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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**

		<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
	<i>Notes</i>			
ASSETS				
Cash and balances with Central Banks		643,491	2,412,052	2,967,820
Due from banks		891,611	991,491	897,646
Loans and advances	3	7,032,420	6,695,486	6,565,930
Islamic financing receivables	3	782,067	634,729	482,401
Other assets		188,578	168,020	213,876
Investments securities:				
- Fair value through profit or loss	4a	51,018	51,227	1,014
- Available for sale	4b	437,387	444,973	365,678
- Held to maturity	4c	724,500	1,022,184	854,788
Investment in an associate	5	47,343	47,746	47,467
Property and equipment		72,405	76,621	67,926
		10,870,820	12,544,529	12,464,546
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from banks		793,835	2,859,563	2,800,224
Customers' deposits	6	6,830,883	6,738,315	6,777,843
Islamic customers' deposits	6	745,953	625,133	548,580
Euro medium term notes		384,093	191,185	192,596
Mandatory convertible bonds		64,380	94,655	94,655
Other liabilities		354,816	369,699	426,551
Taxation		24,792	28,570	27,544
Subordinated liabilities		165,450	240,450	240,450
		9,364,202	11,147,570	11,108,443
EQUITY				
Equity attributable to equity holders of parent:				
Share capital	7	249,625	229,183	229,182
Share premium	7	486,242	464,951	464,951
General reserve		169,808	169,808	169,808
Legal reserve		76,394	76,394	72,756
Revaluation reserve		5,305	5,305	5,305
Subordinated loan reserve		138,600	138,600	118,600
Cash flow hedge reserve		(1,219)	(718)	(1,872)
Cumulative changes in fair value		19,360	19,264	18,767
Foreign currency translation reserve		(1,643)	(1,820)	(1,808)
Retained profit		364,146	295,992	280,414
TOTAL EQUITY		1,506,618	1,396,959	1,356,103
TOTAL LIABILITIES AND EQUITY		10,870,820	12,544,529	12,464,546
Net assets per share (in RO)		0.604	0.610	0.592
Contingent liabilities and commitments	8	3,000,727	3,186,412	3,125,354

The interim condensed consolidated financial statements were approved by the Board of Directors on 27 October 2016.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	156,288	157,208
Adjustments for :		
Share of results from an associate	(1,092)	(1,846)
Depreciation	9,474	8,179
Impairment for investments	5,263	3,544
Impairment for credit losses	46,962	42,737
Impairment for due from banks	450	450
Recoveries from impairment for credit losses	(22,688)	(25,543)
Profit on sale of equipment	11	(2)
Profit on sale of investments	(3,308)	(2,739)
Dividend income	(4,329)	(2,863)
Operating profit before working capital changes	187,031	179,125
Due from banks	219,532	222,182
Loans and advances	(358,502)	(196,382)
Islamic financing receivables	(150,007)	(83,242)
Other assets	(20,401)	(8,011)
Deposits from banks	208,002	22,523
Customers' deposits	90,982	478,493
Islamic customer deposits	120,820	265,821
Certificates of deposit	-	(46,000)
Euro medium term notes	192,500	-
Other liabilities	(13,390)	49,737
Cash generated from operating activities	476,567	884,246
Income taxes paid	(23,159)	(22,274)
Net cash generated from operating activities	453,408	861,972
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends from an associate	1,611	1,612
Dividends received	4,329	2,863
Net movement in investments	(30,125)	(79,070)
Net movement in property and equipment	(5,269)	(4,242)
Net cash used in investing activities	(29,454)	(78,837)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(57,295)	(54,567)
Subordinated loan paid	(75,000)	-
Net cash used in financing activities	(132,295)	(54,567)
NET CHANGE IN CASH AND CASH EQUIVALENTS	291,659	728,568
Cash and cash equivalents at 1 January	1,371,923	1,159,732
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	1,663,582	1,888,300
Cash and cash equivalent comprises of the following:	RO' 000	RO' 000
Cash and balances with Central Banks	642,991	2,967,320
Due from banks	634,036	795,501
Treasury bills	674,526	645,150
Deposits from banks	(287,971)	(2,519,671)
	1,663,582	1,888,300
The attached notes 1 to 20 form part of these interim condensed consolidated financial statements		

Chairman's Report – Nine Months Ended Sep 2016

Dear Shareholders,

I am glad to share with you the results achieved by the bank during the nine months ending 30th September 2016. The key business lines of the bank maintained performance momentum during this period. Going forward, the bank is well positioned to continue its prudent policies and align growth, finding new opportunities in challenging market conditions.

