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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

bank muscat SAOG (the Bank or the Parent Company) is a joint stock company incorporated in the Sultanate of Oman and is engaged in commercial and investment banking activities through a network of 154 branches (30 June 2015 : 151 branches) within the Sultanate of Oman and one branch each in Riyadh, Kingdom of Saudi Arabia and Kuwait. The Bank has representative offices in Dubai, United Arab Emirates and Singapore. The Bank has a subsidiary in Riyadh, Kingdom of Saudi Arabia. The Bank operates in Oman under a banking license issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank has its primary listing on the Muscat Securities Market.

The Bank employed 3,707 employees as of 30 June 2016 (30 June 2015: 3,622 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 June 2016, Meethaq has 17 branches (Jun 2015 - 13 branches) in the Sultanate of Oman.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the three month period ended 30 June 2016 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the Capital Market Authority (CMA).

For the period ended 30 June 2016, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2016. The adoption of new and revised standards and interpretations has not resulted in any major changes to the Group's accounting policies and has not affected the amounts reported for the current and prior periods.

The unaudited interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the six month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year 2016.



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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

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

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

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



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

**Conventional banking**

	<i>Unaudited 30 June 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>
Corporate loans	3,650,390	3,578,502	3,446,085
Overdrafts and credit cards	255,950	275,592	244,157
Loans against trust receipts / Other advances	555,682	560,725	495,124
Bills purchased and discounted	21,698	24,438	57,016
Personal and housing loans	<u>2,672,697</u>	<u>2,542,866</u>	<u>2,415,538</u>
	<b>7,156,417</b>	<b>6,982,123</b>	<b>6,657,920</b>
Provision for impairment	<u>(308,016)</u>	<u>(286,637)</u>	<u>(265,797)</u>
	<b><u>6,848,401</u></b>	<b><u>6,695,486</u></b>	<b><u>6,392,123</u></b>

**Islamic financing receivables**

	<i>Unaudited 30 June 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>
Housing finance	357,024	328,545	304,362
Corporate finance	360,702	272,019	127,964
Consumer finance	<u>44,252</u>	<u>45,235</u>	<u>41,720</u>
	<b>761,978</b>	<b>645,799</b>	<b>474,046</b>
Provision for impairment	<u>(12,917)</u>	<u>(11,070)</u>	<u>(8,628)</u>
	<b><u>749,061</u></b>	<b><u>634,729</u></b>	<b><u>465,418</u></b>

Movement in provision for impairment is analysed below:

**Impairment for credit losses**

	<i>Unaudited 30 June 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>
<b>1 January</b>	<b>274,782</b>	<b>237,750</b>	<b>237,750</b>
Provided during the period / year	32,722	71,984	27,601
Released during the period / year	(13,601)	(34,888)	(15,646)
Written off during the period / year	(1,065)	(1,446)	(474)
Transfer from memorandum portfolio	594	1,575	920
Foreign currency translation difference	16	(120)	(107)
Transfer to collateral pending sale	-	(73)	-
<b>At 30 June / 31 December (a)</b>	<b><u>293,448</u></b>	<b><u>274,782</u></b>	<b><u>250,044</u></b>



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

**Contractual interest / profit not recognised**

	<i>Unaudited</i> 30 June 2016 RO' 000	<i>Audited</i> 31 December 2015 RO' 000	<i>Unaudited</i> 30 June 2015 RO' 000
<b>1 January</b>	<b>22,925</b>	21,144	21,144
Contractual interest not recognised	<b>7,176</b>	11,690	6,430
Contractual interest recovered	<b>(2,062)</b>	(9,488)	(3,087)
Written off during the period	<b>(521)</b>	(514)	(171)
Transfer from / (to) Memorandum portfolio	<b>(31)</b>	93	65
<b>At 30 June / 31 December (b)</b>	<b>27,487</b>	22,925	24,381
<b>Total impairment (a) + (b)</b>	<b>320,935</b>	297,707	274,425

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 15,655 thousands (30 June 2015: RO 16,488 thousands) include RO 2,054 thousands (30 June 2015: RO 842 thousands) recovered from loans written off earlier.

