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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2017**

		<b>Unaudited 30 September 2017 RO' 000</b>	<b>Audited 31 December 2016 RO' 000</b>	<b>Unaudited 30 September 2016 RO' 000</b>
	<b>Notes</b>			
<b>ASSETS</b>				
Cash and balances with Central Banks		<b>741,404</b>	1,041,572	643,491
Due from banks		<b>675,401</b>	526,615	891,611
Loans and advances	3	<b>7,258,671</b>	7,102,323	7,032,420
Islamic financing receivables	3	<b>942,655</b>	855,007	782,067
Other assets		<b>184,239</b>	162,323	188,578
Investments securities:				
- Fair value through profit or loss	4a	<b>51,004</b>	50,996	51,018
- Available for sale	4b	<b>350,798</b>	395,327	437,387
- Held to maturity	4c	<b>788,894</b>	563,601	724,500
Investment in an associate	5	<b>48,428</b>	48,074	47,343
Property and equipment		<b>68,795</b>	74,232	72,405
		<b>11,110,289</b>	10,820,070	10,870,820
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from banks		<b>828,415</b>	831,792	793,835
Customers' deposits	6	<b>6,590,708</b>	6,694,808	6,830,883
Islamic customers' deposits	6	<b>929,704</b>	762,919	745,953
Unsecured bonds / Sukuk		<b>44,608</b>	-	-
Euro medium term notes		<b>384,509</b>	383,595	384,093
Mandatory convertible bonds		<b>32,416</b>	64,380	64,380
Other liabilities		<b>362,789</b>	337,356	354,816
Taxation		<b>32,051</b>	33,030	24,792
Subordinated liabilities		<b>127,905</b>	165,450	165,450
		<b>9,333,105</b>	9,273,330	9,364,202
<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>(348)</b>	(301)	(1,219)
Cumulative changes in fair value		<b>19,590</b>	19,234	19,360
Foreign currency translation reserve		<b>(1,647)</b>	(1,966)	(1,643)
Retained profit		<b>419,265</b>	363,895	364,146
<b>Total equity attributable to the equity holders</b>		<b>1,647,184</b>	1,546,740	1,506,618
Perpetual Tier I capital	7 (a)	<b>130,000</b>	-	-
<b>TOTAL EQUITY</b>		<b>1,777,184</b>	1,546,740	1,506,618
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,110,289</b>	10,820,070	10,870,820
<b>Net assets per share (in RO)</b>		<b>0.608</b>	0.620	0.604
<b>Contingent liabilities and commitments</b>	8	<b>2,983,037</b>	2,988,489	3,000,727

The interim condensed consolidated financial statements were approved by the Board of Directors on 29 October 2017.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period before taxation</b>	<b>152,980</b>	156,288
Adjustments for :		
Share of results from an associate	(1,782)	(1,092)
Depreciation	9,719	9,474
Impairment for investments	5,440	5,263
Impairment for credit losses	53,013	46,962
Impairment for due from banks	450	450
Recoveries from impairment for credit losses	(30,954)	(22,688)
Profit on sale of equipment	-	11
Profit on sale of investments	(2,812)	(3,308)
Dividend income	(3,382)	(4,329)
<b>Operating profit before working capital changes</b>	<b>182,672</b>	187,031
Due from banks	(216,925)	219,532
Loans and advances	(176,595)	(358,502)
Islamic financing receivables	(89,468)	(150,007)
Other assets	(21,606)	(20,401)
Deposits from banks	136,902	208,002
Customers' deposits	(103,889)	90,982
Islamic customer deposits	166,785	120,820
Unsecured bonds	44,608	-
Euro medium term notes	-	192,500
Other liabilities	26,089	(13,390)
<b>Cash generated from operating activities</b>	<b>(51,427)</b>	476,567
Income taxes paid	(23,702)	(23,159)
<b>Net cash generated from operating activities</b>	<b>(75,129)</b>	453,408
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends from an associate	1,611	1,611
Dividends received	3,382	4,329
Net movement in investments	(63,506)	(30,125)
Net movement in property and equipment	(4,282)	(5,269)
<b>Net cash used in investing activities</b>	<b>(62,795)</b>	(29,454)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(62,405)	(57,295)
Perpetual Tier I capital issued	130,000	-
Subordinated loan paid	(37,545)	(75,000)
<b>Net cash used in financing activities</b>	<b>30,050</b>	(132,295)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(107,874)</b>	291,659
Cash and cash equivalents at 1 January	1,369,008	1,371,923
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>1,261,134</b>	1,663,582
<b>Cash and cash equivalent comprises of the following:</b>	<b>RO' 000</b>	<b>RO' 000</b>
Cash and balances with Central Banks	740,904	642,991
Due from banks	553,218	634,036
Treasury bills	354,590	674,526
Deposits from banks	(387,578)	(287,971)
	<b>1,261,134</b>	1,663,582
The attached notes 1 to 20 form part of these interim condensed consolidated financial statements		

## Chairman's Report for the nine months ended 30 September 2017

Dear Shareholders,

I am glad to share with you the results achieved by the bank during the nine months ending 30 September 2017. 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 sustain growth with new opportunities in challenging market conditions.

