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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

		<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
		<i>31 March 2017</i>	<i>31 December</i>	<i>31 March 2016</i>
	<i>Notes</i>	<i>RO' 000</i>	<i>2016</i>	<i>RO' 000</i>
			<i>RO' 000</i>	
<b>ASSETS</b>				
Cash and balances with Central Banks		<b>796,806</b>	1,041,572	2,546,979
Due from banks		<b>477,260</b>	526,615	987,725
Loans and advances	3	<b>7,102,098</b>	7,102,323	6,917,473
Islamic financing receivables	3	<b>902,416</b>	855,007	664,869
Other assets		<b>179,762</b>	162,323	176,767
Investments securities:				
- Fair value through profit or loss	4a	<b>51,005</b>	50,996	51,252
- Available for sale	4b	<b>393,873</b>	395,327	441,267
- Held to maturity	4c	<b>860,134</b>	563,601	962,562
Investment in an associate	5	<b>46,986</b>	48,074	46,068
Property and equipment		<b>71,918</b>	74,232	76,401
		<b>10,882,258</b>	10,820,070	12,871,363
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from banks		<b>827,559</b>	831,792	2,955,097
Customers' deposits	6	<b>6,813,038</b>	6,694,808	6,974,478
Islamic customers' deposits	6	<b>780,287</b>	762,919	677,854
Euro medium term notes		<b>383,886</b>	383,595	192,202
Mandatory convertible bonds		<b>32,416</b>	64,380	64,380
Other liabilities		<b>335,792</b>	337,356	342,277
Taxation		<b>17,324</b>	33,030	11,280
Subordinated liabilities		<b>134,450</b>	165,450	240,450
		<b>9,324,752</b>	9,273,330	11,458,018
<b>EQUITY</b>				
Equity attributable to equity holders of parent:				
Share capital	7	<b>270,936</b>	249,625	249,625
Share premium	7	<b>509,377</b>	486,242	486,242
General reserve		<b>244,808</b>	244,808	169,808
Legal reserve		<b>83,208</b>	83,208	76,394
Revaluation reserve		<b>5,305</b>	5,305	5,305
Subordinated loan reserve		<b>96,690</b>	96,690	138,600
Cash flow hedge reserve		<b>(424)</b>	(301)	(1,663)
Cumulative changes in fair value		<b>16,233</b>	19,234	19,716
Foreign currency translation reserve		<b>(1,861)</b>	(1,966)	(1,668)
Retained profit		<b>333,234</b>	363,895	270,986
<b>TOTAL EQUITY</b>		<b>1,557,506</b>	1,546,740	1,413,345
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,882,258</b>	10,820,070	12,871,363
<b>Net assets per share (in RO)</b>		<b>0.575</b>	0.620	0.566
<b>Contingent liabilities and commitments</b>	8	<b>2,929,156</b>	2,988,489	3,003,890

The interim condensed consolidated financial statements were approved by the Board of Directors on 23 April 2017.

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 2017**

	<i>Unaudited 31 March 2017 RO' 000</i>	<i>Unaudited 31 March 2016 RO' 000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period before taxation</b>	<b>52,145</b>	49,457
Adjustments for :		
Share of results from an associate	(495)	218
Depreciation	3,249	3,199
Impairment for investments	638	3,207
Impairment for credit losses	18,339	16,949
Impairment for due from banks	150	150
Recoveries from impairment for credit losses	(8,844)	(5,396)
Profit on sale of equipment	-	11
Profit on sale of investments	(1,582)	(1,158)
Dividend income	(911)	(1,748)
<b>Operating profit before working capital changes</b>	<b>62,689</b>	64,889
Due from banks	(260,645)	146,211
Loans and advances	(8,484)	(232,407)
Islamic financing receivables	(48,195)	(31,237)
Other assets	(17,340)	(8,632)
Deposits from banks	86,064	61,727
Customers' deposits	118,499	234,233
Islamic customer deposits	17,368	52,721
Certificates of deposit	-	-
Euro medium term notes	-	-
Other liabilities	(1,665)	(25,420)
<b>Cash generated from operating activities</b>	<b>(51,709)</b>	262,085
Income taxes paid	(23,624)	(23,000)
<b>Net cash generated from operating activities</b>	<b>(75,333)</b>	239,085
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends from an associate	1,611	1,610
Dividends received	911	1,748
Net movement in investments	(29,632)	(22,760)
Net movement in property and equipment	(935)	(2,990)
<b>Net cash used in investing activities</b>	<b>(28,045)</b>	(22,392)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(62,406)	(57,295)
Subordinated loan paid	(31,000)	-
<b>Net cash used in financing activities</b>	<b>(93,406)</b>	(57,295)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(196,784)</b>	159,398
Cash and cash equivalents at 1 January	1,369,008	1,371,923
<b>CASH AND CASH EQUIVALENTS AT 31 March</b>	<b>1,172,224</b>	1,531,321
<b>Cash and cash equivalent comprises of the following:</b>	<b>RO' 000</b>	<b>RO' 000</b>
Cash and balances with Central Banks	796,306	2,546,479
Due from banks	701,049	883,331
Treasury bills	112,429	697,019
Deposits from banks	(437,560)	(2,595,508)
	<b>1,172,224</b>	1,531,321

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

## Chairman's Report - First Quarter 2017

Dear Shareholders,

I am glad to share with you the results achieved by the bank during the first quarter ending 31 March 2017. In the prevailing economic situation, the key business lines of the bank sustained performance during the 3-month period.