At 30 June 2016, loans and advances / Islamic financing on which contractual interest is not accrued or has not been recognised were RO 254.6 million (30 June 2015 : RO 213.6 million).

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

	<i>Unaudited</i> 30 June 2016 RO' 000	<i>Audited</i> 31 December 2015 RO' 000	<i>Unaudited</i> 30 June 2015 RO' 000
On demand or within 3 months	<b>1,770,430</b>	1,860,781	1,795,333
Four months to 12 months	<b>705,036</b>	657,730	677,703
1 to 5 years	<b>1,676,315</b>	1,579,434	1,366,269
More than 5 years	<b>3,445,681</b>	3,232,270	3,018,236
	<b>7,597,462</b>	7,330,215	6,857,541

**4. NON TRADING INVESTMENTS**

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

	<i>Unaudited</i> 30 June 2016 RO' 000	<i>Audited</i> 31 December 2015 RO' 000	<i>Unaudited</i> 30 June 2015 RO' 000
<b>Quoted debt</b>			
Local bonds	<b>49,995</b>	50,250	-
Foreign bonds	<b>1,006</b>	977	1,397
	<b>51,001</b>	51,227	1,397



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

**4.b. Available for sale**

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2016</i>	<i>2015</i>	<i>2015</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
<b>Quoted equity</b>			
Foreign securities	<b>39,802</b>	39,086	32,707
Other services sector	<b>23,873</b>	26,066	25,951
Unit funds	<b>10,324</b>	7,981	10,094
Financial services sector	<b>6,282</b>	5,860	6,065
Industrial sector	<b>1,493</b>	1,379	1,069
<b>Quoted debt</b>			
Government bonds	<b>280,963</b>	283,196	213,754
Foreign bonds	<b>31,319</b>	29,546	29,979
Local bonds	<b>3,217</b>	328	330
<b>Total quoted investments</b>	<b>397,273</b>	393,442	319,949
<b>Unquoted equity</b>			
Foreign securities	<b>11,710</b>	14,862	14,588
Local securities	<b>18,954</b>	21,223	8,818
Unit funds	<b>796</b>	778	50
<b>Unquoted debt</b>			
Local bonds	<b>25,019</b>	25,538	30,498
<b>Total unquoted investments</b>	<b>56,479</b>	62,401	53,954
<b>Total available for sale investments</b>	<b>453,752</b>	455,843	373,903
<b>Impairment losses on investments</b>	<b>(13,289)</b>	(10,870)	(8,329)
	<b>440,463</b>	444,973	365,574

During the period ended 30 June 2016, the Bank recorded an impairment loss of RO 3,795 thousands and disposed investments on which impairment loss of RO 1,377 thousand was earlier recorded.

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

**4.c. Held to maturity**

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2016</i>	<i>2015</i>	<i>2015</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
<b>Quoted bonds</b>	<b>86,031</b>	53,590	67,714
<b>Unquoted investments</b>			
Treasury bills	<b>472,771</b>	967,648	729,991
Bonds / equities	<b>1,256</b>	946	5,935
	<b>474,027</b>	968,594	735,926
	<b>560,058</b>	1,022,184	803,640



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**5. INVESTMENT IN AN ASSOCIATE**

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

	<i>Unaudited</i> 30 June 2016 RO' 000	<i>Audited</i> 31 December 2015 RO' 000	<i>Unaudited</i> 30 June 2015 RO' 000
At 1 January	47,746	47,449	47,449
Share of results for the period / year	481	2,561	1,071
Share of other comprehensive income	138	(617)	(18)
Dividend received	(1,610)	(1,647)	(1,612)
At 30 June / December	<u>46,755</u>	<u>47,746</u>	<u>46,890</u>