### **Financial Overview**

The bank posted a net profit of RO 130.26 million for the period compared to RO 136.91 million reported during the same period in 2016, a decrease of 4.9 per cent.

The key highlights of the results for the period are as follows:

Net Interest Income from Conventional Banking stood at RO 189.94 million for the nine months of 2017 compared to RO 187.95 million for the same period of 2016, an increase of 1.1 per cent. Net income from Islamic financing was RO 19.08 million for the nine months of 2017 compared to RO 17.78 million for the same period of 2016, an increase of 7.3 per cent.

Non-interest income was RO 104.55 million for the nine month period ended 30 September 2017 compared to RO 108.47 million for the same period in 2016 due to reduction in exchange income and other fees.

Operating expenses for the nine month period ended 30 September 2017 was RO 134.42 million as compared to RO 129.02 million for the same period in 2016, an increase of 4.2 per cent. Impairment for credit losses for the nine month period in 2017 was RO 53.01 million as against RO 46.96 million for the same period in 2016. Recoveries from impairment for credit losses was RO 30.95 million for the nine month period of 2017 as against RO 22.69 million for the same period in 2016.

Share of income from an associate for the nine month period in 2017 was RO 1.78 million as against a RO 1.09 million for the same period in 2016.

Net Loans and advances and Islamic financing receivables increased by 5 per cent to RO 8,202 million as against RO 7,814 million as at 30 September 2016. Customer deposits (including Islamic customer deposits) decreased by 0.7 per cent to RO 7,521 million as against RO 7,577 million as at 30 September 2016.

### ***Strategic Initiatives & Key Developments***

- The bank signed an agreement with Majid Al Futtaim Properties as exclusive financing facility provider to develop the Mall of Oman project, set to open in 2020 as the largest shopping mall in Oman.
- Within four years of operations, Meethaq Islamic Banking consolidated its leadership position and crossed RO 1 billion in assets.
- The bank launched Oman's first electronic wallet – bm Wallet, enhancing secure and convenient electronic payment facility as part of the country's e-Government initiative.

### ***CSR & Sustainability Initiatives***

- The bank joined hands with the International Finance Corporation (IFC) to provide the necessary know-how and tools on green home financing as part of efforts to promote energy efficient green buildings in the country.
- The bank also kicked off a series of environmental awareness workshops to highlight energy saving initiatives. The bank joined hands with Nafath Renewable Energy to conduct the workshops targeting school students across the Sultanate.
- As part of its commitment to support the growth of small and medium enterprises, bank muscat opened the registration for a new batch at al wathbah SME Academy in Dhakhiliya region.

- Meethaq Islamic Banking, in association with the Ministry of Education, and Injaz Oman, launched the 'Little Investor programme' for 2017 to impart financial literacy to school students across the Sultanate.

### ***Accolades***

The bank reaffirmed its unrivalled leadership position, winning the Best Bank in Oman award by Banker Middle East, the Best Foreign Exchange Provider in Oman award by Global Finance, and the best straight-through-processing (STP) awards for fund transfer from Barclays Bank and Citibank. The bank also won top ranking in Business Today-EY Best Banks survey. Meethaq Islamic Banking won an award in recognition of innovative CSR initiatives benefiting various segments of society.

### ***In Conclusion***

On behalf of the Board of Directors, I take this opportunity to thank our stakeholders for the confidence reposed in the bank. 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 will soon mark the 47<sup>th</sup> National Day, we express our deep gratitude and appreciation to our leader, His Majesty Sultan Qaboos Bin Said for his vision and guidance, which have steered 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 2017**

<b>(Unaudited)</b>	<b>Share capital RO' 000</b>	<b>Share premium RO' 000</b>	<b>General reserve RO' 000</b>	<b>Legal reserve RO' 000</b>	<b>Revaluation reserve RO' 000</b>	<b>Subordinated loan reserve RO' 000</b>	<b>Cash flow hedge reserve RO' 000</b>	<b>Cumulative changes in fair value RO' 000</b>	<b>Foreign currency translation reserve RO' 000</b>	<b>Retained profit RO' 000</b>	<b>Total RO' 000</b>	<b>AET I Capital RO' 000</b>	<b>Total RO' 000</b>
<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>-</b>	<b>1,546,740</b>
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	-	<b>130,257</b>	<b>130,257</b>	-	<b>130,257</b>
<b>Share of other comprehensive income of an associate</b>	-	-	-	-	-	-	-	<b>166</b>	<b>17</b>	-	<b>183</b>	-	<b>183</b>
<b>Other comprehensive (expense) income</b>	-	-	-	-	-	-	<b>(47)</b>	<b>190</b>	<b>302</b>	-	<b>445</b>	-	<b>445</b>
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>(47)</b>	<b>356</b>	<b>319</b>	<b>130,257</b>	<b>130,885</b>	-	<b>130,885</b>
<b>Dividends paid</b>	-	-	-	-	-	-	-	-	-	<b>(62,405)</b>	<b>(62,405)</b>	-	<b>(62,405)</b>
<b>Issue of bonus shares</b>	<b>12,482</b>	-	-	-	-	-	-	-	-	<b>(12,482)</b>	-	-	-
<b>Issue of Perpetual Tier I capital</b>	-	-	-	-	-	-	-	-	-	-	-	<b>130,000</b>	<b>130,000</b>
<b>Conversion of mandatory convertible bonds</b>	<b>8,829</b>	<b>23,135</b>	-	-	-	-	-	-	-	-	<b>31,964</b>	-	<b>31,964</b>
<b>Balance as at 30 September 2017</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>(348)</b>	<b>19,590</b>	<b>(1,647)</b>	<b>419,265</b>	<b>1,647,184</b>	<b>130,000</b>	<b>1,777,184</b>

