine.

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### ***In Conclusion***

On behalf of the Board of Directors, I take this opportunity to thank the banking community, both in Oman and overseas, the shareholders and clients for the confidence reposed in the bank. I would also like to thank the Management Team and all our employees for their dedication and commitment to press ahead amid the challenging situation to reach higher levels of excellence. Following 34 years of successful growth, the Sultanate's flagship financial institution is poised to further consolidate its leading position, driven by the 'Let's Do More' vision which reflects the strategy for the coming period.

The Board of Directors welcomes and supports the measures taken by the Central Bank of Oman and the Capital Market Authority to strengthen the financial market in the Sultanate. The foresight and market-friendly policies adopted by His Majesty's Government have helped the bank to record encouraging results.

As Oman marks 46<sup>th</sup> year of the glorious Renaissance in 2016, we express our deep gratitude and appreciation to our leader, His Majesty Sultan Qaboos Bin Said for his vision and guidance, which has helped the country along its path of success, growth and prosperity.

**Khalid bin Mustahail Al Mashani**

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

	<i>Share capital RO' 000</i>	<i>Share premium RO' 000</i>	<i>General reserve RO' 000</i>	<i>Legal reserve RO' 000</i>	<i>Revaluation reserve RO' 000</i>	<i>Subordinated loan reserve RO' 000</i>	<i>Cash flow hedge reserve RO' 000</i>	<i>Cumulative changes in fair value RO' 000</i>	<i>Foreign currency translation reserve RO' 000</i>	<i>Retained profit RO' 000</i>	<i>Total RO' 000</i>
<b>Balance at 1 January 2016</b>	<b>229,183</b>	<b>464,951</b>	<b>169,808</b>	<b>76,394</b>	<b>5,305</b>	<b>138,600</b>	<b>(718)</b>	<b>19,264</b>	<b>(1,820)</b>	<b>295,992</b>	<b>1,396,959</b>
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	-	<b>43,747</b>	<b>43,747</b>
<b>Share of other comprehensive income of an associate</b>	-	-	-	-	-	-	-	<b>149</b>	<b>1</b>	-	<b>150</b>
<b>Other comprehensive (expense) income</b>	-	-	-	-	-	-	<b>(945)</b>	<b>303</b>	<b>151</b>	-	<b>(491)</b>
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>(945)</b>	<b>452</b>	<b>152</b>	<b>43,747</b>	<b>43,406</b>
<b>Dividends paid</b>	-	-	-	-	-	-	-	-	-	<b>(57,295)</b>	<b>(57,295)</b>
<b>Issue of bonus shares</b>	<b>11,458</b>	-	-	-	-	-	-	-	-	<b>(11,458)</b>	-
<b>Conversion of mandatory convertible bonds</b>	<b>8,984</b>	<b>21,291</b>	-	-	-	-	-	-	-	-	<b>30,275</b>
<b>Balance at 31 March 2016 (unaudited)</b>	<b>249,625</b>	<b>486,242</b>	<b>169,808</b>	<b>76,394</b>	<b>5,305</b>	<b>138,600</b>	<b>(1,663)</b>	<b>19,716</b>	<b>(1,668)</b>	<b>270,986</b>	<b>1,413,345</b>

	<i>Share capital RO' 000</i>	<i>Share premium RO' 000</i>	<i>General reserve RO' 000</i>	<i>Legal reserve RO' 000</i>	<i>Revaluation reserve RO' 000</i>	<i>Subordinated loan reserve RO' 000</i>	<i>Cash flow hedge reserve RO' 000</i>	<i>Cumulative changes in fair value RO' 000</i>	<i>Foreign currency translation reserve RO' 000</i>	<i>Retained profit RO' 000</i>	<i>Total RO' 000</i>
<b>Balance at 1 January 2015</b>	<b>218,269</b>	<b>464,951</b>	<b>169,808</b>	<b>72,756</b>	<b>5,145</b>	<b>118,600</b>	<b>(576)</b>	<b>21,639</b>	<b>(925)</b>	<b>242,400</b>	<b>1,312,067</b>
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	-	<b>43,299</b>	<b>43,299</b>
<b>Share of other comprehensive expense of an associate</b>	-	-	-	-	-	-	-	<b>(158)</b>	<b>(60)</b>	-	<b>(218)</b>
<b>Other comprehensive expense</b>	-	-	-	-	-	-	<b>(953)</b>	<b>(1,834)</b>	<b>(592)</b>	-	<b>(3,379)</b>
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>(953)</b>	<b>(1,992)</b>	<b>(652)</b>	<b>43,299</b>	<b>39,702</b>
<b>Dividends paid</b>	-	-	-	-	-	-	-	-	-	<b>(54,567)</b>	<b>(54,567)</b>
<b>Issue of mandatory convertible bonds</b>	-	-	-	-	-	-	-	-	-	<b>(32,416)</b>	<b>(32,416)</b>
<b>Issue expenses of mandatory convertible bonds</b>	-	-	-	-	-	-	-	-	-	<b>(324)</b>	<b>(324)</b>
<b>Issue of bonus shares</b>	<b>10,914</b>	-	-	-	-	-	-	-	-	<b>(10,914)</b>	-
<b>Balance at 31 March 2015 (unaudited)</b>	<b>229,183</b>	<b>464,951</b>	<b>169,808</b>	<b>72,756</b>	<b>5,145</b>	<b>118,600</b>	<b>(1,529)</b>	<b>19,647</b>	<b>(1,577)</b>	<b>187,478</b>	<b>1,264,462</b>

Appropriations to legal reserve and sub-ordinated loan reserve are made on an annual basis.