**6. CUSTOMERS' DEPOSITS**

**Conventional customers' deposits**

	<i>Unaudited</i> 30 June 2016 RO' 000	<i>Audited</i> 31 December 2015 RO' 000	<i>Unaudited</i> 30 June 2015 RO' 000
Current accounts	2,103,606	2,016,337	2,246,104
Call accounts	337,517	316,973	339,391
Savings accounts	2,340,627	2,228,766	2,171,975
Time deposits	2,079,995	2,117,908	2,102,507
Other	46,256	58,331	54,359
	<u>6,908,001</u>	<u>6,738,315</u>	<u>6,914,336</u>

**Islamic customers' deposits**

	<i>Unaudited</i> 30 June 2016 RO' 000	<i>Audited</i> 31 December 2015 RO' 000	<i>Unaudited</i> 30 June 2015 RO' 000
Current accounts	85,819	66,319	42,119
Savings accounts	84,173	60,955	50,818
Time deposits	434,437	407,571	410,555
Other	128,147	90,288	6,532
	<u>732,576</u>	<u>625,133</u>	<u>510,024</u>

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

	<i>Unaudited</i> 30 June 2016 RO' 000	<i>Audited</i> 31 December 2015 RO' 000	<i>Unaudited</i> 30 June 2015 RO' 000
On demand or within 3 months	1,554,594	1,449,659	1,667,808
Four months to 12 months	1,882,620	1,902,538	2,071,366
1 to 5 years	2,800,831	2,526,317	2,441,991
More than 5 years	1,402,532	1,484,934	1,243,195
	<u>7,640,577</u>	<u>7,363,448</u>	<u>7,424,360</u>

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**7. SHARE CAPITAL**

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

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

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

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

**8. CONTINGENT LIABILITIES**

	<i>Unaudited</i> <i>30 June</i> <i>2016</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 June</i> <i>2015</i> <i>RO' 000</i>
Letters of credit	<b>709,859</b>	818,735	784,612
Guarantees	<b>2,285,512</b>	2,367,677	2,203,554
	<b><u>2,995,371</u></b>	<u>3,186,412</u>	<u>2,988,166</u>



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**9. INTEREST INCOME / INCOME ON ISLAMIC FINANCING / INVESTMENT**

	<i>Unaudited -for six months ended- 30 June 2016 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>	<i>Unaudited -for three months ended- 30 June 2016 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>
Loans and advances	160,334	150,368	81,030	75,250
Due from banks	6,912	5,122	3,458	2,496
Investments	6,951	5,827	3,573	3,178
	<b>174,197</b>	161,317	<b>88,061</b>	80,924
Islamic financing receivable	15,940	11,884	8,223	6,151
Islamic due from banks	105	30	52	9
Islamic investment	1,034	202	519	112
	<b>17,079</b>	12,116	<b>8,794</b>	6,272
	<b>191,276</b>	173,433	<b>96,855</b>	87,196

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

	<i>Unaudited -for six months ended- 30 June 2016 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>	<i>Unaudited -for three months ended- 30 June 2016 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>
Customer's deposits	34,308	32,145	17,528	16,528
Subordinated liabilities/mandatory convertible bonds	8,485	9,452	3,662	4,863
Certificates of deposits	-	486	-	91
Bank borrowings	3,389	1,774	2,118	422
Euro medium term notes	3,599	2,012	2,504	618
	<b>49,781</b>	45,869	<b>25,812</b>	22,522
Islamic customers deposits	4,793	2,619	2,559	1,436
Islamic bank borrowings	531	285	350	137
	<b>5,324</b>	2,904	<b>2,909</b>	1,573
	<b>55,105</b>	48,773	<b>28,721</b>	24,095

**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 474 K (30 June 2015 : RO 390 K).

**12. OTHER OPERATING INCOME**

	<i>Unaudited -for six months ended- 30 June 2016 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>	<i>Unaudited -for three months ended- 30 June 2016 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>
Foreign exchange	17,577	18,500	5,857	10,508
Profit on sale of investment securities	2,809	2,536	1,651	1,162
Dividend income	3,385	2,141	1,637	284
Other income	3,106	3,668	1,254	2,002
	<b>26,877</b>	26,845	<b>10,399</b>	13,956