Financial Overview

The bank posted a net profit of RO 136.91 million for the period compared to RO 136.23 million reported during the same period in 2015.

Net interest income from conventional banking stood at RO 187.95 million for the nine months of 2016 compared to RO 176 million for the same period of 2015, an increase of 6.8 per cent. Net income from Islamic financing was RO 17.78 million for the nine months of 2016 compared to RO 13.68 million for the same period of 2015, an increase of 30.0 per cent.

Non-interest income was RO 108.47 million for the nine month period ended 30 September 2016 compared to RO 112.87 million for the same period in 2015.

Operating expenses for the nine month period ended 30 September 2016 was RO 129.02 million as compared to RO 126 million for the same period in 2015, an increase of 2.4 per cent.

Impairment for credit losses for the nine month period in 2016 was RO 46.96 million as against RO 42.74 million for the same period in 2015. Recoveries from impairment for credit losses was RO 22.69 million for the nine month period of 2016 as against RO 25.54 million for the same period in 2015.

Share of income from an associate for the nine months period in 2016 was RO 1.09 million as against RO 1.85 million for the same period in 2015.

Net loans and advances increased by 7.1 per cent to RO 7,032 million as against RO 6,566 million as at 30 September 2015.

Customer deposits increased by 0.8 per cent to RO 6,831 million as against RO 6,778 million as at 30 September 2015.

Islamic financing receivables amounted to RO 782 million as of 30 September 2016 compared to RO 482 million in the same period of 2015. Islamic customer deposits amounted to RO 746 million as of 30 September 2016 compared to RO 549 million reported for the same period in 2015.

Key Developments

- The bank, as part of its commitment to innovation in banking service excellence and in line with the Omani government's ambitious eGovernment project, distributed over a million Chip and PIN debit cards to customers across the Sultanate.
- Aimed at strengthening SME initiatives, the bank enrolled 15 entrepreneurs for a new session at al Wathbah Academy in Muscat as the academy in Salalah and Sohar marked the graduation of the first batches.
- Providing a boost to the tourism sector and opening up the doors for avid travellers, the bank launched the first-of-its-kind 'Terhal' holiday finance package. The bank also, in association with the Ministry of Tourism, hosted Sheikh Majed Al Sabah, renowned social media personality, on a unique 'Discover Oman' programme to promote tourism.
- In a major boost to talent development, the bank launched the second phase of Jadara management development programme in collaboration with Duke Corporate Education to build a leadership pipeline comprising 42 employees.
- As part of efforts to enhance customer experience, the bank launched CareMore initiative offering soft skills training for employees; a new dedicated communication channel on Twitter for customer care and an employee engagement campaign.
- Promoting secure digital banking solutions, the bank highlighted the largest network of ATMs, CDMs, mobile banking, online banking and Call Centre. The bank also launched a mobile application 'BM Offers' showcasing new product promotions and developments.
- Meethaq Islamic Banking, as part of its focus to offer world-class Islamic banking experience to customers, opened state-of-the-art branches in Souq Al Seeb and Muttrah Corniche.
- Enhancing in-country value and sustainable development, Meethaq Islamic Banking hosted a Memorandum of Understanding (MoU) between Bauer Nimr and Sebacic Oman for growing castor with saline waste water from Bauer facility in Nimr.

CSR & Sustainability

The bank, in step with its commitment to innovative customer service, launched a first-of-its-kind initiative in the banking sector in Oman to train employees in sign language to serve hearing impaired customers.

Accolades

Reflecting consistency of performance and innovative strategies, which have cemented the reputation in a tough market, the bank won the 'Best Bank in Oman' award by Euromoney. For the second consecutive year and the third time overall, Bank Muscat Oryx Fund won the prestigious 2016 Thomson Reuters Lipper Fund Award for the 'Best MENA Fund' based on its last 3-year performance.

In Conclusion

On behalf of the Board of Directors, I would like to 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.

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 the 46th year of the glorious Renaissance, we express our deep gratitude and appreciation to our leader, His Majesty Sultan Qaboos Bin Said for his vision and guidance, which have helped the country along its path of success, growth and prosperity.