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

		<b>Unaudited 31 March 2016 RO' 000</b>	<b>Unaudited 31 March 2015 RO' 000</b>
	<b>Notes</b>		
Interest income	9	86,136	80,393
Interest expense	10	(23,969)	(23,347)
<b>Net interest income</b>		<b>62,167</b>	<b>57,046</b>
Income from Islamic financing / investment	9	8,285	5,844
Distribution to depositors	10	(2,415)	(1,331)
Net income from Islamic financing		5,870	4,513
<b>Net interest income and income from Islamic financing</b>		<b>68,037</b>	<b>61,559</b>
Commission and fee income (net)	11	23,512	23,299
Other operating income	12	16,478	12,889
<b>OPERATING INCOME</b>		<b>108,027</b>	<b>97,747</b>
<b>OPERATING EXPENSES</b>			
Other operating expenses		(40,243)	(39,133)
Depreciation		(3,199)	(2,814)
		<b>(43,442)</b>	<b>(41,947)</b>
Impairment for due from banks		(150)	(150)
Impairment for credit losses	3	(16,949)	(12,837)
Recoveries from provision for credit losses	3	5,396	7,215
Impairment for investments available-for-sale		(3,207)	(520)
Share of results from an associate	5	(218)	477
		<b>(58,570)</b>	<b>(47,762)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>49,457</b>	<b>49,985</b>
Tax expense		(5,710)	(6,686)
<b>PROFIT FOR THE PERIOD</b>		<b>43,747</b>	<b>43,299</b>
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME</b>			
<i>Net other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods, net of tax</i>			
Translation of net investments in foreign operations		151	(592)
Share of other comprehensive income (expense) of an associate		150	(218)
Change in fair value of investments available-for-sale		303	(1,834)
Change in fair value of cash flow hedge		(945)	(953)
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD</b>		<b>(341)</b>	<b>(3,597)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>43,406</b>	<b>39,702</b>
<b>Total comprehensive income for the period attributable to</b>			
Equity holders of Parent Company		<b>43,406</b>	<b>39,702</b>
<b>Profit attributable to</b>			
Equity holders of Parent Company		<b>43,747</b>	<b>43,299</b>
<b>Earnings per share (in RO)</b>			
- Basic	13	<b>0.018</b>	0.018
- Diluted	13	<b>0.017</b>	0.017

Items in other comprehensive income are disclosed net of tax.

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements

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## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016**

### **1. LEGAL STATUS AND PRINCIPAL ACTIVITIES**

bank muscat SAOG (the Bank or the Parent Company) is a joint stock company incorporated in the Sultanate of Oman and is engaged in commercial and investment banking activities through a network of 155 branches (31 December 2015 : 154 branches, 31 March 2015 : 151 branches) within the Sultanate of Oman and one branch each in Riyadh, Kingdom of Saudi Arabia and Kuwait. The Bank has representative offices in Dubai, United Arab Emirates and Singapore. The Bank has a subsidiary in Riyadh, Kingdom of Saudi Arabia. The Bank operates in Oman under a banking license issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank has its primary listing on the Muscat Securities Market.

The Bank employed 3,697 employees as of 31 March 2016 (31 December 2015: 3,712 employees, 31 March 2015: 3,608 employees).

During 2013, the Parent Company inaugurated "Meethaq Islamic banking window" ("Meethaq") in the Sultanate of Oman to carry out banking and other financial activities in accordance with Islamic Shari'a rules and regulations. Meethaq operates under an Islamic banking license granted by the CBO on 13 January 2013. Meethaq's Shari'a Supervisory Board is entrusted to ensure Meethaq's adherence to Shari'a rules and principles in its transactions and activities. The principal activities of Meethaq include: accepting customer deposits; providing Shari'a compliant financing based on various Shari'a compliant modes; undertaking Shari'a compliant investment activities permitted under the CBO's Regulated Islamic Banking Services as defined in the licensing framework. As of 31 March 2016, Meethaq has 16 branches (2015 - 16 branches) in the Sultanate of Oman.

### **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited interim condensed consolidated financial statements for the three month period ended 31 March 2016 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the Capital Market Authority (CMA).

For the period ended 31 March 2016, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2016. The adoption of new and revised standards and interpretations has not resulted in any major changes to the Group's accounting policies and has not affected the amounts reported for the current and prior periods.

The unaudited interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three month period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year 2016.

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## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016**

### **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

The unaudited interim condensed financial statements have been prepared on the historical cost basis, modified to include the revaluation of freehold land and buildings and the measurement at fair value of derivative financial instruments, available-for-sale investment securities and investment recorded at fair value through profit or loss. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The Islamic window operation of the Parent Company; "Meethaq" uses Financial Accounting Standards ("FAS"), issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), for preparation and reporting of its financial information. Meethaq's financial information is included in the results of the Bank, after adjusting financial reporting differences, if any, between AAOIFI and IFRS.