<b>(Unaudited)</b>	<b>Share capital RO' 000</b>	<b>Share premium RO' 000</b>	<b>General reserve RO' 000</b>	<b>Legal reserve RO' 000</b>	<b>Revaluation reserve RO' 000</b>	<b>Subordinated loan reserve RO' 000</b>	<b>Cash flow hedge reserve RO' 000</b>	<b>Cumulative changes in fair value RO' 000</b>	<b>Foreign currency translation reserve RO' 000</b>	<b>Retained profit RO' 000</b>	<b>Total RO' 000</b>
<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>
Profit for the period	-	-	-	-	-	-	-	-	-	136,907	136,907
Share of other comprehensive expense (income) of an associate	-	-	-	-	-	-	-	133	(17)	-	116
Other comprehensive expense	-	-	-	-	-	-	(501)	(37)	194	-	(344)
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>(501)</b>	<b>96</b>	<b>177</b>	<b>136,907</b>	<b>136,679</b>
<b>Dividends paid</b>	-	-	-	-	-	-	-	-	-	<b>(57,295)</b>	<b>(57,295)</b>
<b>Conversion 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 as at 30 September 2016</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>(1,219)</b>	<b>19,360</b>	<b>(1,643)</b>	<b>364,146</b>	<b>1,506,618</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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

		<i>Unaudited -for nine months ended- 30 September 2017 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Unaudited -for three months ended- 30 September 2017 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
	<i>Notes</i>				
Interest income	9	280,269	265,070	95,773	90,873
Interest expense	10	(90,334)	(77,120)	(31,437)	(27,339)
<b>Net interest income</b>		<b>189,935</b>	187,950	<b>64,336</b>	63,534
Income from Islamic financing / investment	9	33,967	26,974	11,693	9,895
Distribution to depositors	10	(14,883)	(9,194)	(5,010)	(3,870)
Net income from Islamic financing		19,084	17,780	6,683	6,025
<b>Net interest income and income from Islamic financing</b>		<b>209,019</b>	205,730	<b>71,019</b>	69,559
Commission and fee income (net)	11	68,092	70,623	23,896	22,925
Other operating income	12	36,461	37,846	12,091	10,969
<b>OPERATING INCOME</b>		<b>313,572</b>	314,199	<b>107,006</b>	103,453
<b>OPERATING EXPENSES</b>					
Other operating expenses		(124,706)	(119,542)	(41,823)	(39,839)
Depreciation		(9,719)	(9,474)	(3,245)	(3,119)
		<b>(134,425)</b>	(129,016)	<b>(45,068)</b>	(42,958)
Impairment for due from banks		(450)	(450)	(150)	(150)
Impairment for credit losses	3	(53,013)	(46,962)	(17,577)	(14,240)
Recoveries from impairment for credit losses	3	30,954	22,688	10,883	7,033
Impairment for investments		(5,440)	(5,263)	(1,760)	(1,468)
Share of results from an associate	5	1,782	1,092	621	611
		<b>(160,592)</b>	(157,911)	<b>(53,051)</b>	(51,172)
<b>PROFIT BEFORE TAXATION</b>		<b>152,980</b>	156,288	<b>53,955</b>	52,281
Tax expense		(22,723)	(19,381)	(8,010)	(5,841)
<b>PROFIT FOR THE PERIOD</b>		<b>130,257</b>	136,907	<b>45,945</b>	46,440
<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		302	194	76	33
Share of other comprehensive income (expense) of an associate		183	116	63	(22)
Change in fair value of investments		190	(37)	4,811	605
Change in fair value of cash flow hedge		(47)	(501)	(18)	415
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD</b>		<b>628</b>	(228)	<b>4,932</b>	1,031
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>130,885</b>	136,679	<b>50,877</b>	47,471
<b>Total comprehensive income for the period attributable to</b>					
Equity holders of Parent Company		<b>130,885</b>	136,679	<b>50,877</b>	47,471
<b>Profit attributable to</b>					
Equity holders of Parent Company		<b>130,257</b>	136,907	<b>45,945</b>	46,440
<b>Earnings per share (in RO)</b>					
- Basic and diluted	13	0.047	0.050		

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 NINE MONTHS ENDED 30 SEPTEMBER 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 157 branches (30 September 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 3,715 employees as of 30 September 2017 (30 September 2016: 3,695 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 2017, Meethaq has 19 branches (Sep 2016 - 17 branches) in the Sultanate of Oman.