**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**13. EARNINGS PER SHARE**

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

	<i>Unaudited</i> <i>30 June</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 June</i> <i>2015</i> <i>RO' 000</i>
<b>a) Basic earnings per share</b>		
Profit attributable to ordinary shareholders of parent company for basic earnings per share (RO 000's)	<u>90,467</u>	89,815
Weighted average number of shares outstanding during the period (RO in 000's)	<u>2,457,255</u>	2,406,414
Basic earnings per share (RO)	<u>0.037</u>	0.037
<b>b) Diluted earnings per share</b>		
Profit attributable to ordinary shareholders of parent company for diluted earnings per share (RO 000's)	<u>90,467</u>	89,815
Interest on convertible bonds, net of taxation (RO 000's)	<u>1,392</u>	1,501
	<u>91,859</u>	91,316
Weighted average number of shares in issue during the period (000's)	<u>2,630,171</u>	2,621,539
Diluted earnings per share (RO)	<u>0.035</u>	0.035

**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> <i>30 June</i> <i>2016</i> <i>RO' 000</i>	<i>Audited</i> <i>31 December</i> <i>2015</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 June</i> <i>2015</i> <i>RO' 000</i>
<b>a) Directors and senior management</b>			
Loans and advances (gross)	4,022	3,202	3,072
Provision and reserve interest	-	-	-
Loans and advances (net)	<u>4,022</u>	<u>3,202</u>	<u>3,072</u>
Current, deposit and other accounts	1,888	937	813
Customers' liabilities under documentary credits, guarantees and other commitments	2	-	-
<b>b) Major shareholders and others</b>			
Loans and advances (gross)	28,968	39,578	33,338
Provision and reserve interest	<u>(8,516)</u>	<u>(8,452)</u>	<u>(8,387)</u>
Loans and advances (net)	<u>20,452</u>	<u>31,126</u>	<u>24,951</u>
Current, deposit and other accounts	47,288	44,353	75,961
Customers' liabilities under documentary credits, guarantees and other commitments	13,243	13,983	15,484

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

	<i>Unaudited</i> <i>30 June</i> <i>2016</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30 June</i> <i>2015</i> <i>RO' 000</i>
<b>a) Directors and senior management</b>		
Interest income	98	119
Interest expenditure	11	3
<b>b) Major shareholders and others</b>		
Interest income	692	844
Interest expenditure	325	332

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

As at 30 June 2016	Positive	Negative	Notional total	Notional amounts by term to maturity		
	fair value	fair value		0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Fair value hedge	1,320	-	518,390	-	-	518,390
Cash flow hedge	-	1,857	65,450	-	-	65,450
Interest rate swaps	13,750	13,754	310,072	10,324	-	299,748
Cross currency swap	-	3,691	222,500	-	145,500	77,000
Currency options - bought	401	-	77,949	39,585	38,364	-
Currency options - sold	-	401	77,935	39,571	38,364	-
Commodities purchase contracts	3,929	712	90,513	53,595	36,443	475
Commodities sale contracts	721	3,877	66,392	47,971	17,946	475
Forward purchase contracts	2,730	4,567	1,039,483	689,599	249,624	100,260
Forward sales contracts	7,253	3,283	1,056,845	694,266	264,202	98,377
	<b>30,104</b>	<b>32,142</b>	<b>3,525,529</b>	<b>1,574,911</b>	<b>790,443</b>	<b>1,160,175</b>

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

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**16. SEGMENTAL INFORMATION**