The functional currency of the Bank is the Rial Omani (RO). These unaudited interim condensed consolidated financial statements of the Bank are prepared in Rial Omani, rounded to the nearest thousands, except as indicated.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

**3. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES**

**Conventional banking**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
Corporate loans	3,763,138	3,578,502	3,538,509
Overdrafts and credit cards	268,466	275,592	256,093
Loans against trust receipts / Other advances	547,776	560,725	482,081
Bills purchased and discounted	27,048	24,438	57,707
Personal and housing loans	2,610,743	2,542,866	2,396,208
	<b>7,217,171</b>	<b>6,982,123</b>	<b>6,730,598</b>
Provision for impairment	(299,698)	(286,637)	(258,620)
	<b>6,917,473</b>	<b>6,695,486</b>	<b>6,471,978</b>

**Islamic financing receivables**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
Housing finance	342,738	328,545	288,061
Corporate finance	289,946	272,510	117,305
Consumer finance	44,029	44,744	34,394
	<b>676,713</b>	<b>645,799</b>	<b>439,760</b>
Provision for impairment	(11,844)	(11,070)	(8,055)
	<b>664,869</b>	<b>634,729</b>	<b>431,705</b>

**Movement in provision for impairment is analysed below:**

**Impairment for credit losses**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
<b>1 January</b>	<b>274,782</b>	237,750	237,750
Provided during the period / year	16,949	71,984	12,837
Released during the period / year	(4,910)	(34,888)	(6,759)
Written off during the period / year	(728)	(1,446)	(179)
Transfer from memorandum portfolio	250	1,575	404
Foreign currency translation difference	1	(120)	(89)
Transfer to collateral pending sale	-	(73)	-
<b>At 31 March / December (a)</b>	<b>286,344</b>	<b>274,782</b>	<b>243,964</b>

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**3. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES (continued)**

**Contractual interest / profit not recognised**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
<b>1 January</b>	<b>22,925</b>	21,144	21,144
Contractual interest not recognised	<b>3,331</b>	11,690	3,132
Contractual interest recovered	<b>(792)</b>	(9,488)	(1,548)
Written off during the period	<b>(297)</b>	(514)	(38)
Transfer from Memorandum portfolio	<b>31</b>	93	21
<b>At 31 March / December (b)</b>	<b>25,198</b>	22,925	22,711
<b>Total impairment (a) + (b)</b>	<b>311,542</b>	297,707	266,675

Total impairment above includes impairment for off-balance sheet exposure as well. Interest / Profit is reserved on loans and advances / Islamic financing receivables which are impaired.

Recoveries during the period of RO 5,396 thousands (31 March 2015: RO 7,215 thousands) include RO 486 thousands (31 March 2015: RO 456 thousands) recovered from loans written off earlier.

At 31 March 2016, loans and advances / Islamic financing on which contractual interest is not accrued or has not been recognised were RO 220.2 million (31 December 2015: 209.5 million, 31 March 2015 : RO 214.5 million).

**The maturity profile of loans and advances / Islamic financing receivables was as follows**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
On demand or within 3 months	<b>1,942,528</b>	1,860,781	1,626,688
Four months to 12 months	<b>667,944</b>	657,730	879,172
1 to 5 years	<b>1,682,861</b>	1,579,434	1,385,138
More than 5 years	<b>3,289,009</b>	3,232,270	3,012,685
	<b>7,582,342</b>	7,330,215	6,903,683

**4. NON TRADING INVESTMENTS**

**4.a. Fair value through profit or loss**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
<b>Quoted debt</b>			
Local bonds	<b>50,250</b>	50,250	-
Foreign bonds	<b>1,002</b>	977	978
	<b>51,252</b>	51,227	978

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**4. NON TRADING INVESTMENTS (continued)**

**4.b. Available for sale**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
<b>Quoted equity</b>			
Foreign securities	39,434	39,086	25,985
Other services sector	22,108	26,066	32,001
Unit funds	10,063	7,981	9,416
Financial services sector	5,993	5,860	5,958
Industrial sector	1,392	1,379	935
<b>Quoted debt</b>			
Government bonds	282,818	283,196	214,402
Foreign bonds	31,716	29,546	29,265
Local bonds	329	328	-
<b>Total quoted investments</b>	<b>393,853</b>	<b>393,442</b>	<b>317,962</b>
<b>Unquoted equity</b>			
Foreign securities	13,168	14,862	15,181
Local securities	21,388	21,223	8,651
Unit funds	794	778	50
<b>Unquoted debt</b>			
Local bonds	25,279	25,538	31,423
<b>Total unquoted investments</b>	<b>60,629</b>	<b>62,401</b>	<b>55,305</b>
<b>Total available for sale investments</b>	<b>454,482</b>	<b>455,843</b>	<b>373,267</b>
<b>Impairment losses on investments</b>	<b>(13,215)</b>	<b>(10,870)</b>	<b>(7,032)</b>
	<b>441,267</b>	<b>444,973</b>	<b>366,235</b>

During the period ended 31 March 2016, the Bank recorded an impairment loss of RO 3,207 thousands and disposed investments on which impairment loss of RO 862 thousand was earlier recorded.