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

The unaudited interim condensed consolidated financial statements for the nine month period ended 30 September 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 30 September 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 nine month period ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 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 NINE MONTHS ENDED 30 SEPTEMBER 2017

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

#### Conventional banking

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
Corporate loans	3,754,423	3,804,264	3,740,437
Overdrafts and credit cards	252,475	219,066	244,040
Loans against trust receipts / Other advances	567,261	557,315	575,856
Bills purchased and discounted	45,961	22,081	17,284
Personal and housing loans	2,962,526	2,798,849	2,738,987
	<b>7,582,646</b>	<b>7,401,575</b>	<b>7,316,604</b>
Provision for impairment	(323,975)	(299,252)	(284,184)
	<b>7,258,671</b>	<b>7,102,323</b>	<b>7,032,420</b>

#### Islamic financing receivables

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
Housing finance	445,535	389,515	370,924
Corporate finance	468,610	436,990	380,596
Consumer finance	45,013	43,140	44,282
	<b>959,158</b>	<b>869,645</b>	<b>795,802</b>
Provision for impairment	(16,503)	(14,638)	(13,735)
	<b>942,655</b>	<b>855,007</b>	<b>782,067</b>

Movement in provision for impairment is analysed below:

#### Impairment for credit losses

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
<b>1 January</b>	<b>292,237</b>	<b>274,782</b>	<b>274,782</b>
Provided during the period / year	53,013	70,288	46,962
Released during the period / year	(28,680)	(28,698)	(20,504)
Written off during the period / year	(3,049)	(2,281)	(1,287)
Transfer to memorandum portfolio	-	(23,021)	(23,021)
Transfer from memorandum portfolio	657	1,218	892
Foreign currency translation difference	77	(51)	26
<b>At 30 September / 31 December (a)</b>	<b>314,255</b>	<b>292,237</b>	<b>277,850</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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

#### Contractual interest / profit not recognised

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
<b>1 January</b>	<b>21,653</b>	22,925	22,925
Contractual interest not recognised	<b>9,327</b>	13,959	10,747
Contractual interest recovered	<b>(4,168)</b>	(4,764)	(3,471)
Written off during the period	<b>(694)</b>	(962)	(597)
Transfer from / (to) Memorandum portfolio	<b>105</b>	(9,505)	(9,534)
Translation adjustment of opening balances			(2)
<b>At 30 September / 31 December (b)</b>	<b>26,223</b>	21,653	20,068
<b>Total impairment (a) + (b)</b>	<b>340,478</b>	313,890	297,918

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 ended 30 September 2017 of RO 30,954 thousands (30 September 2016: RO 22,688 thousands) include RO 2,274 thousands (30 September 2016: RO 2,185 thousands) recovered from loans written off earlier.

At 30 September 2017, loans and advances / Islamic financing on which contractual interest is not accrued or has not been recognised were RO 253.4 million (30 September 2016 : RO 226.7 million).

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

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
On demand or within 3 months	<b>2,096,265</b>	1,977,209	1,951,395
Four months to 12 months	<b>638,443</b>	686,340	662,860
1 to 5 years	<b>1,659,817</b>	1,679,150	1,696,824
More than 5 years	<b>3,806,801</b>	3,614,631	3,503,408
	<b>8,201,326</b>	7,957,330	7,814,487

### 4. NON TRADING INVESTMENTS

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

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
<b>Quoted debt</b>			
Local bonds	<b>49,995</b>	49,995	49,995
Foreign bonds	<b>1,009</b>	1,001	1,023
	<b>51,004</b>	50,996	51,018

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**
**4. NON TRADING INVESTMENTS (continued)**
**4.b. Available for sale**

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
<b>Quoted equity</b>			
Foreign Securities	38,323	48,726	41,787
Other services sector	21,486	21,108	23,583
Unit funds	11,116	10,444	10,214
Financial services sector	5,838	5,913	6,051
Industrial sector	3,181	3,607	2,253
<b>Quoted debt</b>			
Government bonds	216,281	243,581	281,652
Foreign bonds	21,783	23,461	28,713
Local bonds	1,170	217	217
<b>Total quoted investments</b>	<b>319,178</b>	<b>357,057</b>	<b>394,470</b>
<b>Unquoted equity</b>			
Foreign securities	10,435	11,081	11,384
Local securities	18,586	19,548	19,855
Unit funds	705	789	50
<b>Unquoted debt</b>			
Local bonds	16,458	20,272	26,385
<b>Total unquoted investments</b>	<b>46,184</b>	<b>51,690</b>	<b>57,674</b>
<b>Total available for sale investments</b>	<b>365,362</b>	<b>408,747</b>	<b>452,144</b>
<b>Impairment losses on investments</b>	<b>(14,564)</b>	<b>(13,420)</b>	<b>(14,757)</b>
	<b>350,798</b>	<b>395,327</b>	<b>437,387</b>