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

<i>Unaudited 30 June 2015 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>		<i>Unaudited 30 June 2016 RO' 000</i>	<i>Unaudited 30 June 2016 RO' 000</i>	<i>Unaudited 30 June 2016 RO' 000</i>
<i>Total</i>	<i>International</i>	<i>Oman</i>		<i>Oman</i>	<i>International</i>	<i>Total</i>
161,317	6,928	154,389	Interest income	164,493	9,704	174,197
(45,869)	(2,152)	(43,717)	Interest expense	(44,596)	(5,185)	(49,781)
12,116	-	12,116	Income from Islamic financing	17,079	-	17,079
(2,904)	-	(2,904)	Distribution to depositors	(5,324)	-	(5,324)
48,666	3,307	45,359	Commission and fee income (net)	44,878	2,820	47,698
26,845	1,081	25,764	Other operating income	26,259	618	26,877
200,171	9,164	191,007		202,789	7,957	210,746
<b>Segment costs</b>						
(78,653)	(4,573)	(74,080)	Other operating expenses	(75,563)	(4,140)	(79,703)
(5,479)	(139)	(5,340)	Depreciation	(6,212)	(143)	(6,355)
(84,132)	(4,712)	(79,420)		(81,775)	(4,283)	(86,058)
(300)	-	(300)	Impairment for due from banks	(300)	-	(300)
(27,601)	(9,536)	(18,065)	Impairment for credit losses	(28,664)	(4,058)	(32,722)
16,488	306	16,182	Recoveries from provision for credit losses	14,303	1,352	15,655
(2,032)	-	(2,032)	Impairment for investments available-for-sale	(3,795)	-	(3,795)
1,071	1,071	-	Share of results from an associate	-	481	481
(13,850)	(45)	(13,805)	Tax expense	(13,442)	(98)	(13,540)
(110,356)	(12,916)	(97,440)		(113,673)	(6,606)	(120,279)
89,815	(3,752)	93,567	<b>Segment profit (loss) for the year</b>	89,116	1,351	90,467
<b>Other information</b>						
11,837,983	604,414	11,233,569	Segment assets	12,349,333	701,302	13,050,635



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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>30 June 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	49,829	67,256	2,771	4,560	124,416		124,416
Net income from Islamic financing					-	11,755	11,755
Commission, fees and other income	11,513	31,567	27,372	3,486	73,938	637	74,575
<b>Operating income</b>	<b>61,342</b>	<b>98,823</b>	<b>30,143</b>	<b>8,046</b>	<b>198,354</b>	<b>12,392</b>	<b>210,746</b>
<b>Segment costs</b>							
Operating expenses	(13,529)	(53,578)	(7,805)	(5,365)	(80,277)	(5,781)	(86,058)
Impairment (net)	(5,379)	(6,096)	(4,395)	(3,534)	(19,404)	(1,758)	(21,162)
Share of results of an associate				481	481		481
Tax expense	(5,670)	(5,016)	(2,347)	75	(12,958)	(582)	(13,540)
	(24,578)	(64,690)	(14,547)	(8,343)	(112,158)	(8,121)	(120,279)
<b>Segment profit for the year</b>	<b>36,764</b>	<b>34,133</b>	<b>15,596</b>	<b>(297)</b>	<b>86,196</b>	<b>4,271</b>	<b>90,467</b>
<b>Segment assets</b>	<b>3,898,407</b>	<b>2,824,488</b>	<b>4,715,297</b>	<b>702,905</b>	<b>12,141,097</b>	<b>909,538</b>	<b>13,050,635</b>

<b>30 June 2015 (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	43,069	50,736	16,831	4,812	115,448	-	115,448
Net income from Islamic financing	-	-	-	-	-	9,212	9,212
Commission, fees and other income	10,076	33,317	26,815	4,568	74,776	735	75,511
<b>Operating income</b>	<b>53,145</b>	<b>84,053</b>	<b>43,646</b>	<b>9,380</b>	<b>190,224</b>	<b>9,947</b>	<b>200,171</b>
<b>Segment costs</b>							
Operating expenses	(13,056)	(53,429)	(7,370)	(5,858)	(79,713)	(4,419)	(84,132)
Impairment (net)	(6,249)	(687)	(2,632)	(2,892)	(12,460)	(985)	(13,445)
Share of results of an associate	-	-	-	1,071	1,071	-	1,071
Tax expense	(4,770)	(4,169)	(4,236)	(62)	(13,237)	(613)	(13,850)
	(24,075)	(58,285)	(14,238)	(7,741)	(104,339)	(6,017)	(110,356)
<b>Segment profit for the year</b>	<b>29,070</b>	<b>25,768</b>	<b>29,408</b>	<b>1,639</b>	<b>85,885</b>	<b>3,930</b>	<b>89,815</b>
<b>Segment assets</b>	<b>3,823,879</b>	<b>2,554,512</b>	<b>4,247,811</b>	<b>608,272</b>	<b>11,234,474</b>	<b>603,509</b>	<b>11,837,983</b>