**4.c. Held to maturity**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
<b>Quoted local bonds</b>	<b>77,962</b>	<b>53,590</b>	<b>24,623</b>
<b>Unquoted investments</b>			
Treasury bills	883,331	967,648	194,449
Bonds / equities	1,269	946	5,949
	<b>884,600</b>	<b>968,594</b>	<b>200,398</b>
	<b>962,562</b>	<b>1,022,184</b>	<b>225,021</b>

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**5. INVESTMENT IN AN ASSOCIATE**

The carrying value of Bank's investment in Al Salam Bank is as set out below:

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
At 1 January	47,746	47,449	47,449
Share of results for the period / year	(218)	2,561	477
Share of other comprehensive income	150	(617)	(217)
Dividend received	(1,610)	(1,647)	(1,612)
At 31 March / December	<u>46,068</u>	<u>47,746</u>	<u>46,097</u>

**6. CUSTOMERS' DEPOSITS**

**Conventional customers' deposits**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
Current accounts	2,101,757	2,016,337	2,262,340
Call accounts	289,810	316,973	264,934
Savings accounts	2,334,346	2,228,766	2,055,903
Time deposits	2,200,820	2,117,908	1,863,556
Other	47,745	58,331	57,473
	<u>6,974,478</u>	<u>6,738,315</u>	<u>6,504,206</u>

**Islamic customers' deposits**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
Current accounts	77,242	66,319	33,068
Savings accounts	74,275	60,955	41,556
Time deposits	437,568	407,571	230,665
Other	88,769	90,288	2,431
	<u>677,854</u>	<u>625,133</u>	<u>307,720</u>

**The maturity profile of customer's deposits was as follows:**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
On demand or within 3 months	1,610,021	1,449,659	1,381,162
Four months to 12 months	1,929,332	1,902,538	1,588,838
1 to 5 years	2,619,674	2,526,317	2,579,500
More than 5 years	1,493,305	1,484,934	1,262,426
	<u>7,652,332</u>	<u>7,363,448</u>	<u>6,811,926</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**7. SHARE CAPITAL**

During March 2016, the Bank converted a portion of its mandatory convertible bonds issued in 2013 into share capital. The conversion amounting to RO 30.275 million was credited to the share capital and share premium amounting to RO 8.984 million and RO 21.291 million, respectively.

In the Bank's annual general meeting held on 16 March 2016 the shareholders approved a dividend of 30%, 25% in the form of cash and 5% in the form of bonus shares. Thus shareholders received cash dividend of RO 0.025 per ordinary share of RO 0.100 each aggregating to RO 57.296 million on Bank's existing share capital. In addition, they received bonus shares in the proportion of one share for every 20 ordinary shares aggregating to 114,591,130 shares of RO 0.100 each amounting to RO 11.46 million.

Shareholders of the Bank who hold 10% or more of the bank's shares are given below:

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
<b>Number of shares held</b>			
Royal Court Affairs	<b>589,844,518</b>	540,469,925	514,733,262
Dubai Financial Group LLC	<b>308,669,563</b>	282,671,899	269,211,333
<b>% of shareholding</b>			
Royal Court Affairs	<b>23.63%</b>	23.58%	23.58%
Dubai Financial Group LLC	<b>12.37%</b>	12.33%	12.33%

**8. CONTINGENT LIABILITIES**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
Letters of credit	<b>724,563</b>	818,735	428,652
Guarantees	<b>2,279,327</b>	2,367,677	2,107,255
	<b>3,003,890</b>	3,186,412	2,535,907

**9. INTEREST INCOME / INCOME ON ISLAMIC FINANCING / INVESTMENT**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
Loans and advances	<b>79,304</b>	75,118
Due from banks	<b>3,454</b>	2,626
Investments	<b>3,378</b>	2,649
	<b>86,136</b>	80,393
Islamic financing receivable	<b>7,717</b>	5,733
Islamic due from banks	<b>53</b>	21
Islamic investment	<b>515</b>	90
	<b>8,285</b>	5,844
	<b>94,421</b>	86,237



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**10. INTEREST EXPENSE / DISTRIBUTION ON ISLAMIC DEPOSITS**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
Customer's deposits	16,780	15,617
Subordinated liabilities/manadatory convertible bonds	4,823	4,589
Certificates of deposits	-	395
Bank borrowings	1,271	1,352
Euro medium term notes	1,095	1,394
	<b>23,969</b>	23,347
Islamic customers deposits	2,234	1,183
Islamic bank borrowings	181	148
	<b>2,415</b>	1,331
	<b>26,384</b>	24,678

**11. COMMISSION AND FEES INCOME (NET)**

The commission and fees shown in the interim condensed consolidated statement of comprehensive income is net off commission and fees paid of RO 259 K (31 March 2015 : RO 163 K).