Khalid bin Mustahail Al Mashani

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Subordinated loan reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Retained profit RO' 000	Total RO' 000
Balance at 1 January 2016	229,183	464,951	169,808	76,394	5,305	138,600	(718)	19,264	(1,820)	295,992	1,396,959
Profit for the period	-	-	-	-	-	-	-	-	-	136,907	136,907
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	133	(17)	-	116
Other comprehensive (expense) income	-	-	-	-	-	-	(501)	(37)	194	-	(344)
Total comprehensive income	-	-	-	-	-	-	(501)	96	177	136,907	136,679
Dividends paid	-	-	-	-	-	-	-	-	-	(57,295)	(57,295)
Issue of bonus shares	11,458	-	-	-	-	-	-	-	-	(11,458)	-
Conversion of mandatory convertible bonds	8,984	21,291	-	-	-	-	-	-	-	-	30,275
Balance at 30 September 2016 (unaudited)	249,625	486,242	169,808	76,394	5,305	138,600	(1,219)	19,360	(1,643)	364,146	1,506,618

	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Subordinated loan reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Retained profit RO' 000	Total RO' 000
Balance at 1 January 2015	218,269	464,951	169,808	72,756	5,145	118,600	(576)	21,639	(925)	242,400	1,312,067
Profit for the period	-	-	-	-	-	-	-	-	-	136,234	136,234
Share of other comprehensive expense of an associate	-	-	-	-	-	-	-	(195)	(184)	-	(379)
Other comprehensive expense	-	-	-	-	160	-	(1,296)	(2,677)	(699)	-	(4,512)
Total comprehensive income	-	-	-	-	160	-	(1,296)	(2,872)	(883)	136,234	131,343
Dividends paid	-	-	-	-	-	-	-	-	-	(54,567)	(54,567)
Issue of mandatory convertible bonds	-	-	-	-	-	-	-	-	-	(32,416)	(32,416)
Issue expenses of mandatory convertible bonds	-	-	-	-	-	-	-	-	-	(324)	(324)
Issue of bonus shares	10,913	-	-	-	-	-	-	-	-	(10,913)	-
Balance at 30 September 2015 (unaudited)	229,182	464,951	169,808	72,756	5,305	118,600	(1,872)	18,767	(1,808)	280,414	1,356,103

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 NINE MONTHS ENDED 30 SEPTEMBER 2016**

		<i>Unaudited -for nine months ended- 30 September 2016 RO' 000</i>	<i>Unaudited -for nine months ended- 30 September 2015 RO' 000</i>	<i>Unaudited -for three months ended- 30 September 2016 RO' 000</i>	<i>Unaudited -for three months ended- 30 September 2015 RO' 000</i>
	<i>Notes</i>				
Interest income	9	265,070	244,538	90,873	83,221
Interest expense	10	(77,120)	(68,538)	(27,339)	(22,669)
Net interest income		187,950	176,000	63,534	60,552
Income from Islamic financing / investment	9	26,974	18,564	9,895	6,448
Distribution to depositors	10	(9,194)	(4,883)	(3,870)	(1,979)
Net income from Islamic financing		17,780	13,681	6,025	4,469
Net interest income and income from Islamic financing		205,730	189,681	69,559	65,021
Commission and fee income (net)	11	70,623	75,946	22,925	27,280
Other operating income	12	37,846	36,922	10,969	10,077
OPERATING INCOME		314,199	302,549	103,453	102,378
OPERATING EXPENSES					
Other operating expenses		(119,542)	(117,820)	(39,839)	(39,167)
Depreciation		(9,474)	(8,179)	(3,119)	(2,700)
		(129,016)	(125,999)	(42,958)	(41,867)
Impairment for due from banks		(450)	(450)	(150)	(150)
Impairment for credit losses	3	(46,962)	(42,737)	(14,240)	(15,136)
Recoveries from impairment for credit losses	3	22,688	25,543	7,033	9,055
Impairment for investments		(5,263)	(3,544)	(1,468)	(1,512)
Share of results from an associate	5	1,092	1,846	611	775
		(157,911)	(145,341)	(51,172)	(48,835)
PROFIT BEFORE TAXATION		156,288	157,208	52,281	53,543
Tax expense		(19,381)	(20,974)	(5,841)	(7,124)
PROFIT FOR THE PERIOD		136,907	136,234	46,440	46,419
OTHER COMPREHENSIVE (EXPENSE) INCOME					
<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		194	(699)	33	12
Share of other comprehensive income (expense) of an associate		116	(217)	(22)	(199)
Change in fair value of investments		(37)	(2,677)	605	(3,865)
Change in fair value of cash flow hedge		(501)	(1,296)	415	(1,135)
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		(228)	(4,889)	1,031	(5,187)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		136,679	131,345	47,471	41,232
Total comprehensive income for the period attributable to					
Equity holders of Parent Company		136,679	131,345	47,471	41,232
Profit attributable to					
Equity holders of Parent Company		136,907	136,234	46,440	46,419
Earnings per share (in RO)					
- Basic	13	0.056	0.057		
- Diluted	13	0.053	0.053		