### Financial Overview

**bank muscat** announces the first quarter 2017 results approved by the Board. The bank posted a net profit of RO 44.23 million for the three months ended 31 March 2017 compared to RO 43.75 million reported for the same period in 2016, an increase of 1.1 per cent.

Net Interest Income from Conventional Banking stood at RO 63.11 million for the three months of 2017 compared to RO 62.17 million for the same period of 2016, an increase of 1.5 per cent. Net income from Islamic financing was RO 6.35 million for the three months of 2017 compared to RO 5.87 million for the same period of 2016, an increase of 8.2 per cent.

Non-interest income was RO 36.99 million for the three month period ended 31 March 2017 compared to RO 39.99 million for the same period in 2016. Operating expenses for the three month period ended 31 March 2017 at RO 44.52 million was higher by 2.5 per cent as compared to RO 43.44 million for the same period of 2016.

Impairment for credit losses for the three month period in 2017 was RO 18.34 million as against RO 16.95 million for the same period in 2016. Recoveries from impairment for credit losses was RO 8.84 million for the three month period of 2017 as against RO 5.40 million for the same period in 2016. Share of income from an associate for the three month period in 2017 was RO 0.5 million as against a loss of RO 0.22 million for the same period in 2016.

Net Loans and advances from conventional operation increased by 2.7 per cent to RO 7,102 million as at 31 March 2017 as against RO 6,917 million as at 31 March 2016. Customer

deposits from conventional operations decreased by 2.3 per cent to RO 6,813 million as at 31 March 2017 as against RO 6,974 million as at 31 March 2016.

Islamic financing receivables amounted to RO 902 million as at 31 March 2017 compared to RO 665 million as at 31 March 2016. Islamic Banking customer deposits amounted to RO 780 million as of 31 March 2017 compared to RO 678 million as at 31 March 2016.

The basic earnings per share for the quarter ended 31 March 2017 was RO 0.016 as against RO 0.016 for the quarter ended 31 March 2016. The bank's capital adequacy ratio stood at 16.81 per cent as at 31 March 2017 against the minimum required level of 13.65 per cent as per Basel III regulations issued by the Central Bank of Oman.

### ***Strategic initiatives & Key Developments***

- The bank successfully signed a term loan facility of \$525 million with a consortium of 12 relationship banks. The transaction received overwhelming response and was subscribed 1.5 times.
- Meethaq Islamic banking received the initial approval of the Capital Market Authority (CMA) to launch the first ever RO 100 million Sukuk programme targeting retail investors in Oman.
- The bank shareholders granted approval for the payout of 30 per cent cash and stock dividend for 2016 at the Annual General Meeting (AGM).
- The bank reviewed the 2016 performance and outlined its customer-centric growth strategies at the annual Leadership Forum attended by the Management Team and the branch leadership.
- Encouraging a savings culture in Oman, the bank launched al Mazyona savings scheme 2017, with a total prize money of at RO 10 million, the biggest prize money in Oman and the region.

- Extending support to economic development, Meethaq Islamic banking signed a financing agreement with Drug Manufacturing Company (DMC) for setting up a state-of-the-art drug manufacturing unit in Sohar Industrial Area.
- Coinciding with the visit of a business delegation from the Mediterranean island nation of Malta, the bank discussed its role in promoting the SME sector in Oman and joint co-operation in the field of entrepreneurial pursuits. Moreover, the bank celebrated outstanding SME initiatives as the second edition of al Wathbah Businesswomen's Awards were presented to eight winners.

### ***CSR Initiatives***

In the first quarter of the year, the bank provided its detailed CSR & Sustainability Report for 2016 covering the CSR strategy, the governing body within the bank and the established programmes. The report was presented in the AGM meeting of the bank.

### ***Accolades***

The bank won prestigious global, regional and local awards. The notable accolades included the Bank of the Year – Oman 2016 award by The Banker, the Emeafinance awards for Best Bank, Best Investment Bank, Best Asset Manager and Best Private Bank in Oman, the Bond/Sukuk Deal of the Year award by Global Financial Conferences, the Wells Fargo award for outstanding performance in dollar denominated fund transfer, and the Best Trade Finance Provider in Oman award by Global Finance.