**12. OTHER OPERATING INCOME**

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
Foreign exchange	11,720	7,992
Profit on sale of investment securities	1,158	1,374
Dividend income	1,748	1,857
Other income	1,852	1,666
	<b>16,478</b>	12,889

**13. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing profit for the period by weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders (after adjusting for interest on the convertible bonds, net of tax) for the period by the weighted average number of ordinary shares including dilutive potential ordinary shares issued on the conversion of convertible bonds.

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
<b>a) Basic earnings per share</b>		
Profit attributable to ordinary shareholders of parent company for basic earnings per share (RO 000's)	43,747	43,299
Weighted average number of shares outstanding during the period (RO in 000's)	2,417,273	2,406,414
Basic earnings per share (RO)	0.018	0.018
<b>b) Diluted earnings per share</b>		
Profit attributable to ordinary shareholders of parent company for diluted earnings per share (RO 000's)	43,747	43,299
Interest on convertible bonds, net of taxation (RO 000's)	827	638
	44,574	43,937
Weighted average number of shares in issue during the period (000's)	2,627,942	2,632,214
Diluted earnings per share (RO)	0.017	0.017

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

### 14. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group conducts transactions with certain of its directors, shareholders, senior management and companies in which they have a significant interest. The terms of these transactions are approved by the Bank's Board and Management. The balances in respect of related parties included in the interim condensed consolidated statement of financial position as at the reporting date are as follows:

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
<b>a) Directors and senior management</b>			
Loans and advances (gross)	3,924	3,202	3,072
Provision and reserve interest	-	-	-
Loans and advances (net)	3,924	3,202	3,072
Current, deposit and other accounts	800	937	213
Customers' liabilities under documentary credits, guarantees and other commitments	2	-	-
<b>b) Major shareholders and others</b>			
Loans and advances (gross)	33,053	39,578	34,777
Provision and reserve interest	(8,483)	(8,452)	(8,337)
Loans and advances (net)	24,570	31,126	26,440
Current, deposit and other accounts	57,125	44,353	70,068
Customers' liabilities under documentary credits, guarantees and other commitments	12,809	13,983	19,997

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

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
<b>a) Directors and senior management</b>		
Interest income	52	51
Interest expenditure	6	2
<b>b) Major shareholders and others</b>		
Interest income	379	472
Interest expenditure	72	149

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**15. DERIVATIVES**

At 31 March 2016	Positive	Negative	Notional	Notional amounts by term to maturity		
	fair value RO' 000	fair value RO' 000	total RO' 000	0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
Fair value hedge	805	298	527,454	-	-	527,454
Cash flow hedge	-	1,890	65,540	-	-	65,540
Interest rate swaps	14,283	14,270	354,957	38,574	11,025	305,358
Cross currency swap	-	4,331	412,598	190,098	145,500	77,000
Currency options - bought	179	-	43,535	28,630	14,905	-
Currency options - sold	-	179	43,535	28,643	14,892	-
Commodities purchase contracts	2,349	1,765	84,282	41,736	41,892	654
Commodities sale contracts	1,841	2,353	58,630	36,010	21,966	654
Forward purchase contracts	3,021	1,906	974,410	758,822	199,059	16,529
Forward sales contracts	5,407	2,652	995,222	763,722	215,303	16,197
	27,885	29,644	3,560,163	1,886,235	664,542	1,009,386

At 31 December 2015	Positive	Negative	Notional	Notional amounts by term to maturity		
	fair value RO' 000	fair value RO' 000	total RO' 000	0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
Fair value hedge	-	2,440	527,454	-	-	527,454
Cash flow hedge	-	816	65,540	-	-	65,540
Interest rate swaps	12,715	12,718	380,035	-	51,695	328,340
Cross currency swap	-	8,873	412,597	-	297,101	115,496
Currency options - bought	350	-	44,401	26,938	17,463	-
Currency options - sold	-	350	44,231	26,754	17,477	-
Commodities purchase contracts	1,778	3,382	70,677	47,161	20,359	3,157
Commodities sale contracts	3,400	1,713	57,855	43,166	11,676	3,013
Forward purchase contracts	286	3,743	1,004,692	519,352	455,717	29,623
Forward sales contracts	6,681	451	988,908	514,330	445,472	29,106
	25,210	34,486	3,596,390	1,177,701	1,316,960	1,101,729

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**16. SEGMENTAL INFORMATION**

Management has determined the operating segments based on the reports reviewed by the executive committee that are used to make strategic decisions. The committee considers the business from both a geographic and product perspective. Geographically, management considers the performance of whole bank in Oman and International markets. The Oman market is further segregated into corporate, consumer and wholesale, as all of these business lines are located in Oman. Segment information in respect of geographical locations is as follows:

<i>Unaudited 31 March 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>		<i>Unaudited 31 March 2016 RO' 000</i>	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Unaudited 31 March 2016 RO' 000</i>
<i>Total</i>	<i>International</i>	<i>Oman</i>		<i>Oman</i>	<i>International</i>	<i>Total</i>
80,393	3,384	77,009	Interest income	81,432	4,704	86,136
(23,347)	(1,068)	(22,279)	Interest expense	(21,657)	(2,312)	(23,969)
5,844	-	5,844	Income from Islamic financing	8,285	-	8,285
(1,331)	-	(1,331)	Distribution to depositors	(2,415)	-	(2,415)
23,299	1,711	21,588	Commission and fee income (net)	22,172	1,340	23,512
12,889	766	12,123	Other operating income	16,126	352	16,478
97,747	4,793	92,954		103,943	4,084	108,027
<b>Segment costs</b>						
(39,133)	(2,367)	(36,766)	Other operating expenses	(38,179)	(2,064)	(40,243)
(2,814)	(87)	(2,727)	Depreciation	(3,126)	(73)	(3,199)
(41,947)	(2,454)	(39,493)		(41,305)	(2,137)	(43,442)
(150)	-	(150)	Impairment for due from banks	(150)	-	(150)
(12,837)	(7,896)	(4,941)	Impairment for credit losses	(15,628)	(1,321)	(16,949)
			Recoveries from provision for credit losses	5,213	183	5,396
			Impairment for investments available-for-sale	(3,207)	-	(3,207)
477	477	-	Share of results from an associate	-	(218)	(218)
(6,686)	(31)	(6,655)	Tax expense	(5,595)	(115)	(5,710)
(54,448)	(9,804)	(44,644)		(60,672)	(3,608)	(64,280)
43,299	(5,011)	48,310	<b>Segment profit (loss) for the year</b>	43,271	476	43,747
<b>Other information</b>						
10,718,602	645,688	10,072,914	Segment assets	12,157,448	713,915	12,871,363

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**16. SEGMENTAL INFORMATION (continued)**

The Group reports the segment information by the following business segments Corporate, Consumer, Wholesale, International and Islamic banking. The following table shows the distribution of the Group's operating income, net profit and total assets by business segments:

<b>31 March 2016 (unaudited)</b>	<b>Corporate banking RO '000</b>	<b>Consumer banking RO '000</b>	<b>Wholesale banking RO '000</b>	<b>International banking* RO '000</b>	<b>Subtotal RO '000</b>	<b>Islamic banking RO '000</b>	<b>Total RO '000</b>
<b>Segment revenue</b>							
Net interest income	23,626	31,181	4,936	2,424	62,167	-	62,167
Net income from Islamic financing	-	-	-	-	-	5,870	5,870
Commission, fees and other income	5,346	16,794	15,481	1,740	39,361	629	39,990
Operating income	28,972	47,975	20,417	4,164	101,528	6,499	108,027
<b>Segment costs</b>							
Operating expenses	(6,619)	(27,432)	(3,835)	(2,629)	(40,515)	(2,927)	(43,442)
Impairment (net)	(6,802)	(2,702)	(3,507)	(1,149)	(14,160)	(750)	(14,910)
Share of results of an associate	-	-	-	(218)	(218)	-	(218)
Tax expense	(1,772)	(2,033)	(1,512)	(43)	(5,360)	(350)	(5,710)
	(15,193)	(32,167)	(8,854)	(4,039)	(60,253)	(4,027)	(64,280)
Segment profit for the year	13,779	15,808	11,563	125	41,275	2,472	43,747
Segment assets	3,951,315	2,769,186	4,592,595	715,187	12,028,283	843,080	12,871,363

<b>31 March 2015 (unaudited)</b>	<b>Corporate banking RO '000</b>	<b>Consumer banking RO '000</b>	<b>Wholesale banking RO '000</b>	<b>International banking* RO '000</b>	<b>Subtotal RO '000</b>	<b>Islamic banking RO '000</b>	<b>Total RO '000</b>
<b>Segment revenue</b>							
Net interest income	20,716	25,774	8,220	2,336	57,046	-	57,046
Net income from Islamic financing	-	-	-	-	-	4,513	4,513
Commission, fees and other income	5,079	15,632	12,564	2,602	35,877	311	36,188
Operating income	25,795	41,406	20,784	4,938	92,923	4,824	97,747
<b>Segment costs</b>							
Operating expenses	(6,603)	(26,479)	(3,664)	(3,061)	(39,807)	(2,140)	(41,947)
Impairment (net)	(2,464)	(1,143)	(820)	(1,445)	(5,872)	(420)	(6,292)
Share of results of an associate	-	-	-	477	477	-	477
Tax expense	(2,433)	(2,005)	(1,913)	(31)	(6,382)	(304)	(6,686)
	(11,500)	(29,627)	(6,397)	(4,060)	(51,584)	(2,864)	(54,448)
Segment profit for the year	14,295	11,779	14,387	878	41,339	1,960	43,299
Segment assets	3,921,754	2,511,891	3,132,603	649,566	10,215,814	502,788	10,718,602

Note: \* International banking includes overseas operations and cost allocations from Oman operations

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**17. ASSET LIABILITY MATURITY**

The asset and liability maturity profile was as follows

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
<b>ASSETS</b>			
On demand or within 3 months	6,566,197	5,558,316	4,392,565
Four months to 12 months	1,056,320	1,639,173	1,414,002
1 to 5 years	1,771,319	1,872,759	1,706,378
More than 5 years	3,477,527	3,474,281	3,205,657
	<b>12,871,363</b>	<b>12,544,529</b>	<b>10,718,602</b>
<b>LIABILITIES AND EQUITY</b>			
On demand or within 3 months	4,499,559	4,285,435	3,077,198
Four months to 12 months	2,472,067	2,197,290	1,789,864
1 to 5 years	2,927,172	3,113,664	3,261,190
More than 5 years	2,972,565	2,948,140	2,590,350
	<b>12,871,363</b>	<b>12,544,529</b>	<b>10,718,602</b>
<b>MISMATCH</b>			
On demand or within 3 months	2,066,638	1,272,881	1,315,367
Four months to 12 months	(1,415,747)	(558,117)	(375,862)
1 to 5 years	(1,155,853)	(1,240,905)	(1,554,812)
More than 5 years	504,962	526,141	615,307
	<b>-</b>	<b>-</b>	<b>-</b>

Mismatch represents difference between assets and liabilities for each maturity band.