During the period ended 30 September 2017, the Bank recorded an impairment loss of RO 5,440 thousands (30 September 2016 : RO 5,263 thousands) and disposed investments on which impairment loss of RO 4,297 thousands (30 September 2016 : RO 1,377 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 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
<b>Quoted bonds</b>	<b>219,345</b>	<b>113,749</b>	<b>79,349</b>
<b>Unquoted investments</b>			
Treasury bills	553,218	433,514	634,036
Bonds / equities	16,331	16,338	11,115
	<b>569,549</b>	<b>449,852</b>	<b>645,151</b>
	<b>788,894</b>	<b>563,601</b>	<b>724,500</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

### 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 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
At 1 January	48,074	47,746	47,746
Share of results for the period / year	1,782	1,727	1,092
Share of other comprehensive income	183	211	116
Dividend received	(1,611)	(1,610)	(1,611)
At 30 September / December	48,428	48,074	47,343

### 6. CUSTOMERS' DEPOSITS

#### Conventional customers' deposits

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
Current accounts	1,792,346	1,786,760	1,942,794
Call accounts	445,597	334,957	339,972
Savings accounts	2,362,097	2,362,820	2,323,280
Time deposits	1,881,556	2,165,481	2,176,178
Other	109,112	44,790	48,659
	6,590,708	6,694,808	6,830,883

#### Islamic customers' deposits

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
Current accounts	88,261	93,071	86,746
Savings accounts	111,159	93,457	91,699
Time deposits	606,606	451,738	440,267
Other	123,678	124,653	127,241
	929,704	762,919	745,953

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

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
On demand or within 3 months	1,453,335	1,481,551	1,500,896
Four months to 12 months	1,969,164	1,639,870	1,753,524
1 to 5 years	2,782,076	3,131,492	3,047,161
More than 5 years	1,315,837	1,204,814	1,275,255
	7,520,412	7,457,727	7,576,836

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 62.405 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 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
<b>Number of shares held</b>			
Royal Court Affairs	<b>640,144,235</b>	589,844,518	589,844,518
Dubai Financial Group LLC	<b>335,147,759</b>	308,669,563	308,669,563
<b>% of shareholding</b>			
Royal Court Affairs	<b>23.63%</b>	23.63%	23.63%
Dubai Financial Group LLC	<b>12.37%</b>	12.37%	12.37%

### 7.(a) PERPETUAL TIER I CAPITAL

On 3 April 2017, the Bank issued Additional Equity Tier 1 (AET1) capital deposit amounting to OMR 130 million. The AET1 capital constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The AET 1 capital do not have a fixed or final redemption date. They are first callable by the Bank after a minimum of 5 years from the instrument date and thereafter in accordance with the terms of the agreement and subject to prior approval of Central Bank of Oman.

The AET1 capital bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 5.5%. Thereafter the interest rate will be reset as per the terms of the agreement. Interest will be payable semi-annually in arrears and treated as deduction from equity. The Instrument meets all the requirements of AET 1 issuance as mandated by Basel and Central Bank of Oman norms.

### 8. CONTINGENT LIABILITIES

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
Letters of credit	<b>600,874</b>	715,569	655,201
Guarantees	<b>2,382,163</b>	2,272,920	2,345,526
	<b><u>2,983,037</u></b>	<u>2,988,489</u>	<u>3,000,727</u>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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

	<i>Unaudited -for nine months ended- 30 September 2017 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Unaudited -for three months ended- 30 September 2017 RO' 000</i>	<i>Unaudited September 2016 RO' 000</i>
Loans and advances	258,259	243,907	87,466	83,573
Due from banks	9,025	10,591	3,633	3,679
Investments	12,985	10,572	4,674	3,621
	<b>280,269</b>	<b>265,070</b>	<b>95,773</b>	<b>90,873</b>
Islamic financing receivable	32,085	25,257	10,982	9,317
Islamic due from banks	199	124	139	19
Islamic investment	1,683	1,593	572	559
	<b>33,967</b>	<b>26,974</b>	<b>11,693</b>	<b>9,895</b>
	<b>314,236</b>	<b>292,044</b>	<b>107,466</b>	<b>100,768</b>

