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**Unaudited Consolidated Statement of Financial Position
as at 31 March 2015**

| | Notes | 31-Mar-15 RO' 000 | 31-Mar-14 RO' 000 |
|---|---------|----------------------|----------------------|
| ASSETS | | | |
| Cash and balances with Central Banks | | 2,183,358 | 767,907 |
| Due from banks | | 728,147 | 972,976 |
| Loans and advances | 4 & 5 | 6,471,978 | 5,967,614 |
| Islamic financing receivables | 4 & 5 | 431,705 | 315,549 |
| Other assets | | 195,506 | 237,538 |
| Investments securities: | | | |
| - Designated as fair value through profit or loss | 8b | 978 | - |
| - Available for sale | 8c | 366,235 | 350,900 |
| - Held to Maturity | 8d | 225,021 | 253,174 |
| Investment in associates | 8a | 46,097 | 35,353 |
| Property and equipment | | 69,577 | 70,282 |
| | | <u>10,718,602</u> | <u>8,971,293</u> |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Deposits from banks | | 1,722,215 | 666,158 |
| Customers' deposits | 6 | 6,504,206 | 6,064,880 |
| Islamic customers' deposits | 6 | 307,720 | 109,641 |
| Certificates of deposit | | 15,000 | 47,000 |
| Unsecured bonds | | - | 29,803 |
| Euro Medium Term Notes | | 191,278 | 188,380 |
| Mandatory Convertible bonds | | 94,655 | 62,239 |
| Other liabilities | | 365,204 | 364,697 |
| Taxation | | 13,413 | 17,389 |
| Subordinated liabilities | | 240,450 | 240,450 |
| | | <u>9,454,141</u> | <u>7,790,637</u> |
| EQUITY | | | |
| Equity attributable to equity holders of parent: | | | |
| Share capital | | 229,182 | 218,269 |
| Share premium | | 464,951 | 464,951 |
| General reserve | | 169,808 | 169,808 |
| Legal reserve | | 72,756 | 71,735 |
| Revaluation reserve | | 5,145 | 5,145 |
| Subordinated loan reserve | | 118,600 | 82,317 |
| Cash flow hedge reserve | | (1,529) | (173) |
| Cumulative changes in fair value | 8a & 8b | 19,647 | 15,468 |
| Foreign exchange translation reserve | | (1,577) | (3,529) |
| Retained profit | | 187,478 | 156,451 |
| | | <u>1,264,461</u> | <u>1,180,442</u> |
| Non-controlling interest | | - | 214 |
| TOTAL EQUITY | | <u>1,264,461</u> | <u>1,180,656</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>10,718,602</u> | <u>8,971,293</u> |
| Net assets per share | | <u>0.552</u> | <u>0.541</u> |
| Contingent liabilities | 11 | <u>2,535,907</u> | <u>2,340,102</u> |

Unaudited Consolidated Statement of Cash Flows
For the three months ended 31 March 2015

| | 3 months ended 31 Mar 2015 | 3 months ended 31 Mar 2014 |
|---|---|---|
| | RO' 000 | RO' 000 |
| Cash flow from operating activities | | |
| Net profit for the period before taxation | 49,985 | 45,924 |
| Adjustments for : | | |
| Depreciation | 2,814 | 2,972 |
| Investment income | (3,231) | (4,886) |
| Operating profit before working capital changes | 49,568 | 44,010 |
| Change in operating assets* | (117,134) | (367,595) |
| Change in operating liabilities** | 203,378 | 531,183 |
| Net cash (used in) / from operating activities | 135,811 | 207,598 |
| Net cash (used in) / from financing activities | (54,568) | (60,223) |
| Net cash (used in) / from investing activities | (45,389) | (19,566) |
| Net increase / (decrease) in cash and cash equivalents | 35,854 | 127,808 |
| Cash and cash equivalents brought forward | 1,159,732 | 845,645 |
| Cash and cash equivalents carried forward | 1,195,586 | 973,453 |

* Operating assets includes deposits with central banks, bank placements, loans and advances and other assets.

** Operating liabilities includes customer deposits, deposits from banks and other liabilities.

Chairman's Report - First Quarter 2015

Dear Shareholders,

At the outset, I would like to join the nation in wishing His Majesty Sultan Qaboos bin Said well-being and a long life to lead Oman to greater prosperity, progress and development.

I am glad to share with you the encouraging results achieved by the bank during the first quarter ending 31 March 2015. The key business lines of the bank sustained performance momentum during the challenging 3-month period.

Financial Overview

The bank posted a net profit of RO 43.30 million for the period compared to RO 39.76 million reported during the same period in 2014, an increase of 8.9 per cent.