### ***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 their confidence in the bank. I would also like to thank the Management Team and all our employees for their dedication and commitment to press ahead to reach higher levels of excellence. Following 35 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 the 47<sup>th</sup> year of the glorious Renaissance in 2017, 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**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	<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 2017</b>	<b>249,625</b>	<b>486,242</b>	<b>244,808</b>	<b>83,208</b>	<b>5,305</b>	<b>96,690</b>	<b>(301)</b>	<b>19,234</b>	<b>(1,966)</b>	<b>363,895</b>	<b>1,546,740</b>
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	-	<b>44,227</b>	<b>44,227</b>
<b>Share of other comprehensive income of an associate</b>	-	-	-	-	-	-	-	<b>22</b>	<b>6</b>	-	<b>28</b>
<b>Other comprehensive (expense) income</b>	-	-	-	-	-	-	<b>(123)</b>	<b>(3,023)</b>	<b>99</b>	-	<b>(3,047)</b>
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>(123)</b>	<b>(3,001)</b>	<b>105</b>	<b>44,227</b>	<b>41,208</b>
<b>Dividends paid</b>	-	-	-	-	-	-	-	-	-	<b>(62,406)</b>	<b>(62,406)</b>
<b>Issue of bonus shares</b>	<b>12,482</b>	-	-	-	-	-	-	-	-	<b>(12,482)</b>	-
<b>Conversion of mandatory convertible bonds</b>	<b>8,829</b>	<b>23,135</b>	-	-	-	-	-	-	-	-	<b>31,964</b>
<b>Balance at 31 March 2017 (unaudited)</b>	<b>270,936</b>	<b>509,377</b>	<b>244,808</b>	<b>83,208</b>	<b>5,305</b>	<b>96,690</b>	<b>(424)</b>	<b>16,233</b>	<b>(1,861)</b>	<b>333,234</b>	<b>1,557,506</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 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 expense of an associate</b>	-	-	-	-	-	-	-	<b>149</b>	<b>1</b>	-	<b>150</b>
<b>Other comprehensive expense</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 mandatory convertible bonds</b>	<b>8,984</b>	<b>21,291</b>	-	-	-	-	-	-	-	-	<b>30,275</b>
<b>Issue of bonus shares</b>	<b>11,458</b>	-	-	-	-	-	-	-	-	<b>(11,458)</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>

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 2017**

		<i>Unaudited -for three months ended- 31 March 2017 RO' 000</i>	<i>Unaudited 31 March 2016 RO' 000</i>
	<i>Notes</i>		
Interest income	9	91,887	86,136
Interest expense	10	(28,780)	(23,969)
<b>Net interest income</b>		<b>63,107</b>	62,167
Income from Islamic financing / investment	9	11,029	8,285
Distribution to depositors	10	(4,671)	(2,415)
Net income from Islamic financing		6,358	5,870
<b>Net interest income and income from Islamic financing</b>		<b>69,465</b>	68,037
Commission and fee income (net)	11	23,627	23,512
Other operating income	12	13,364	16,478
<b>OPERATING INCOME</b>		<b>106,456</b>	108,027
<b>OPERATING EXPENSES</b>			
Other operating expenses		(41,275)	(40,243)
Depreciation		(3,249)	(3,199)
		(44,524)	(43,442)
Impairment for due from banks		(150)	(150)
Impairment for credit losses	3	(18,339)	(16,949)
Recoveries from impairment for credit losses	3	8,844	5,396
Impairment for investments		(638)	(3,207)
Share of results from an associate	5	495	(218)
		(54,312)	(58,570)
<b>PROFIT BEFORE TAXATION</b>		<b>52,144</b>	49,457
Tax expense		(7,917)	(5,710)
<b>PROFIT FOR THE PERIOD</b>		<b>44,227</b>	43,747
<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		99	151
Share of other comprehensive income (expense) of an associate		28	150
Change in fair value of investments		(3,023)	303
Change in fair value of cash flow hedge		(123)	(945)
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD</b>		<b>(3,019)</b>	(341)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>41,208</b>	43,406
<b>Total comprehensive income for the period attributable to</b>			
Equity holders of Parent Company		41,208	43,406
<b>Profit attributable to</b>			
Equity holders of Parent Company		44,227	43,747
<b>Earnings per share (in RO)</b>			
- Basic and diluted	13	0.016	0.016

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 2017

### 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 (31 March 2016 : 154 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 3,732 employees as of 31 March 2017 (31 March 2016: 3,697 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 2017, Meethaq has 17 branches (March 2016 - 17 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 2017 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the Capital Market Authority (CMA).