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

	<i>Unaudited -for nine months ended- 30 September 2017 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Unaudited -for three months ended- 30 September 2017 RO' 000</i>	<i>Unaudited September 2016 RO' 000</i>
Customer's deposits	61,778	52,572	21,155	18,264
Subordinated liabilities/manadatory convertible bonds	7,111	11,546	2,232	3,061
Bank borrowings	9,785	6,180	3,697	2,791
Euro medium term notes	11,660	6,822	4,353	3,223
	<b>90,334</b>	<b>77,120</b>	<b>31,437</b>	<b>27,339</b>
Islamic customers deposits	12,044	8,296	4,025	3,503
Islamic bank borrowings	2,167	898	423	367
Profit paid on Sukuk	672	-	562	-
	<b>14,883</b>	<b>9,194</b>	<b>5,010</b>	<b>3,870</b>
	<b>105,217</b>	<b>86,314</b>	<b>36,447</b>	<b>31,209</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 1,293 thousands (30 September 2016 : RO 715 thousands).

### 12. OTHER OPERATING INCOME

	<i>Unaudited -for nine months ended- 30 September 2017 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Unaudited -for three months ended- 30 September 2017 RO' 000</i>	<i>Unaudited September 2016 RO' 000</i>
Foreign exchange	23,929	25,816	8,708	8,239
Profit on sale of investment securities	2,812	3,308	314	499
Dividend income	3,382	4,329	931	944
Other income	6,338	4,393	2,138	1,287
	<b>36,461</b>	<b>37,846</b>	<b>12,091</b>	<b>10,969</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 30 September 2017 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
Profit attributable to ordinary shareholders of parent company for diluted earnings per share (RO 000's)	<b>130,257</b>	136,907
Interest on convertible bonds, net of taxation (RO 000's)	<b>986</b>	1,957
	<b>131,243</b>	138,864
Weighted average number of shares in issue during the period (000's)	<b>2,786,653</b>	2,794,030
Basic and diluted earnings per share (RO)	<b>0.047</b>	0.050

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 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
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#### a) Directors and senior management

Loans and advances (gross)	<b>3,914</b>	4,445	4,871
Provision and reserve interest	-	-	-
Loans and advances (net)	<b>3,914</b>	4,445	4,871
Current, deposit and other accounts	<b>1,307</b>	646	875
Customers' liabilities under documentary credits, guarantees and other commitments	-	-	2

#### b) Major shareholders and others

Loans and advances (gross)	<b>26,658</b>	33,922	33,181
Provision and reserve interest	<b>(8,679)</b>	(8,570)	(8,505)
Loans and advances (net)	<b>17,979</b>	25,352	24,676
Current, deposit and other accounts	<b>59,032</b>	60,903	92,917
Customers' liabilities under documentary credits, guarantees and other commitments	<b>11,341</b>	9,167	12,166

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

	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
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#### a) Directors and senior management

Interest income	108	147
Interest expenditure	14	14

#### b) Major shareholders and others

Interest income	920	949
Interest expenditure	1,294	652

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

**15. DERIVATIVES**

<b>As at 30 September 2017 (unaudited)</b>	<b>Positive fair value RO' 000</b>	<b>Negative fair value RO' 000</b>	<b>Notional total RO' 000</b>	<b>Notional amounts by term to maturity</b>		
				<b>0-3 months RO' 000</b>	<b>4-12 months RO' 000</b>	<b>&gt; 12 months RO' 000</b>
Fair value hedge	-	1,366	384,191	-	-	384,191
Cash flow hedge	-	410	58,905	-	-	58,905
Interest rate swaps	8,788	8,788	447,642	-	28,201	419,441
Cross currency swap	-	-	-	-	-	-
Currency options - bought	236	-	43,501	16,412	26,653	436
Currency options - sold	-	236	43,513	16,424	26,653	436
Commodities purchase contracts	6,000	374	122,146	109,082	12,962	102
Commodities sale contracts	392	4,811	111,336	105,051	6,183	102
Forward purchase contracts	1,901	1,599	1,206,852	756,047	380,923	69,882
Forward sales contracts	6,067	6,392	1,213,094	762,209	382,871	68,014
	<b>23,384</b>	<b>23,976</b>	<b>3,631,180</b>	<b>1,765,225</b>	<b>864,446</b>	<b>1,001,509</b>

<b>As at 31 December 2016 (audited)</b>	<b>Positive fair value RO' 000</b>	<b>Negative fair value RO' 000</b>	<b>Notional total RO' 000</b>	<b>Notional amounts by term to maturity</b>		
				<b>0-3 months RO' 000</b>	<b>4-12 months RO' 000</b>	<b>&gt; 12 months RO' 000</b>
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>