**18. CAPITAL ADEQUACY**

The following table sets out the capital adequacy position of the Group as per Basel III regulatory requirements

	<i>Unaudited 31 March 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 31 March 2015 RO' 000</i>
Total risk weighted assets	9,430,798	9,447,263	8,923,068
Of which: Credit risk weighted assets	8,515,987	8,347,170	7,918,438
Of which: Market risk weighted assets	228,070	413,352	369,612
Of which: Operational risk weighted assets	686,741	686,741	635,018
<b>Capital ratios :</b>			
Common Equity Tier 1	13.80%	13.46%	13.34%
Tier 1	13.80%	13.46%	13.34%
Total capital	16.13%	16.10%	16.30%

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**19. FAIR VALUE INFORMATION**

The fair values of all on and off-balance sheet financial instruments at reporting dates are considered by the Board and Management not to be materially different to their book values and the related details are set out below:

<b>As of 31 March 2016</b>	<b>Loans and receivables RO' 000</b>	<b>Available- for-sale RO' 000</b>	<b>Held-to- maturity RO' 000</b>	<b>Fair value through profit or loss RO' 000</b>	<b>Other amortised cost RO' 000</b>	<b>Total carrying value RO' 000</b>	<b>Fair value RO' 000</b>
<b>Cash and balances with Central Banks</b>	<b>2,546,979</b>	-	-	-	-	<b>2,546,979</b>	<b>2,546,979</b>
<b>Due from banks</b>	<b>987,725</b>	-	-	-	-	<b>987,725</b>	<b>987,725</b>
<b>Loans and advances</b>	<b>6,917,473</b>	-	-	-	-	<b>6,917,473</b>	<b>6,917,473</b>
<b>Islamic financing receivables</b>	<b>664,869</b>	-	-	-	-	<b>664,869</b>	<b>664,869</b>
<b>Investment securities</b>	-	<b>441,267</b>	<b>962,562</b>	<b>51,252</b>	-	<b>1,455,081</b>	<b>1,450,964</b>
	<b>11,117,046</b>	<b>441,267</b>	<b>962,562</b>	<b>51,252</b>	-	<b>12,572,127</b>	<b>12,568,010</b>
<b>Deposits from banks</b>	-	-	-	-	<b>2,955,097</b>	<b>2,955,097</b>	<b>2,955,097</b>
<b>Customers' deposits</b>	-	-	-	-	<b>6,974,478</b>	<b>6,974,478</b>	<b>6,974,478</b>
<b>Islamic customers' deposits</b>	-	-	-	-	<b>677,854</b>	<b>677,854</b>	<b>677,854</b>
<b>Euro medium term notes</b>	-	-	-	-	<b>192,202</b>	<b>192,202</b>	<b>192,202</b>
<b>Subordinated liabilities/ mandatory convertible bonds</b>	-	-	-	-	<b>304,830</b>	<b>304,830</b>	<b>303,196</b>
	-	-	-	-	<b>11,104,461</b>	<b>11,104,461</b>	<b>11,102,827</b>

<b>As of 31 December 2015</b>	<b>Loans and receivables RO' 000</b>	<b>Available- for-sale RO' 000</b>	<b>Held-to- maturity RO' 000</b>	<b>Fair value through profit or loss RO' 000</b>	<b>Other amortised cost RO' 000</b>	<b>Total carrying value RO' 000</b>	<b>Fair value RO' 000</b>
<b>Cash and balances with Central Banks</b>	<b>2,412,052</b>	-	-	-	-	<b>2,412,052</b>	<b>2,412,052</b>
<b>Due from banks</b>	<b>991,491</b>	-	-	-	-	<b>991,491</b>	<b>991,491</b>
<b>Loans and advances</b>	<b>6,695,486</b>	-	-	-	-	<b>6,695,486</b>	<b>6,695,486</b>
<b>Islamic financing receivables</b>	<b>634,729</b>	-	-	-	-	<b>634,729</b>	<b>634,729</b>
<b>Investment securities</b>	-	<b>444,973</b>	<b>1,022,184</b>	<b>51,227</b>	-	<b>1,518,384</b>	<b>1,514,142</b>
	<b>10,733,758</b>	<b>444,973</b>	<b>1,022,184</b>	<b>51,227</b>	-	<b>12,252,142</b>	<b>12,247,900</b>
<b>Deposits from banks</b>	-	-	-	-	<b>2,859,563</b>	<b>2,859,563</b>	<b>2,859,563</b>
<b>Customers' deposits</b>	-	-	-	-	<b>6,738,315</b>	<b>6,738,315</b>	<b>6,738,315</b>
<b>Islamic customers' deposits</b>	-	-	-	-	<b>625,133</b>	<b>625,133</b>	<b>625,133</b>
<b>Euro medium term notes</b>	-	-	-	-	<b>191,185</b>	<b>191,185</b>	<b>191,185</b>
<b>Subordinated liabilities/ mandatory convertible bonds</b>	-	-	-	-	<b>335,105</b>	<b>335,105</b>	<b>336,512</b>
	-	-	-	-	<b>10,749,301</b>	<b>10,749,301</b>	<b>10,750,708</b>