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 154 branches (30 September 2015 : 153 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, Singapore and Tehran, Iran. 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 3,695 employees as of 30 September 2016 (30 September 2015: 3,663 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 30 September 2016, Meethaq has 17 branches (Sep 2015 - 15 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 30 September 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 30 September 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 six month period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 NINE MONTHS ENDED 30 SEPTEMBER 2016**

3. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES

Conventional banking

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September RO' 000</i>
Corporate loans	3,740,437	3,578,502	3,514,576
Overdrafts and credit cards	244,040	275,592	298,412
Loans against trust receipts / Other advances	575,856	560,725	518,478
Bills purchased and discounted	17,284	24,438	27,753
Personal and housing loans	2,738,987	2,542,866	2,478,403
	7,316,604	6,982,123	6,837,622
Provision for impairment	(284,184)	(286,637)	(271,692)
	<u>7,032,420</u>	<u>6,695,486</u>	<u>6,565,930</u>

Islamic financing receivables

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September RO' 000</i>
Housing finance	370,924	328,545	314,548
Corporate finance	380,596	272,019	131,834
Consumer finance	44,282	45,235	45,646
	795,802	645,799	492,028
Provision for impairment	(13,735)	(11,070)	(9,627)
	<u>782,067</u>	<u>634,729</u>	<u>482,401</u>

Movement in provision for impairment is analysed below:

Impairment for credit losses

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited September 2015 RO' 000</i>
1 January	274,782	237,750	237,750
Provided during the period / year	46,962	71,984	42,737
Released during the period / year	(20,504)	(34,888)	(24,563)
Written off during the period / year	(1,287)	(1,446)	(787)
Transfer to memorandum portfolio	(23,021)	-	-
Transfer from memorandum portfolio	892	1,575	1,309
Foreign currency translation difference	26	(120)	(180)
Transfer to collateral pending sale	-	(73)	-
At 30 September / 31 December (a)	<u>277,850</u>	<u>274,782</u>	<u>256,266</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

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

Contractual interest / profit not recognised

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
1 January	22,925	21,144	21,144
Contractual interest not recognised	10,747	11,690	8,450
Contractual interest recovered	(3,471)	(9,488)	(4,182)
Written off during the period	(597)	(514)	(449)
Transfer from / (to) Memorandum portfolio	(9,534)	93	90
Translation adjustment of opening balances	(2)	-	-
At 30 September / 31 December (b)	20,068	22,925	25,053
Total impairment (a) + (b)	297,918	297,707	281,319

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 22,689 thousands (30 September 2015: RO 25,543 thousands) include RO 2,185 thousands (30 September 2015: RO 980 thousands) recovered from loans written off earlier.

At 30 September 2016, loans and advances / Islamic financing on which contractual interest is not accrued or has not been recognised were RO 226.7 million (30 September 2015 : RO 196.7 million).

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

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
On demand or within 3 months	1,951,395	1,860,781	1,745,174
Four months to 12 months	662,860	657,730	693,365
1 to 5 years	1,696,824	1,579,434	1,403,980
More than 5 years	3,503,408	3,232,270	3,205,812
	7,814,487	7,330,215	7,048,331

4. NON TRADING INVESTMENTS

4.a. Fair value through profit or loss

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
Quoted debt			
Local bonds	49,995	50,250	-
Foreign bonds	1,023	977	1,014
	51,018	51,227	1,014

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

4. NON TRADING INVESTMENTS (continued)

4.b. Available for sale

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
Quoted equity			
Foreign securities	41,787	39,086	33,027
Other services sector	23,583	26,066	29,318
Unit funds	10,214	7,981	8,344
Financial services sector	6,051	5,860	6,058
Industrial sector	2,253	1,379	1,375
Quoted debt			
Government bonds	281,652	283,196	203,152
Foreign bonds	28,713	29,546	29,223
Local bonds	217	328	328
Total quoted investments	394,470	393,442	310,825
Unquoted equity			
Foreign securities	11,384	14,862	14,543
Local securities	19,855	21,223	17,731
Unit funds	50	778	50
Unquoted debt			
Local bonds	26,385	25,538	32,371
Total unquoted investments	57,674	62,401	64,695
Total available for sale investments	452,144	455,843	375,520
Impairment losses on investments	(14,757)	(10,870)	(9,842)
	437,387	444,973	365,678

During the period ended 30 September 2016, the Bank recorded an impairment loss of RO 5,263 thousands and disposed investments on which impairment loss of RO 1,377 thousand was earlier recorded.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the value of the security below its cost is also evidence that the assets are impaired. A decline in value of security below its cost over twenty percent is considered significant. Further, a decline in value of security below its cost for a continuous period of twelve months is considered prolonged.