Net Interest Income from Conventional Banking and Income from Islamic Financing stood at RO 61.56 million for the three months of 2015 compared to RO 59.15 million for the same period of 2014, an increase of 4.1 per cent.

Non-interest income at RO 36.19 million was higher by 20.2 per cent compared to RO 30.12 million for the three months ended 31 March 2014. Operating expenses for the three-month period ended 31 March 2015 stood at RO 41.95 million as compared to RO 39.24 million for the same period in 2014, an increase of 6.9 per cent. Impairment for credit losses for the three-month period in 2015 was RO 12.84 million as against RO 10.21 million for the same period in 2014. Recoveries from impairment for credit loss was RO 7.22 million for the three-month period of 2015 as against RO 7.02 million for the same period in 2014. Share of income from associates for the three-month period in 2015 was RO 477,000 as against RO 271,000 for the same period in 2014.

Net Loans and advances increased by 8.5 per cent to RO 6,472 million as against RO 5,968 million as at 31 March 2014. Customer deposits, including CDs, increased by 6.7 per cent to RO 6,519 million as against RO 6,112 million as at 31 March 2014.

Islamic financing receivables amounted to RO 432 million as at 31 March 2015 compared to RO 316 million in the same period of 2014. Islamic Banking customer deposits amounted to RO 308 million compared to RO 110 million reported in the three-month period of 2014.

Strategic initiatives

- As part of its commitment to complement the government efforts to promote secure and convenient electronic payment infrastructure in the Sultanate, the bank signed an agreement with the Information Technology Authority (ITA) to introduce a new internet payment gateway for government and semi government entities.
- Reaffirming its role as a leader in project finance and syndicated transactions, the bank was mandated to arrange syndicated loans for new developments in the real estate, contractor accommodation, oil & gas sectors. The bank was also mandated as a Lead Arranger for two power and related water projects. These syndications are expected to close in the second quarter of the year.
- The extraordinary general meeting (EGM) of shareholders granted approval for the setting up of RO 500 million Meethaq Sukuk Programme. The issuance of 'Sukuk' will be in various tranches, either in Omani Riyal or US dollar, in the domestic and international markets through public subscription or private placement within 5 years from the approval by shareholders.

Key developments

- Marking the year of Oman's 45th Renaissance anniversary, the bank raised the prize money of 2015 al Mazyona Savings Scheme to offer the biggest prize money of RO 9 million in Oman and the region.
- The bank, as part of its sustainable development commitment to education and qualified human resources in the fields of banking and finance, is supporting the construction of the new extension building of the College of Banking and Financial Studies (CBFS).
- Aimed at promoting a sporting nation, the bank widened the scope of Green Sports initiative beyond greening of playgrounds, to affix flood lights as well as water desalination equipment.
- Widening its network across the Sultanate, Meethaq Islamic Banking opened its 12th state-of-the-art branch in the Wilayat of Saham.
- The bank joined hands with LuLu Hypermarket, the largest retail chain in the GCC region with over 125 outlets, to launch the first retail co-branded card in Oman, adding immense value to the shopping experience.
- al Wathbah, the bank's Small & Medium Enterprises (SME) department, in line with its commitment to support SMEs, signed a Memorandum of Understanding with the Ministry of Tourism to support SMEs operating in the field of tourism.
- The bank, as part of its commitment to promoting the development of youth and the national game of football, signed an agreement with Oman Football Association (OFA), as presenting partner of His Majesty's Cup Football Championship.

Accolades

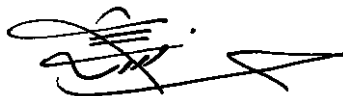
- In recognition of performance excellence, the bank won the 'Best Bank in Oman', Best Investment Bank in Oman' and 'Best Trade Finance Bank in Oman' awards by Global Finance.
- **bank muscat** Oryx Fund won the 'Best 2014 GCC Equity Fund Under \$30 million' award by MENA Fund Manager.
- The bank won the 'Best Trade Finance Bank in Oman' award by Global Trade Review (GTR).

In Conclusion

On behalf of the Board of Directors, I take this opportunity to thank the banking community, both in Oman and overseas, for the confidence reposed in the bank. I would also like to thank the Management Team and all our employees for their dedication and commitment to press ahead amid the challenging situation to reach higher levels of excellence. Following 33 years of successful growth, the Sultanate's flagship bank 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.

The Board of Directors is deeply grateful to His Majesty Sultan Qaboos Bin Said for his vision and guidance, which has helped the country along its path of growth and prosperity during the last 45 years.