For the period ended 31 March 2017, 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 2017. 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 2017 are not necessarily indicative of the results that may be expected for the financial year 2017.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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

**Conventional banking**

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
Corporate loans	3,789,312	3,804,264	3,763,138
Overdrafts and credit cards	224,236	219,066	268,466
Loans against trust receipts / Other advances	512,656	557,315	547,776
Bills purchased and discounted	37,981	22,081	27,048
Personal and housing loans	2,847,343	2,798,849	2,610,743
	<b>7,411,528</b>	<b>7,401,575</b>	<b>7,217,171</b>
Provision for impairment	(309,430)	(299,252)	(299,698)
	<b>7,102,098</b>	<b>7,102,323</b>	<b>6,917,473</b>

**Islamic financing receivables**

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
Housing finance	415,028	389,515	342,738
Corporate finance	459,431	436,990	289,946
Consumer finance	43,223	43,140	44,029
	<b>917,682</b>	<b>869,645</b>	<b>676,713</b>
Provision for impairment	(15,266)	(14,638)	(11,844)
	<b>902,416</b>	<b>855,007</b>	<b>664,869</b>

Movement in provision for impairment is analysed below:

**Impairment for credit losses**

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
<b>1 January</b>	<b>292,237</b>	<b>274,782</b>	<b>274,782</b>
Provided during the period / year	18,339	70,288	16,949
Released during the period / year	(7,700)	(28,698)	(4,910)
Written off during the period / year	(1,508)	(2,281)	(728)
Transfer to memorandum portfolio	-	(23,021)	250
Transfer from memorandum portfolio	237	1,218	1
Foreign currency translation difference	25	(51)	-
<b>At 31 March / 31 December (a)</b>	<b>301,630</b>	<b>292,237</b>	<b>286,344</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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

**Contractual interest / profit not recognised**

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
<b>1 January</b>	<b>21,653</b>	22,925	22,925
Contractual interest not recognised	<b>3,136</b>	13,959	3,331
Contractual interest recovered	<b>(1,446)</b>	(4,764)	(792)
Written off during the period	<b>(323)</b>	(962)	(297)
Transfer from / (to) Memorandum portfolio	<b>46</b>	(9,505)	31
<b>At 31 March / 31 December (b)</b>	<b>23,066</b>	21,653	25,198
<b>Total impairment (a) + (b)</b>	<b>324,696</b>	313,890	311,542

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 8,844 thousands (31 March 2016: RO 5,396 thousands) include RO 1,144 thousands (31 March 2016: RO 486 thousands) recovered from loans written off earlier.

At 31 March 2017, loans and advances / Islamic financing on which contractual interest is not accrued or has not been recognised were RO 242.7 million (31 March 2016 : RO 220.2 million).

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

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
On demand or within 3 months	<b>1,874,146</b>	1,977,209	1,942,528
Four months to 12 months	<b>753,670</b>	686,340	667,944
1 to 5 years	<b>1,726,578</b>	1,679,150	1,682,861
More than 5 years	<b>3,650,120</b>	3,614,631	3,289,009
	<b>8,004,514</b>	7,957,330	7,582,342

**4. NON TRADING INVESTMENTS**

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

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
<b>Quoted debt</b>			
Local bonds	<b>49,995</b>	49,995	50,250
Foreign bonds	<b>1,010</b>	1,001	1,002
	<b>51,005</b>	50,996	51,252

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

**4.b. Available for sale**

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
<b>Quoted equity</b>			
Foreign securities	34,244	48,726	39,434
Other services sector	19,704	21,108	22,108
Unit funds	19,990	10,444	10,063
Financial services sector	5,942	5,913	5,993
Industrial sector	3,924	3,607	1,392
<b>Quoted debt</b>			
Government bonds	242,739	243,581	282,818
Foreign bonds	18,721	23,461	31,716
Treasury bills	10,327	-	-
Local bonds	217	217	329
<b>Total quoted investments</b>	<b>355,808</b>	<b>357,057</b>	<b>393,853</b>
<b>Unquoted equity</b>			
Foreign securities	10,939	11,081	13,168
Local securities	18,729	19,548	21,388
Unit funds	703	789	794
<b>Unquoted debt</b>			
Local bonds	19,678	20,272	25,279
<b>Total unquoted investments</b>	<b>50,049</b>	<b>51,690</b>	<b>60,629</b>
<b>Total available for sale investments</b>	<b>405,857</b>	<b>408,747</b>	<b>454,482</b>
<b>Impairment losses on investments</b>	<b>(11,984)</b>	<b>(13,420)</b>	<b>(13,215)</b>
	<b>393,873</b>	<b>395,327</b>	<b>441,267</b>

During the period ended 31 March 2017, the Bank recorded an impairment loss of RO 638 thousands (31 March 2016 : RO 3,207 thousands) and disposed investments on which impairment loss of RO 2,074 thousands (31 March 2016 : RO 862 thousands) 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</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
<b>Quoted bonds</b>	<b>142,788</b>	<b>113,749</b>	<b>77,962</b>
<b>Unquoted investments</b>			
Treasury bills	701,049	433,514	883,331
Bonds / equities	16,297	16,338	1,269
	<b>717,346</b>	<b>449,852</b>	<b>884,600</b>
	<b>860,134</b>	<b>563,601</b>	<b>962,562</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