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

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

The asset and liability maturity profile was as follows

	<i>Unaudited 30 June 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>
<b>ASSETS</b>			
On demand or within 3 months	6,462,394	5,558,316	5,753,405
Four months to 12 months	1,086,083	1,639,173	1,161,385
1 to 5 years	1,830,062	1,872,759	1,672,753
More than 5 years	3,672,096	3,474,281	3,250,440
	<b>13,050,635</b>	<b>12,544,529</b>	<b>11,837,983</b>
<b>LIABILITIES AND EQUITY</b>			
On demand or within 3 months	4,169,373	4,285,435	3,863,723
Four months to 12 months	2,424,986	2,197,290	2,303,853
1 to 5 years	3,528,551	3,113,664	3,048,658
More than 5 years	2,927,725	2,948,140	2,621,749
	<b>13,050,635</b>	<b>12,544,529</b>	<b>11,837,983</b>
<b>MISMATCH</b>			
On demand or within 3 months	2,293,021	1,272,881	1,889,682
Four months to 12 months	(1,338,903)	(558,117)	(1,142,468)
1 to 5 years	(1,698,489)	(1,240,905)	(1,375,905)
More than 5 years	744,371	526,141	628,691
	<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 June 2016 RO' 000</i>	<i>Audited 31 December 2015 RO' 000</i>	<i>Unaudited 30 June 2015 RO' 000</i>
Common Equity Tier I capital	1,301,911	1,271,637	1,159,336
Tier I capital	1,301,911	1,271,637	1,159,336
Tier II capital	219,277	249,551	264,340
Total regulatory capital	1,521,188	1,521,188	1,423,676
Total risk weighted assets	9,249,516	9,447,263	8,845,822
Of which: Credit risk weighted assets	8,372,234	8,347,170	7,942,910
Of which: Market risk weighted assets	190,541	413,352	267,894
Of which: Operational risk weighted assets	686,741	686,741	635,018
<b>Capital ratios :</b>			
Common Equity Tier 1	14.08%	13.46%	13.11%
Tier 1	14.08%	13.46%	13.11%
Total capital	16.45%	16.10%	16.09%



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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 June 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
<b>Cash and balances with Central Banks</b>	3,026,444	-	-	-	-	3,026,444	3,026,444
<b>Due from banks</b>	1,058,662	-	-	-	-	1,058,662	1,058,662
<b>Loans and advances</b>	6,848,401	-	-	-	-	6,848,401	6,848,401
<b>Islamic financing receivables</b>	749,061	-	-	-	-	749,061	749,061
<b>Investment securities</b>	-	440,463	560,058	51,001	-	1,051,522	1,048,773
	<b>11,682,568</b>	<b>440,463</b>	<b>560,058</b>	<b>51,001</b>	<b>-</b>	<b>12,734,090</b>	<b>12,731,341</b>
<b>Deposits from banks</b>	-	-	-	-	2,951,459	2,951,459	2,951,459
<b>Customers' deposits</b>	-	-	-	-	6,908,001	6,908,001	6,908,001
<b>Islamic customers' deposits</b>	-	-	-	-	732,576	732,576	732,576
<b>Euro medium term notes</b>	-	-	-	-	385,130	385,130	385,130
<b>Subordinated liabilities/ mandatory convertible bonds</b>	-	-	-	-	229,830	229,830	232,072
	-	-	-	-	11,206,996	11,206,996	11,209,238