Khalid bin Mustahail Al Mashani

**Unaudited Consolidated Statement of Changes in Equity
as at 31 March 2015**

RO' 000

| | Share capital | Share premium | General reserve | Legal reserve | Revaluation reserve | Subordinated loan reserve | Cash flow hedge reserve | Cumulative changes in fair value | Foreign currency translation reserve | Retained Profit | Subtotal | Non-controlling interest | Total |
|---|----------------|----------------|-----------------|---------------|---------------------|---------------------------|-------------------------|----------------------------------|--------------------------------------|-----------------|------------------|--------------------------|------------------|
| Balance at 1 January 2014 | 215,226 | 451,837 | 163,392 | 71,735 | 5,145 | 88,733 | 384 | 16,440 | (3,589) | 202,774 | 1,212,077 | 217 | 1,212,294 |
| Profit for the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 163,227 | 163,227 | 0 | 163,227 |
| Share of other comprehensive income of associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,148 | 3,422 | 0 | 4,570 | 0 | 4,570 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | (960) | 4,051 | (758) | 0 | 2,333 | 0 | 2,333 |
| Total comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | (960) | 5,199 | 2,664 | 163,227 | 170,130 | 0 | 170,130 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (53,807) | (53,807) | 0 | (53,807) |
| Issue of mandatory convertible bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (31,964) | (31,964) | 0 | (31,964) |
| Issue expenses of mandatory convertible bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (320) | (320) | 0 | (320) |
| Transfer to legal reserve | 0 | 0 | 0 | 1,021 | 0 | 0 | 0 | 0 | 0 | (1,021) | 0 | 0 | 0 |
| Conversion of convertible bonds | 3,043 | 13,114 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16,157 | 0 | 16,157 |
| Transfer from subordinated loan reserve | 0 | 0 | 6,416 | 0 | 0 | (6,416) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer to subordinated loan reserve | 0 | 0 | 0 | 0 | 0 | 36,283 | 0 | 0 | 0 | (36,283) | 0 | 0 | 0 |
| Other Movements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (206) | (206) | (217) | (423) |
| Balance at 31 December 2014 | 218,269 | 464,951 | 169,808 | 72,756 | 5,145 | 118,600 | (576) | 21,639 | (925) | 242,400 | 1,312,067 | 0 | 1,312,067 |

| | Share capital | Share premium | General reserve | Legal reserve | Revaluation reserve | Subordinated loan reserve | Cash flow hedge reserve | Cumulative changes in fair value | Foreign currency translation reserve | Retained Profit | Subtotal | Non-controlling interest | Total |
|--|----------------|----------------|-----------------|---------------|---------------------|---------------------------|-------------------------|----------------------------------|--------------------------------------|-----------------|------------------|--------------------------|------------------|
| Balance at 1 January 2015 | 218,269 | 464,951 | 169,808 | 72,756 | 5,145 | 118,600 | (576) | 21,639 | (925) | 242,400 | 1,312,067 | 0 | 1,312,067 |
| Profit for the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 43,299 | 43,299 | 0 | 43,299 |
| Share of other comprehensive income of associate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (157) | (59) | 0 | (217) | 0 | (217) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | (953) | (1,834) | (592) | 0 | (3,380) | 0 | (3,380) |
| Total other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | (953) | (1,992) | (652) | 43,299 | 39,703 | 0 | 39,703 |
| Conversion of convertible bonds | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (54,568) | (54,568) | 0 | (54,568) |
| Issue of mandatory convertible bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (32,416) | (32,416) | 0 | (32,416) |
| Issue expenses of mandatory convertible bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (324) | (324) | 0 | (324) |
| Issue of bonus shares | 10,913 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (10,913) | (0) | 0 | (0) |
| Transfer from subordinated loan reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2015 | 229,182 | 464,951 | 169,808 | 72,756 | 5,145 | 118,600 | (1,529) | 19,647 | (1,577) | 187,478 | 1,264,461 | 0 | 1,264,461 |

Unaudited Consolidated Statement of Comprehensive Income
For the three months ended 31 March 2015