4.c. Held to maturity

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
Quoted bonds	79,349	53,590	53,328
Unquoted investments			
Treasury bills	634,036	967,648	795,501
Bonds / equities	11,115	946	5,959
	645,151	968,594	801,460
	724,500	1,022,184	854,788

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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 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
At 1 January	47,746	47,449	47,449
Share of results for the period / year	1,092	2,561	1,846
Share of other comprehensive income	116	(617)	(217)
Dividend received	(1,611)	(1,647)	(1,612)
At 30 September / December	<u>47,343</u>	<u>47,746</u>	<u>47,467</u>

6. CUSTOMERS' DEPOSITS

Conventional customers' deposits

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
Current accounts	1,942,794	2,016,337	2,220,541
Call accounts	339,972	316,973	325,530
Savings accounts	2,323,280	2,228,766	2,103,878
Time deposits	2,176,178	2,117,908	2,059,816
Other	48,659	58,331	68,078
	<u>6,830,883</u>	<u>6,738,315</u>	<u>6,777,843</u>

Islamic customers' deposits

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
Current accounts	86,746	66,319	67,649
Savings accounts	91,699	60,955	55,142
Time deposits	440,267	407,571	419,399
Other	127,241	90,288	6,390
	<u>745,953</u>	<u>625,133</u>	<u>548,580</u>

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

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
On demand or within 3 months	1,500,896	1,449,659	1,331,846
Four months to 12 months	1,753,524	1,902,538	1,896,349
1 to 5 years	3,047,161	2,526,317	2,634,434
More than 5 years	1,275,255	1,484,934	1,463,794
	<u>7,576,836</u>	<u>7,363,448</u>	<u>7,326,423</u>

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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 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
Number of shares held			
Royal Court Affairs	589,844,518	540,469,925	540,469,925
Dubai Financial Group LLC	308,669,563	282,671,899	282,671,899
% of shareholding			
Royal Court Affairs	23.63%	23.58%	23.58%
Dubai Financial Group LLC	12.37%	12.33%	12.33%

8. CONTINGENT LIABILITIES

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
Letters of credit	655,201	818,735	808,644
Guarantees	2,345,526	2,367,677	2,316,710
	<u>3,000,727</u>	<u>3,186,412</u>	<u>3,125,354</u>

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9. INTEREST INCOME / INCOME ON ISLAMIC FINANCING / INVESTMENT

	<i>Unaudited -for six months ended- 30 September 2016 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>	<i>Unaudited -for three months ended- 30 September 2016 RO' 000</i>	<i>Unaudited September 2015 RO' 000</i>
Loans and advances	243,907	228,037	83,573	77,669
Due from banks	10,591	7,920	3,679	2,798
Investments	10,572	8,581	3,621	2,754
	265,070	244,538	90,873	83,221
Islamic financing receivable	25,257	18,264	9,317	6,380
Islamic due from banks	124	67	19	37
Islamic investment	1,593	233	559	31
	26,974	18,564	9,895	6,448
	292,044	263,102	100,768	89,669

10. INTEREST EXPENSE / DISTRIBUTION ON ISLAMIC DEPOSITS

	<i>Unaudited -for six months ended- 30 September 2016 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>	<i>Unaudited -for three months ended- 30 September 2016 RO' 000</i>	<i>Unaudited 30 September RO' 000</i>
Customer's deposits	52,572	49,713	18,264	17,568
Subordinated liabilities/manadatory convertible bonds	11,546	14,357	3,061	4,905
Certificates of deposits	-	486	-	-
Bank borrowings	6,180	1,970	2,791	196
Euro medium term notes	6,822	2,012	3,223	-
	77,120	68,538	27,339	22,669
Islamic customers deposits	8,296	4,559	3,503	1,940
Islamic bank borrowings	898	324	367	39
	9,194	4,883	3,870	1,979
	86,314	73,421	31,209	24,648

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 715 K (30 September 2015 : RO 587 K).