<b>As at 30 September 2016 (unaudited)</b>	<b>Positive fair value RO' 000</b>	<b>Negative fair value RO' 000</b>	<b>Notional total RO' 000</b>	<b>Notional amounts by term to maturity</b>		
				<b>0-3 months RO' 000</b>	<b>4-12 months RO' 000</b>	<b>&gt; 12 months RO' 000</b>
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	62,058	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
	<b>25,097</b>	<b>27,254</b>	<b>4,048,133</b>	<b>2,422,863</b>	<b>693,071</b>	<b>932,199</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 30 September 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>		<i>Unaudited 30 September 2017 RO' 000</i>	<i>Unaudited 30 September 2017 RO' 000</i>	<i>Unaudited 30 September 2017 RO' 000</i>
<i>Total</i>	<i>International</i>	<i>Oman</i>		<i>Oman</i>	<i>International</i>	<i>Total</i>
265,070	15,240	249,830	Interest income	263,118	17,151	280,269
(77,120)	(8,355)	(68,765)	Interest expense	(80,947)	(9,387)	(90,334)
26,974	-	26,974	Income from Islamic financing	33,967	-	33,967
(9,194)	-	(9,194)	Distribution to depositors	(14,883)	-	(14,883)
70,623	4,069	66,554	Commission and fee income (net)	63,682	4,410	68,092
37,846	844	37,002	Other operating income	35,832	629	36,461
314,199	11,798	302,401		300,769	12,803	313,572
			<b>Segment costs</b>			
(119,542)	(6,255)	(113,287)	Other operating expenses	(118,110)	(6,596)	(124,706)
(9,474)	(209)	(9,265)	Depreciation	(9,521)	(198)	(9,719)
(129,016)	(6,464)	(122,552)		(127,631)	(6,794)	(134,425)
(450)	-	(450)	Impairment for due from banks	(450)	-	(450)
(46,962)	(8,088)	(38,874)	Impairment for credit losses	(43,922)	(9,091)	(53,013)
			Recoveries from provision for credit losses	24,957	5,997	30,954
			Impairment for investments available-for-sale	(5,440)	-	(5,440)
1,092	1,092	-	Share of results from an associate	-	1,782	1,782
(19,381)	(36)	(19,345)	Tax expense	(22,488)	(235)	(22,723)
(177,292)	(11,162)	(166,130)		(174,974)	(8,341)	(183,315)
136,907	636	136,271	<b>Segment profit (loss) for the year</b>	125,795	4,462	130,257
			<b>Other information</b>			
10,870,820	717,549	10,153,271	Segment assets	10,444,806	665,483	11,110,289

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

**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>30 September 2017 (unaudited)</b>	<b>Corporate banking RO '000</b>	<b>Consumer banking RO '000</b>	<b>Wholesale banking RO '000</b>	<b>International banking* RO '000</b>	<b>Subtotal RO '000</b>	<b>Islamic banking RO '000</b>	<b>Total RO '000</b>
<b>Segment revenue</b>							
Net interest income	79,229	91,153	11,671	7,882	189,935		189,935
Net income from Islamic financing					-	19,084	19,084
Commission, fees and other income	18,951	46,771	31,753	5,231	102,706	1,847	104,553
Operating income	98,180	137,924	43,424	13,113	292,641	20,931	313,572
<b>Segment costs</b>							
Operating expenses	(20,784)	(83,709)	(11,939)	(8,460)	(124,892)	(9,533)	(134,425)
Impairment (net)	(10,850)	(5,834)	(5,129)	(3,094)	(24,907)	(3,042)	(27,949)
Share of results of an associate				1,782	1,782		1,782
Tax expense	(9,827)	(7,231)	(4,114)	(298)	(21,470)	(1,253)	(22,723)
	(41,461)	(96,774)	(21,182)	(10,070)	(169,487)	(13,828)	(183,315)
Segment profit for the year	56,719	41,150	22,242	3,043	123,154	7,103	130,257
Segment assets	4,087,953	3,079,141	2,125,013	666,398	9,958,505	1,151,784	11,110,289

<b>30 September 2016 (unaudited)</b>	<b>Corporate banking RO '000</b>	<b>Consumer banking RO '000</b>	<b>Wholesale banking RO '000</b>	<b>International banking* RO '000</b>	<b>Subtotal RO '000</b>	<b>Islamic banking RO '000</b>	<b>Total RO '000</b>
<b>Segment revenue</b>							
Net interest income	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
<b>Segment costs</b>							
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