### 5. INVESTMENT IN AN ASSOCIATE

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

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
At 1 January	48,074	47,746	47,746
Share of results for the period / year	495	1,727	(218)
Share of other comprehensive income	28	211	150
Dividend received	(1,611)	(1,610)	(1,610)
At 31 March / December	<u>46,986</u>	<u>48,074</u>	<u>46,068</u>

### 6. CUSTOMERS' DEPOSITS

#### Conventional customers' deposits

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
Current accounts	2,029,329	1,786,760	2,101,757
Call accounts	297,465	334,957	289,810
Savings accounts	2,426,626	2,362,820	2,334,346
Time deposits	2,003,235	2,165,481	2,200,820
Other	56,383	44,790	47,745
	<u>6,813,038</u>	<u>6,694,808</u>	<u>6,974,478</u>

#### Islamic customers' deposits

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
Current accounts	86,883	93,071	77,242
Savings accounts	101,923	93,457	74,275
Time deposits	467,575	451,738	437,568
Other	123,906	124,653	88,769
	<u>780,287</u>	<u>762,919</u>	<u>677,854</u>

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

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
On demand or within 3 months	1,475,321	1,481,551	1,610,021
Four months to 12 months	1,808,590	1,639,870	1,929,332
1 to 5 years	2,985,642	3,131,492	2,619,674
More than 5 years	1,323,772	1,204,814	1,493,305
	<u>7,593,325</u>	<u>7,457,727</u>	<u>7,652,332</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

### 7. SHARE CAPITAL

During March 2017, the Bank converted a portion of its mandatory convertible bonds issued in 2014 into share capital. The conversion amounting to RO 31.964 million was credited to the share capital and share premium amounting to RO 8.829 million and RO 23.135 million, respectively.

In the Bank's annual general meeting held on 19 March 2017 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 62.406 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 124,812,512 shares of RO 0.100 each amounting to RO 12.482 million.

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

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
<b>Number of shares held</b>			
Royal Court Affairs	640,144,235	589,844,518	589,844,518
Dubai Financial Group LLC	335,147,759	308,669,563	308,669,563
<b>% of shareholding</b>			
Royal Court Affairs	23.63%	23.63%	23.63%
Dubai Financial Group LLC	12.37%	12.37%	12.37%

### 8. CONTINGENT LIABILITIES

	<i>Unaudited</i> <i>31 March 2017</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>31 March</i> <i>2016</i> <i>RO' 000</i>
Letters of credit	642,407	715,569	724,563
Guarantees	2,286,749	2,272,920	2,279,327
	<u>2,929,156</u>	<u>2,988,489</u>	<u>3,003,890</u>



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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

	<i>Unaudited -for three months ended-</i>	<i>Unaudited</i>
	<i>31 March 2017</i>	<i>31 March 2016</i>
	<i>RO' 000</i>	<i>RO' 000</i>
Loans and advances	85,464	79,304
Due from banks	2,495	3,454
Investments	3,928	3,378
	<b>91,887</b>	<b>86,136</b>
Islamic financing receivable	10,475	7,717
Islamic due from banks	4	53
Islamic investment	550	515
	<b>11,029</b>	<b>8,285</b>
	<b>102,916</b>	<b>94,421</b>

**10. INTEREST EXPENSE / DISTRIBUTION ON ISLAMIC DEPOSITS**

	<i>Unaudited -for three months ended-</i>	<i>Unaudited</i>
	<i>31 March 2017</i>	<i>31 March 2016</i>
	<i>RO' 000</i>	<i>RO' 000</i>
Customer's deposits	19,793	16,780
Subordinated liabilities/manadatory convertible bonds	2,619	4,823
Bank borrowings	3,014	1,271
Euro medium term notes	3,354	1,095
	<b>28,780</b>	<b>23,969</b>
Islamic customers deposits	3,772	2,234
Islamic bank borrowings	899	181
	<b>4,671</b>	<b>2,415</b>
	<b>33,451</b>	<b>26,384</b>

**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 344 thousands (31 March 2016 : RO 259 thousands).

**12. OTHER OPERATING INCOME**

	<i>Unaudited -for three months ended-</i>	<i>Unaudited</i>
	<i>31 March 2017</i>	<i>31 March 2016</i>
	<i>RO' 000</i>	<i>RO' 000</i>
Foreign exchange	8,091	11,720
Profit on sale of investment securities	1,582	1,158
Dividend income	911	1,748
Other income	2,780	1,852
	<b>13,364</b>	<b>16,478</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

## 13. EARNINGS PER SHARE

Basic earnings per share are 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 outstanding during the period as follows:

	<i>Unaudited</i> 31 March 2017 RO' 000	<i>Unaudited</i> 31 March 2016 RO' 000
Profit attributable to ordinary shareholders of parent company for diluted earnings per share (RO 000's)	44,227	43,747
Interest on convertible bonds, net of taxation (RO 000's)	502	827
	<u>44,729</u>	<u>44,574</u>
	2,737,376	2,752,755
Weighted average number of shares in issue during the period (000's)		
Basic and diluted earnings per share (RO)	<u>0.016</u>	<u>0.016</u>

There are no instruments that are dilutive in nature, hence the basic and diluted earnings per share are same for both the periods.