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

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

As of 30 June 2015	Loans and receivables RO' 000	Available-for-sale RO' 000	Held-to-maturity RO' 000	Fair value through profit or loss RO' 000	Other amortised cost RO' 000	Total carrying value RO' 000	Fair Value RO' 000
<b>Cash and balances with Central Banks</b>	2,528,995	-	-	-	-	2,528,995	2,528,995
<b>Due from banks</b>	971,010	-	-	-	-	971,010	971,010
<b>Loans and advances</b>	6,392,123	-	-	-	-	6,392,123	6,392,123
<b>Islamic financing receivables</b>	465,418	-	-	-	-	465,418	465,418
<b>Investment securities</b>	-	365,574	803,640	1,397	-	1,170,611	1,165,038
	<b>10,357,546</b>	<b>365,574</b>	<b>803,640</b>	<b>1,397</b>	<b>-</b>	<b>11,528,157</b>	<b>11,522,584</b>
<b>Deposits from banks</b>	-	-	-	-	2,192,939	2,192,939	2,192,939
<b>Customers' deposits / Certificates of deposit</b>	-	-	-	-	6,914,336	6,914,336	6,914,336
<b>Islamic customer deposits</b>	-	-	-	-	510,024	510,024	510,024
<b>Euro medium term notes</b>	-	-	-	-	191,428	191,428	191,428
<b>Subordinated liabilities/ mandatory convertible bonds</b>	-	-	-	-	335,105	335,105	337,943
	-	-	-	-	10,143,832	10,143,832	10,146,670



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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 June 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	-	30,104	-	30,104
Fair value through profit or loss	51,001	-	-	51,001
<b>Available-for-sale financial assets</b>				
- Equity securities	68,485	-	31,460	99,945
- Debt investments	315,499	-	25,019	340,518
<b>Total Assets</b>	<b>434,985</b>	<b>30,104</b>	<b>56,479</b>	<b>521,568</b>
<b>Liabilities</b>				
Derivatives	-	32,142	-	32,142
<b>As of 31 December 2015</b>				
	<i>Level 1 RO'000</i>	<i>Level 2 RO'000</i>	<i>Level 3 RO'000</i>	<i>Total RO'000</i>
<b>Assets</b>				
Derivatives	-	25,210	-	25,210
Fair value through profit or loss	51,227	-	-	51,227
<b>Available-for-sale financial assets</b>				
- Equity securities	69,502	-	36,863	106,365
- Debt investments	313,070	-	25,538	338,608
<b>Total Assets</b>	<b>433,799</b>	<b>25,210</b>	<b>62,401</b>	<b>521,410</b>
<b>Liabilities</b>				
Derivatives	-	34,486	-	34,486

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

<i>As of 30 June 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	1,344	-	1,344
Gain from change in fair value	(2,847)	-	(2,847)
Additions	922	6,000	6,922
Disposals and redemption	(4,815)	(6,519)	(11,334)
Exchange differences	(7)	-	(7)
	<b>31,460</b>	<b>25,019</b>	<b>56,479</b>
<b>As of 31 December 2015</b>			
	<i>Equity RO'000</i>	<i>Debt RO'000</i>	<i>Total RO'000</i>
At 1 January 2015	23,912	36,004	59,916
Realised gain on sale	1,191	-	1,191
Gain from change in fair value	3,773	-	3,773
Additions	11,136	15,199	26,335
Disposals and redemption	(3,122)	(25,665)	(28,787)
Exchange differences	(27)	-	(27)
	<b>36,863</b>	<b>25,538</b>	<b>62,401</b>
<b>As of 30 June 2015</b>			
	<i>Equity RO 000's</i>	<i>Debt RO 000's</i>	<i>Total RO 000's</i>
At 1 January 2015	23,912	36,004	59,916
Realised gain on sale	444	-	444
Gain from change in fair value	193	(1)	192
Additions	1,132	4,200	5,332
Disposals and redemption	(2,228)	(9,705)	(11,933)
Exchange differences	3	-	3
	<b>23,456</b>	<b>30,498</b>	<b>53,954</b>

At 30 June 2016, 62% (31 Dec 15: 59%) of level 3 equity securities were valued on basis of latest available fair valuation and 38% (31 Dec 15: 41%) were valued on basis of latest available capital account statements of investee companies received from independent fund managers. Debt investments were carried at cost. The Group holds adequate provisioning on the above investments.

**20. Comparative figures**

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