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 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
<b>ASSETS</b>			
On demand or within 3 months	3,815,986	3,932,197	4,006,384
Four months to 12 months	1,037,403	946,994	1,043,538
1 to 5 years	2,030,586	1,999,196	2,021,848
More than 5 years	4,226,314	3,941,683	3,799,050
	<b>11,110,289</b>	<b>10,820,070</b>	<b>10,870,820</b>
<b>LIABILITIES AND EQUITY</b>			
On demand or within 3 months	2,072,864	2,262,801	2,010,389
Four months to 12 months	2,468,837	1,858,238	2,241,811
1 to 5 years	3,474,960	3,946,730	3,770,559
More than 5 years	3,093,628	2,752,301	2,848,061
	<b>11,110,289</b>	<b>10,820,070</b>	<b>10,870,820</b>
<b>MISMATCH</b>			
On demand or within 3 months	1,743,122	1,669,396	1,995,995
Four months to 12 months	(1,431,434)	(911,244)	(1,198,273)
1 to 5 years	(1,444,374)	(1,947,534)	(1,748,711)
More than 5 years	1,132,686	1,189,382	950,989
	<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 30 September 2017 RO' 000</i>	<i>Audited 31 December 2016 RO' 000</i>	<i>Unaudited 30 September 2016 RO' 000</i>
Common Equity Tier I capital	1,440,714	1,408,749	1,301,911
AET I capital deposit	130,000	-	-
Tier I capital	<b>1,570,714</b>	1,408,749	1,301,911
Tier II capital	173,713	205,678	219,277
Total regulatory capital	<b>1,744,427</b>	1,614,427	1,521,188
Total risk weighted assets	9,962,034	9,553,347	9,335,996
Of which: Credit risk weighted assets	9,058,583	8,613,571	8,452,928
Of which: Market risk weighted assets	169,266	205,591	196,327
Of which: Operational risk weighted assets	734,185	734,185	686,741
<b>Capital ratios :</b>			
Common Equity Tier 1	<b>14.46%</b>	14.75%	13.95%
Tier 1	<b>15.77%</b>	14.75%	13.95%
Total capital	<b>17.51%</b>	16.90%	16.29%

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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 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
<b>Cash and balances with Central Banks</b>	<b>741,404</b>	-	-	-	-	<b>741,404</b>	<b>741,404</b>
<b>Due from banks</b>	<b>675,401</b>	-	-	-	-	<b>675,401</b>	<b>675,401</b>
<b>Loans and advances</b>	<b>7,258,671</b>	-	-	-	-	<b>7,258,671</b>	<b>7,258,671</b>
<b>Islamic financing receivables</b>	<b>942,655</b>	-	-	-	-	<b>942,655</b>	<b>942,655</b>
<b>Investment securities</b>	-	<b>350,798</b>	<b>788,894</b>	<b>51,004</b>	-	<b>1,190,696</b>	<b>1,188,290</b>
	<b>9,618,131</b>	<b>350,798</b>	<b>788,894</b>	<b>51,004</b>	-	<b>10,808,827</b>	<b>10,806,421</b>
<b>Deposits from banks</b>	-	-	-	-	<b>828,415</b>	<b>828,415</b>	<b>828,415</b>
<b>Customers' deposits</b>	-	-	-	-	<b>6,590,708</b>	<b>6,590,708</b>	<b>6,590,708</b>
<b>Islamic customers' deposits</b>	-	-	-	-	<b>929,704</b>	<b>929,704</b>	<b>929,704</b>
<b>Euro medium term notes</b>	-	-	-	-	<b>384,509</b>	<b>384,509</b>	<b>384,509</b>
<b>Unsecured bonds / Sukuk</b>	-	-	-	-	<b>44,608</b>	<b>44,608</b>	<b>44,251</b>
<b>Subordinated liabilities/ mandatory convertible bonds</b>	-	-	-	-	<b>160,321</b>	<b>160,321</b>	<b>162,590</b>
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,938,265</b>	<b>8,938,265</b>	<b>8,940,177</b>

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
	<b>9,525,517</b>	<b>395,327</b>	<b>563,601</b>	<b>50,996</b>	-	<b>10,535,441</b>	<b>10,532,190</b>
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
	-	-	-	-	<b>8,902,944</b>	<b>8,902,944</b>	<b>8,906,766</b>

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
	<b>9,349,589</b>	<b>437,387</b>	<b>724,500</b>	<b>51,018</b>	-	<b>10,562,494</b>	<b>10,560,485</b>
Deposits from banks	-	-	-	-	793,835	793,835	793,835
Customers' deposits / Certificates of deposit	-	-	-	-	6,830,883	6,830,883	6,830,883
Islamic customer 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
	-	-	-	-	<b>8,984,594</b>	<b>8,984,594</b>	<b>8,985,211</b>



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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 30 September 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	-	23,384	-	23,384
Fair value through profit or loss	51,004	-	-	51,004
<b>Available-for-sale financial assets</b>				
- Equity securities	65,380	-	29,726	95,106
- Debt investments	239,234	-	16,458	255,692
<b>Total Assets</b>	<b>355,618</b>	<b>23,384</b>	<b>46,184</b>	<b>425,186</b>
<b>Liabilities</b>				
Derivatives	-	23,976	-	23,976
<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 30 September 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	203	-	203
Gain from change in fair value	(453)	-	(453)
Additions	275	3,300	3,575
Disposals and redemption	(1,741)	(7,114)	(8,855)
Exchange differences	24	-	24
	<b>29,726</b>	<b>16,458</b>	<b>46,184</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 30 September 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	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
	<b>31,289</b>	<b>26,385</b>	<b>57,674</b>

At 30 September 2017, 64% (30 September 16: 63%) of level 3 equity securities were valued on basis of latest available fair valuation and 36% (30 September 16: 37%) 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