**19. FAIR VALUE INFORMATION (continued)**

As of 31 March 2015	Loans and receivables <i>RO' 000</i>	Available- for-sale <i>RO' 000</i>	Held-to- maturity <i>RO' 000</i>	Fair value through profit or loss <i>RO' 000</i>	Other amortised cost <i>RO' 000</i>	Total carrying value <i>RO' 000</i>	Fair Value <i>RO' 000</i>
Cash and balances with Central Banks	2,183,358	-	-	-	-	2,183,358	2,183,358
Due from banks	728,147	-	-	-	-	728,147	728,147
Loans and advances	6,471,978	-	-	-	-	6,471,978	6,471,978
Islamic financing receivables	431,705	-	-	-	-	431,705	431,705
Investment securities	-	366,235	225,021	978	-	592,234	592,048
	<u>9,815,188</u>	<u>366,235</u>	<u>225,021</u>	<u>978</u>	<u>-</u>	<u>10,407,422</u>	<u>10,407,236</u>
Deposits from banks	-	-	-	-	1,722,215	1,722,215	1,722,215
Customers' deposits / Certificates of deposit	-	-	-	-	6,519,206	6,519,206	6,519,206
Islamic customer deposits	-	-	-	-	307,720	307,720	307,720
Euro medium term notes	-	-	-	-	191,278	191,278	191,278
Subordinated liabilities/ mandatory convertible bonds	-	-	-	-	335,105	335,105	339,748
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,075,524</u>	<u>9,075,524</u>	<u>9,080,167</u>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

### 19. FAIR VALUE INFORMATION (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at the reporting dates:

<i>As of 31 March 2016</i>	<i>Level 1 RO'000</i>	<i>Level 2 RO'000</i>	<i>Level 3 RO'000</i>	<i>Total RO'000</i>
<b>Assets</b>				
Derivatives	-	27,885	-	27,885
Fair value through profit or loss	51,252	-	-	51,252
<b>Available-for-sale financial assets</b>				
- Equity securities	65,775	-	35,350	101,125
- Debt investments	314,863	-	25,279	340,142
<b>Total Assets</b>	<b>431,890</b>	<b>27,885</b>	<b>60,629</b>	<b>520,404</b>
<b>Liabilities</b>				
Derivatives	-	29,644	-	29,644
<i>As of 31 December 2015</i>	<i>Level 1 RO'000</i>	<i>Level 2 RO'000</i>	<i>Level 3 RO'000</i>	<i>Total RO'000</i>
<b>Assets</b>				
Derivatives	-	25,210	-	25,210
Fair value through profit or loss	51,227	-	-	51,227
<b>Available-for-sale financial assets</b>				
- Equity securities	69,502	-	36,863	106,365
- Debt investments	313,070	-	25,538	338,608
<b>Total Assets</b>	<b>433,799</b>	<b>25,210</b>	<b>62,401</b>	<b>521,410</b>
<b>Liabilities</b>				
Derivatives	-	34,486	-	34,486

The following table demonstrate the movement of the Group's level 3 investments:

<i>As of 31 March 2016</i>	<i>Equity RO'000</i>	<i>Debt RO'000</i>	<i>Total RO'000</i>
At 1 January 2016	36,863	25,538	62,401
Realised gain on sale	364	-	364
Gain from change in fair value	(516)	-	(516)
Additions	289	-	289
Disposals and redemption	(1,649)	(259)	(1,908)
Exchange differences	(1)	-	(1)
	<b>35,350</b>	<b>25,279</b>	<b>60,629</b>
<i>As of 31 December 2015</i>	<i>Equity RO'000</i>	<i>Debt RO'000</i>	<i>Total RO'000</i>
At 1 January 2015	23,912	36,004	59,916
Realised gain on sale	1,191	-	1,191
Gain from change in fair value	3,773	-	3,773
Additions	11,136	15,199	26,335
Disposals and redemption	(3,122)	(25,665)	(28,787)
Exchange differences	(27)	-	(27)
	<b>36,863</b>	<b>25,538</b>	<b>62,401</b>

At 31 March 2016, 62% (31 Dec 15: 59%) of level 3 equity securities were valued on basis of latest available audited financials and 38% (31 Dec 15: 41%) were valued on basis of latest available capital account statements of investee companies received from independent fund managers. Debt investments were carried at cost. The Group holds adequate provisioning on the above investments.

### 20. Comparative figures

No material corresponding figures for 2015 included for comparative purposes were reclassified