12. OTHER OPERATING INCOME

	<i>Unaudited -for six months ended- 30 September 2016 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>	<i>Unaudited -for three months ended- 30 September 2016 RO' 000</i>	<i>Unaudited 30 September RO' 000</i>
Foreign exchange	25,816	26,601	8,239	8,101
Profit on sale of investment securities	3,308	2,739	499	203
Dividend income	4,329	2,863	944	722
Other income	4,393	4,719	1,287	1,051
	37,846	36,922	10,969	10,077

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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 30 September 2016 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
a) Basic earnings per share		
Profit attributable to ordinary shareholders of parent company for basic earnings per share (RO 000's)	136,907	136,234
Weighted average number of shares outstanding during the period (RO in 000's)	2,440,184	2,406,414
Basic earnings per share (RO)	0.056	0.057
b) Diluted earnings per share		
Profit attributable to ordinary shareholders of parent company for diluted earnings per share (RO 000's)	136,907	136,234
Interest on convertible bonds, net of taxation (RO 000's)	1,962	2,374
	138,869	138,608
Weighted average number of shares in issue during the period (000's)	2,639,381	2,623,116
Diluted earnings per share (RO)	0.053	0.053

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 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
a) Directors and senior management			
Loans and advances (gross)	4,871	3,202	3,227
Provision and reserve interest	-	-	-
Loans and advances (net)	4,871	3,202	3,227
Current, deposit and other accounts	875	937	710
Customers' liabilities under documentary credits, guarantees and other commitments	2	-	-
b) Major shareholders and others			
Loans and advances (gross)	33,181	39,578	30,130
Provision and reserve interest	(8,505)	(8,452)	(8,390)
Loans and advances (net)	24,676	31,126	21,740
Current, deposit and other accounts	92,917	44,353	69,229
Customers' liabilities under documentary credits, guarantees and other commitments	12,166	13,983	14,186

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

	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
a) Directors and senior management		
Interest income	147	159
Interest expenditure	14	5
b) Major shareholders and others		
Interest income	949	1,106
Interest expenditure	652	498

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

As at 30 September 2016	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity		
				0-3 months RO' 000	4-12 months RO' 000	> 12 months RO' 000
Fair value hedge	461	907	515,529	-	-	515,529
Cash flow hedge	-	1,385	65,450	-	-	65,450
Interest rate swaps	11,913	11,893	290,293	-	8,302	281,991
Cross currency swap	-	1,488	192,500	77,000	115,500	-
Currency options - bought	298	-	77,121	62,057	15,063	-
Currency options - sold	-	298	77,108	62,045	15,063	-
Commodities purchase contracts	3,939	487	73,377	55,177	17,347	853
Commodities sale contracts	496	3,889	53,186	48,098	4,235	853
Forward purchase contracts	1,206	3,296	1,344,114	1,055,205	254,792	34,117
Forward sales contracts	6,784	3,611	1,359,455	1,063,280	262,769	33,406
	25,097	27,254	4,048,133	2,422,862	693,072	932,199

As at 31 December 2015	Positive fair value RO' 000	Negative fair value RO' 000	Notional total RO' 000	Notional amounts by term to maturity		
				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 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

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 30 September 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>		<i>Unaudited 30 September 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
<i>Total</i>	<i>International</i>	<i>Oman</i>		<i>Oman</i>	<i>International</i>	<i>Total</i>
244,538	10,856	233,682	Interest income	249,830	15,240	265,070
(68,538)	(3,334)	(65,204)	Interest expense	(68,765)	(8,355)	(77,120)
18,564	-	18,564	Income from Islamic financing	26,974	-	26,974
(4,883)	-	(4,883)	Distribution to depositors	(9,194)	-	(9,194)
75,946	4,336	71,610	Commission and fee income (net)	66,554	4,069	70,623
36,922	1,346	35,576	Other operating income	37,002	844	37,846
302,549	13,204	289,345		302,401	11,798	314,199
			Segment costs			
(117,820)	(6,638)	(111,182)	Other operating expenses	(113,287)	(6,255)	(119,542)
(8,179)	(210)	(7,969)	Depreciation	(9,265)	(209)	(9,474)
(125,999)	(6,848)	(119,151)		(122,552)	(6,464)	(129,016)
(450)	-	(450)	Impairment for due from banks	(450)	-	(450)
(42,737)	(9,961)	(32,776)	Impairment for credit losses	(38,874)	(8,088)	(46,962)
			Recoveries from provision for credit losses	20,354	2,334	22,688
25,543	323	25,220	Impairment for investments available-for-sale	(5,263)	-	(5,263)
(3,544)	-	(3,544)	Share of results from an associate	-	1,092	1,092
1,846	1,846	-	Tax expense	(19,345)	(36)	(19,381)
(20,974)	(45)	(20,929)		(166,130)	(11,162)	(177,292)
(166,315)	(14,685)	(151,630)				
136,234	(1,481)	137,715	Segment profit (loss) for the year	136,271	636	136,907
			Other information			
12,464,546	627,799	11,836,747	Segment assets	10,153,271	717,549	10,870,820