## 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</i> 31 March 2017 RO' 000	<i>Audited</i> 31 December 2016 RO' 000	<i>Unaudited</i> 31 March 2016 RO' 000
<b>a) Directors and senior management</b>			
Loans and advances (gross)	4,152	4,445	3,924
Provision and reserve interest	-	-	-
Loans and advances (net)	4,152	4,445	3,924
Current, deposit and other accounts	1,094	646	800
Customers' liabilities under documentary credits, guarantees and other commitments	-	-	2
<b>b) Major shareholders and others</b>			
Loans and advances (gross)	35,210	33,922	33,053
Provision and reserve interest	(8,613)	(8,570)	(8,483)
Loans and advances (net)	26,597	25,352	24,570
Current, deposit and other accounts	74,153	60,903	57,125
Customers' liabilities under documentary credits, guarantees and other commitments	5,069	9,167	12,809

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

	<i>Unaudited</i> 31 March 2017 RO' 000	<i>Unaudited</i> 31 March 2016 RO' 000
<b>a) Directors and senior management</b>		
Interest income	43	52
Interest expenditure	9	6
<b>b) Major shareholders and others</b>		
Interest income	318	379
Interest expenditure	417	72

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

As at 31 March 2017	Positive	Negative	Notional	Notional amounts by term to maturity		
	fair value	fair value	total	0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Fair value hedge	-	2,140	463,268	-	-	463,268
Cash flow hedge	-	499	65,450	-	-	65,450
Interest rate swaps	7,891	7,891	268,458	-	3,321	265,137
Cross currency swap	-	144	77,000	-	77,000	-
Currency options - bought	421	-	59,437	29,974	28,927	536
Currency options - sold	-	421	59,437	29,974	28,927	536
Commodities purchase contracts	4,109	94	92,823	70,861	21,403	559
Commodities sale contracts	40	4,002	76,747	65,592	10,596	559
Forward purchase contracts	342	1,752	1,130,475	865,751	200,884	63,840
Forward sales contracts	6,374	482	1,137,621	866,977	208,730	61,914
	<b>19,177</b>	<b>17,425</b>	<b>3,430,716</b>	<b>1,929,129</b>	<b>579,788</b>	<b>921,799</b>

As at 31 December 2016	Positive	Negative	Notional	Notional amounts by term to maturity		
	fair value	fair value	total	0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Fair value hedge	-	2,162	494,391	-	-	494,391
Cash flow hedge	-	341	65,450	-	-	65,450
Interest rate swaps	8,726	8,726	257,809	-	5,812	251,997
Cross currency swap	-	988	115,500	38,500	77,000	-
Currency options - bought	824	-	47,201	24,292	22,909	-
Currency options - sold	-	826	47,299	24,330	22,969	-
Commodities purchase contracts	3,366	1,185	74,625	57,206	16,685	734
Commodities sale contracts	1,247	3,364	72,237	62,572	8,931	734
Forward purchase contracts	839	736	823,902	485,967	298,311	39,624
Forward sales contracts	6,706	793	815,888	475,556	301,633	38,699
	<b>21,708</b>	<b>19,121</b>	<b>2,814,302</b>	<b>1,168,423</b>	<b>754,250</b>	<b>891,629</b>

As at 31 March 2016	Positive	Negative	Notional	Notional amounts by term to maturity		
	fair value	fair value	total	0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	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
	<b>27,885</b>	<b>29,644</b>	<b>3,560,163</b>	<b>1,886,235</b>	<b>664,542</b>	<b>1,009,386</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

### 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, wholesale and Islamic banking as all of these business lines are located in Oman. Segment information in respect of geographical locations is as follows:

<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>Unaudited 31 March 2017 RO' 000</i>	<i>Unaudited 31 March 2017 RO' 000</i>	<i>Unaudited 31 March 2017 RO' 000</i>
<i>Total</i>	<i>International</i>	<i>Oman</i>		<i>Oman</i>	<i>International</i>	<i>Total</i>
86,136	4,704	81,432	Interest income	86,216	5,671	91,887
(23,969)	(2,312)	(21,657)	Interest expense	(25,582)	(3,198)	(28,780)
8,285	-	8,285	Income from Islamic financing	11,029	-	11,029
(2,415)	-	(2,415)	Distribution to depositors	(4,671)	-	(4,671)
23,512	1,340	22,172	Commission and fee income (net)	22,150	1,477	23,627
16,478	352	16,126	Other operating income	13,137	227	13,364
108,027	4,084	103,943		102,279	4,177	106,456
<b>Segment costs</b>						
(40,243)	(2,064)	(38,179)	Other operating expenses	(38,879)	(2,396)	(41,275)
(3,199)	(73)	(3,126)	Depreciation	(3,184)	(65)	(3,249)
(43,442)	(2,137)	(41,305)		(42,063)	(2,461)	(44,524)
(150)	-	(150)	Impairment for due from banks	(150)	-	(150)
(16,949)	(1,321)	(15,628)	Impairment for credit losses	(14,628)	(3,711)	(18,339)
5,396	183	5,213	Recoveries from provision for credit losses	6,159	2,685	8,844
(3,207)	-	(3,207)	Impairment for investments available-for-sale	(638)	-	(638)
(218)	(218)	-	Share of results from an associate	-	495	495
(5,710)	(115)	(5,595)	Tax expense	(7,882)	(35)	(7,917)
(64,280)	(3,608)	(60,672)		(59,202)	(3,027)	(62,229)
43,747	476	43,271	<b>Segment profit (loss) for the year</b>	43,077	1,150	44,227
<b>Other information</b>						
12,871,363	713,915	12,157,448	Segment assets	10,080,658	801,600	10,882,258

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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 2017 (unaudited)</b>	<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>
<b>Segment revenue</b>							
Net interest income	26,096	30,901	3,588	2,522	63,107		63,107
Net income from Islamic financing					-	6,358	6,358
Commission, fees and other income	6,189	17,284	11,531	1,750	36,754	237	36,991
Operating income	32,285	48,185	15,119	4,272	99,861	6,595	106,456
<b>Segment costs</b>							
Operating expenses	(7,367)	(27,118)	(3,963)	(3,085)	(41,533)	(2,991)	(44,524)
Impairment (net)	(4,966)	(2,727)	(938)	(1,026)	(9,657)	(626)	(10,283)
Share of results of an associate				495	495		495
Tax expense	(3,071)	(2,839)	(1,530)	(30)	(7,470)	(447)	(7,917)
	(15,404)	(32,684)	(6,431)	(3,646)	(58,165)	(4,064)	(62,229)
Segment profit for the year	16,881	15,501	8,688	626	41,696	2,531	44,227
Segment assets	4,009,101	2,945,954	1,994,018	803,212	9,752,285	1,129,973	10,882,258

<b>31 March 2016 (unaudited)</b>	<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>
<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

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

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**17. ASSET LIABILITY MATURITY**

The asset and liability maturity profile was as follows

	<i>Unaudited 31 March 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 31 March 2016 RO' 000</i>
<b>ASSETS</b>			
On demand or within 3 months	3,521,292	3,932,197	6,566,197
Four months to 12 months	1,274,255	946,994	1,056,320
1 to 5 years	2,072,747	1,999,196	1,771,319
More than 5 years	4,013,964	3,941,683	3,477,527
	<b>10,882,258</b>	<b>10,820,070</b>	<b>12,871,363</b>
<b>LIABILITIES AND EQUITY</b>			
On demand or within 3 months	2,117,644	2,262,801	4,499,559
Four months to 12 months	2,270,602	1,858,238	2,472,067
1 to 5 years	3,612,313	3,946,730	2,927,172
More than 5 years	2,881,699	2,752,301	2,972,565
	<b>10,882,258</b>	<b>10,820,070</b>	<b>12,871,363</b>
<b>MISMATCH</b>			
On demand or within 3 months	1,403,648	1,669,396	2,066,638
Four months to 12 months	(996,347)	(911,244)	(1,415,747)
1 to 5 years	(1,539,566)	(1,947,534)	(1,155,853)
More than 5 years	1,132,265	1,189,382	504,962
	<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 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 31 March 2016 RO' 000</i>
Common Equity Tier I capital	1,440,714	1,408,749	1,301,911
Tier I capital	1,440,714	1,408,749	1,301,911
Tier II capital	173,713	205,678	219,277
Total regulatory capital	1,614,427	1,614,427	1,521,188
Total risk weighted assets	9,605,506	9,553,747	9,430,798
Of which: Credit risk weighted assets	8,707,329	8,613,971	8,515,987
Of which: Market risk weighted assets	163,992	205,591	228,070
Of which: Operational risk weighted assets	734,185	734,185	686,741
<b>Capital ratios :</b>			
Common Equity Tier 1	15.00%	14.75%	13.80%
Tier 1	15.00%	14.75%	13.80%
Total capital	16.81%	16.90%	16.13%

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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 31 March 2017	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	796,806	-	-	-	-	796,806	796,806
Due from banks	477,260	-	-	-	-	477,260	477,260
Loans and advances	7,102,098	-	-	-	-	7,102,098	7,102,098
Islamic financing receivables	902,416	-	-	-	-	902,416	902,416
Investment securities	-	393,873	860,134	51,005	-	1,305,012	1,303,129
	9,278,580	393,873	860,134	51,005	-	10,583,592	10,581,709
Deposits from banks	-	-	-	-	827,559	827,559	827,559
Customers' deposits	-	-	-	-	6,813,038	6,813,038	6,813,038
Islamic customers' deposits	-	-	-	-	780,287	780,287	780,287
Euro medium term notes	-	-	-	-	383,886	383,886	383,886
Subordinated liabilities/ mandatory convertible bonds	-	-	-	-	166,866	166,866	167,838
	-	-	-	-	8,971,636	8,971,636	8,972,608

As of 31 December 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	1,041,572	-	-	-	-	1,041,572	1,041,572
Due from banks	526,615	-	-	-	-	526,615	526,615
Loans and advances	7,102,323	-	-	-	-	7,102,323	7,102,323
Islamic financing receivables	855,007	-	-	-	-	855,007	855,007
Investment securities	-	395,327	563,601	50,996	-	1,009,924	1,006,673
	9,525,517	395,327	563,601	50,996	-	10,535,441	10,532,190
Deposits from banks	-	-	-	-	831,792	831,792	831,792
Customers' deposits	-	-	-	-	6,694,808	6,694,808	6,694,808
Islamic customers' deposits	-	-	-	-	762,919	762,919	762,919
Euro medium term notes	-	-	-	-	383,595	383,595	383,595
Subordinated liabilities/ mandatory convertible bonds	-	-	-	-	229,830	229,830	233,652
	-	-	-	-	8,902,944	8,902,944	8,906,766

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

As of 31 March 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	2,546,979	-	-	-	-	2,546,979	2,546,979
Due from banks	987,725	-	-	-	-	987,725	987,725
Loans and advances	6,917,473	-	-	-	-	6,917,473	6,917,473
Islamic financing receivables	664,869	-	-	-	-	664,869	664,869
Investment securities	-	441,267	962,562	51,252	-	1,455,081	1,450,964
	11,117,046	441,267	962,562	51,252	-	12,572,127	12,568,010
Deposits from banks	-	-	-	-	2,955,097	2,955,097	2,955,097
Customers' deposits / Certificates of deposit	-	-	-	-	6,974,478	6,974,478	6,974,478
Islamic customer deposits	-	-	-	-	677,854	677,854	677,854
Euro medium term notes	-	-	-	-	192,202	192,202	192,202
Subordinated liabilities/ mandatory convertible bonds	-	-	-	-	304,830	304,830	303,196
	-	-	-	-	11,104,461	11,104,461	11,102,827

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### 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 2017</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	-	19,177	-	19,177
Fair value through profit or loss	51,005	-	-	51,005
<b>Available-for-sale financial assets</b>				
- Equity securities	71,820	-	30,371	102,191
- Debt investments	272,004	-	19,678	291,682
<b>Total Assets</b>	<b>394,829</b>	<b>19,177</b>	<b>50,049</b>	<b>464,055</b>
<b>Liabilities</b>				
Derivatives	-	17,425	-	17,425
<i>As of 31 December 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	-	21,708	-	21,708
Fair value through profit or loss	50,996	-	-	50,996
<b>Available-for-sale financial assets</b>				
- Equity securities	76,378	-	31,418	107,796
- Debt investments	267,259	-	20,272	287,531
<b>Total Assets</b>	<b>394,633</b>	<b>21,708</b>	<b>51,690</b>	<b>468,031</b>
<b>Liabilities</b>				
Derivatives	-	19,121	-	19,121

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

<i>As of 31 March 2017</i>	<i>Equity RO'000</i>	<i>Debt RO'000</i>	<i>Total RO'000</i>
At 1 January 2017	31,418	20,272	51,690
Realised gain on sale	102	-	102
Gain from change in fair value	(302)	-	(302)
Additions	-	2,100	2,100
Disposals and redemption	(861)	(2,694)	(3,555)
Exchange differences	14	-	14
	<b>30,371</b>	<b>19,678</b>	<b>50,049</b>
<i>As of 31 December 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	1,342	-	1,342
Gain from change in fair value	(2,621)	-	(2,621)
Additions	1,694	18,025	19,719
Disposals and redemption	(5,854)	(23,291)	(29,145)
Exchange differences	(6)	-	(6)
	<b>31,418</b>	<b>20,272</b>	<b>51,690</b>
<i>As of 31 March 2016</i>	<i>Equity RO 000's</i>	<i>Debt RO 000's</i>	<i>Total RO 000's</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>

At 31 March 2017, 63% (31 March 16: 62%) of level 3 equity securities were valued on basis of latest available fair valuation and 37% (31 March 16: 38%) 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 2016 included for comparative purposes were reclassified