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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:

30 September 2016 (unaudited)	<i>Corporate banking RO '000</i>	<i>Consumer banking RO '000</i>	<i>Wholesale banking RO '000</i>	<i>International banking* RO '000</i>	<i>Subtotal RO '000</i>	<i>Islamic banking RO '000</i>	<i>Total RO '000</i>
Segment revenue							
Net interest income	74,454	95,846	10,724	6,926	187,950		187,950
Net income from Islamic financing					-	17,780	17,780
Commission, fees and other income	17,297	47,377	37,157	5,030	106,861	1,608	108,469
Operating income	91,751	143,223	47,881	11,956	294,811	19,388	314,199
Segment costs							
Operating expenses	(20,459)	(80,298)	(11,575)	(8,168)	(120,500)	(8,516)	(129,016)
Impairment (net)	(9,018)	(5,608)	(5,962)	(6,555)	(27,143)	(2,844)	(29,987)
Share of results of an associate				1,092	1,092		1,092
Tax expense	(8,401)	(9,156)	(977)	119	(18,415)	(966)	(19,381)
	(37,878)	(95,062)	(18,514)	(13,512)	(164,966)	(12,326)	(177,292)
Segment profit for the year	53,873	48,161	29,367	(1,556)	129,845	7,062	136,907
Segment assets	4,073,676	2,858,606	2,282,261	719,174	9,933,717	937,103	10,870,820

30 September 2015 (unaudited)	<i>Corporate banking RO '000</i>	<i>Consumer banking RO '000</i>	<i>Wholesale banking RO '000</i>	<i>International banking* RO '000</i>	<i>Subtotal RO '000</i>	<i>Islamic banking RO '000</i>	<i>Total RO '000</i>
Segment revenue							
Net interest income	65,726	78,577	24,099	7,598	176,000	-	176,000
Net income from Islamic financing	-	-	-	-	-	13,681	13,681
Commission, fees and other income	14,907	52,457	38,410	5,911	111,685	1,183	112,868
Operating income	80,633	131,034	62,509	13,509	287,685	14,864	302,549
Segment costs							
Operating expenses	(19,476)	(80,157)	(11,092)	(8,527)	(119,252)	(6,747)	(125,999)
Impairment (net)	(8,625)	(2,896)	(4,444)	(3,280)	(19,245)	(1,943)	(21,188)
Share of results of an associate	-	-	-	1,846	1,846	-	1,846
Tax expense	(7,312)	(6,680)	(6,041)	(111)	(20,144)	(830)	(20,974)
	(35,413)	(89,733)	(21,577)	(10,072)	(156,795)	(9,520)	(166,315)
Segment profit for the year	45,220	41,301	40,932	3,437	130,890	5,344	136,234
Segment assets	3,895,099	2,641,670	4,670,463	630,622	11,837,854	626,692	12,464,546

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 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
ASSETS			
On demand or within 3 months	4,006,384	5,558,316	6,278,777
Four months to 12 months	1,043,538	1,639,173	1,010,271
1 to 5 years	2,021,848	1,872,759	1,721,561
More than 5 years	3,799,050	3,474,281	3,453,937
	10,870,820	12,544,529	12,464,546
LIABILITIES AND EQUITY			
On demand or within 3 months	2,010,389	4,285,435	4,142,711
Four months to 12 months	2,241,811	2,197,290	2,164,217
1 to 5 years	3,770,559	3,113,664	3,267,780
More than 5 years	2,848,061	2,948,140	2,889,838
	10,870,820	12,544,529	12,464,546
MISMATCH			
On demand or within 3 months	1,995,995	1,272,881	2,136,066
Four months to 12 months	(1,198,273)	(558,117)	(1,153,946)
1 to 5 years	(1,748,711)	(1,240,905)	(1,546,219)
More than 5 years	950,989	526,141	564,099
	-	-	-

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 30 September 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 September 2015 RO' 000</i>
Common Equity Tier I capital	1,301,911	1,271,637	1,160,014
Tier I capital	1,301,911	1,271,637	1,160,014
Tier II capital	219,277	249,551	264,631
Total regulatory capital	1,521,188	1,521,188	1,424,645
Total risk weighted assets	9,335,996	9,447,263	8,941,304
Of which: Credit risk weighted assets	8,452,928	8,347,170	8,169,302
Of which: Market risk weighted assets	196,327	413,352	136,984
Of which: Operational risk weighted assets	686,741	686,741	635,018
Capital ratios :			
Common Equity Tier 1	13.95%	13.46%	12.97%
Tier 1	13.95%	13.46%	12.97%
Total capital	16.29%	16.10%	15.93%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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:

As of 30 September 2016	Loans and receivables RO' 000	Available- for-sale RO' 000	Held-to- maturity RO' 000	Fair value through profit or loss RO' 000	Other amortised cost RO' 000	Total carrying value RO' 000	Fair value RO' 000
Cash and balances with Central Banks	643,491	-	-	-	-	643,491	643,491
Due from banks	891,611	-	-	-	-	891,611	891,611
Loans and advances	7,032,420	-	-	-	-	7,032,420	7,032,420
Islamic financing receivables	782,067	-	-	-	-	782,067	782,067
Investment securities	-	437,387	724,500	51,018	-	1,212,905	1,210,896
	9,349,589	437,387	724,500	51,018	-	10,562,494	10,560,485
Deposits from banks	-	-	-	-	793,835	793,835	793,835
Customers' deposits	-	-	-	-	6,830,883	6,830,883	6,830,883
Islamic customers' deposits	-	-	-	-	745,953	745,953	745,953
Euro medium term notes	-	-	-	-	384,093	384,093	384,093
Subordinated liabilities/ mandatory convertible bonds	-	-	-	-	229,830	229,830	230,447
	-	-	-	-	8,984,594	8,984,594	8,985,211

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

19. FAIR VALUE INFORMATION (continued)

As of 30 September 2015	Loans and receivables RO' 000	Available- for-sale RO' 000	Held-to- maturity RO' 000	Fair value through profit or loss RO' 000	Other amortised cost RO' 000	Total carrying value RO' 000	Fair Value RO' 000
Cash and balances with Central Banks	2,967,820	-	-	-	-	2,967,820	2,967,820
Due from banks	897,646	-	-	-	-	897,646	897,646
Loans and advances	6,565,930	-	-	-	-	6,565,930	6,565,930
Islamic financing receivables	482,401	-	-	-	-	482,401	482,401
Investment securities	-	365,678	854,788	1,014	-	1,221,480	1,219,420
	10,913,797	365,678	854,788	1,014	-	12,135,277	12,133,217
Deposits from banks	-	-	-	-	2,800,224	2,800,224	2,800,224
Customers' deposits / Certificates of deposit	-	-	-	-	6,777,843	6,777,843	6,777,843
Islamic customer deposits	-	-	-	-	548,580	548,580	548,580
Euro medium term notes	-	-	-	-	192,596	192,596	192,596
Subordinated liabilities/ mandatory convertible bonds	-	-	-	-	335,105	335,105	336,041
	-	-	-	-	10,654,348	10,654,348	10,655,284

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 30 September 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>
Assets				
Derivatives	-	25,097	-	25,097
Fair value through profit or loss	51,018	-	-	51,018
Available-for-sale financial assets				
- Equity securities	69,131	-	31,289	100,420
- Debt investments	310,582	-	26,385	336,967
Total Assets	430,731	25,097	57,674	513,502
Liabilities				
Derivatives	-	27,254	-	27,254
<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>
Assets				
Derivatives	-	25,210	-	25,210
Fair value through profit or loss	51,227	-	-	51,227
Available-for-sale financial assets				
- Equity securities	69,502	-	36,863	106,365
- Debt investments	313,070	-	25,538	338,608
Total Assets	433,799	25,210	62,401	521,410
Liabilities				
Derivatives	-	34,486	-	34,486

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

<i>As of 30 September 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	1,496	-	1,496
Gain from change in fair value	(2,778)	-	(2,778)
Additions	1,019	10,625	11,644
Disposals and redemption	(5,321)	(9,778)	(15,099)
Exchange differences	10	-	10
	31,289	26,385	57,674
<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)
	36,863	25,538	62,401
<i>As of 30 September 2015</i>	<i>Equity RO 000's</i>	<i>Debt RO 000's</i>	<i>Total RO 000's</i>
At 1 January 2015	23,912	36,004	59,916
Realised gain on sale	607	-	607
Gain from change in fair value	672	(2)	670
Additions	9,184	6,200	15,384
Disposals and redemption	(2,046)	(9,831)	(11,877)
Exchange differences	(5)	-	(5)
	32,324	32,371	64,695

At 30 September 2016, 63% (31 Dec 15: 59%) of level 3 equity securities were valued on basis of latest available fair valuation and 37% (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

Certain material corresponding figures for 2015 included for comparative purposes were reclassified