| | Notes | 3 months ended 31 Mar 2015 RO' 000 | 3 months ended 31 Mar 2014 RO' 000 |
|---|-------|---|---|
| Interest income | 1 | 80,393 | 79,197 |
| Interest expense | 2 | (23,347) | (23,984) |
| NET INTEREST INCOME | | 57,046 | 55,213 |
| Income from Islamic financing | | 5,844 | 4,592 |
| Distribution to depositor's | | (1,331) | (653) |
| Net income from Islamic financing | | 4,513 | 3,939 |
| Net interest income and Income from Islamic financing | | 61,559 | 59,152 |
| Other operating income | 3 | 36,188 | 30,117 |
| OPERATING INCOME | | 97,747 | 89,269 |
| OPERATING EXPENSES | | | |
| Other operating expenses | | (39,133) | (36,268) |
| Depreciation | | (2,814) | (2,972) |
| | | (41,947) | (39,240) |
| Impairment for credit losses | 5 | (12,837) | (10,208) |
| Impairment for due from banks | | (150) | (405) |
| Impairment for investments | | (520) | (782) |
| Recoveries from provision for credit losses | 5 | 7,215 | 7,019 |
| Share of results from associate | 8a | 477 | 271 |
| | | (47,762) | (43,345) |
| PROFIT BEFORE TAXATION | | 49,985 | 45,924 |
| Tax expense | | (6,686) | (6,161) |
| PROFIT FOR THE PERIOD | | 43,299 | 39,763 |
| OTHER COMPREHENSIVE INCOME | | | |
| Net other comprehensive income to be reclassified to profit or loss in subsequent period | | | |
| Share of other comprehensive income of associates, before tax | | (217) | - |
| Translation of net investments in foreign operations, before tax | | (592) | 60 |
| Change in fair value of available-for-sale assets, before tax | | (1,834) | (972) |
| Change in fair value of cash flow hedges, before tax | | (953) | (557) |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | | (3,596) | (1,468) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 39,703 | 38,295 |
| Total comprehensive income for the period attributable to: | | | |
| Equity holders of parent company | | 39,703 | 38,299 |
| Non-controlling interest | | - | (4) |
| | | 39,703 | 38,295 |
| Profit attributable to: | | | |
| Equity holders of Parent Company | | 43,299 | 39,767 |
| Non-controlling interests | | - | (4) |
| | | 43,299 | 39,763 |
| Earnings per share: | | | |
| - Basic | | 0.019 | 0.018 |
| - Diluted | | 0.017 | 0.017 |

Notes to the Consolidated Financial Statements for the period ended 31 March 2015

1. Interest/Profit earned

Interest/profit bearing assets carried at an overall rate of 4.05 % for the period ended 31 Mar 2015. (Mar 2014 : 4.24%).

2. Interest/Profit expense

Interest/profit bearing liabilities incurred an average overall cost of funds of 1.29%. (Mar 2014 : 1.40%).

3. Other operating income

| | YTD | |
|--|---------------|---------------|
| | 31-Mar-15 | 31-Mar-14 |
| | RO' 000 | RO' 000 |
| Foreign Exchange | 7,992 | 3,281 |
| Commission and fees (net) | 23,299 | 21,110 |
| Dividend income | 1,857 | 2,775 |
| Profit/(loss) on sale of investment securities | 1,374 | 2,111 |
| Other income | 1,666 | 840 |
| | <u>36,188</u> | <u>30,117</u> |

The commission and fees shown above is net off commission and fees paid of RO 163 K. (2014 : RO 480 K.)

4. Loans and advances / Islamic banking financing

| | 31-Mar-15 | 31-Mar-14 |
|---|------------------|------------------|
| | RO' 000 | RO' 000 |
| 4.a. <u>Loans and advances - Conventional</u> | | |
| Corporate and Other Loans | 4,274,950 | 3,877,679 |
| Personal and Housing loans | <u>2,455,648</u> | <u>2,307,325</u> |
| Gross loans and advances | 6,730,598 | 6,185,004 |
| Less : Allowances for impairment | <u>258,620</u> | <u>217,390</u> |
| Net loans and advances | <u>6,471,978</u> | <u>5,967,614</u> |
| 4.b. <u>Islamic financing receivables</u> | | |
| Corporate and Other financing | 117,010 | 86,797 |
| Personal and Housing financing | <u>322,750</u> | <u>234,626</u> |
| Gross financing receivables | 439,760 | 321,423 |
| Less : Allowances for impairment | <u>8,055</u> | <u>5,874</u> |
| Net Islamic financing receivables | <u>431,705</u> | <u>315,549</u> |
| 4.c. <u>Total loan & advances/</u> | | |
| <u>Islamic financing receivables</u> | | |
| Corporate and Other loans/financing | 4,391,960 | 3,964,476 |
| Personal and Housing loans/financing | <u>2,778,398</u> | <u>2,541,951</u> |
| Gross loans & advances/financing receivables | 7,170,358 | 6,506,427 |
| Less : Allowances for impairment | <u>266,675</u> | <u>223,264</u> |
| Net loans & advances/Islamic financing receivables | <u>6,903,683</u> | <u>6,283,163</u> |
| 4.d. The maturity of these is analysed as follows: | 31-Mar-15 | 31-Mar-14 |
| | RO' 000 | RO' 000 |
| Less than 1 year | 2,772,535 | 2,348,086 |
| 1 to 3 years | 779,738 | 688,316 |
| 3 to 5 years | 605,400 | 511,949 |
| Over 5 years | <u>3,012,685</u> | <u>2,958,076</u> |
| Gross loans & advances/financing receivables | <u>7,170,358</u> | <u>6,506,427</u> |

Notes to the Consolidated Financial Statements for the period ended 31 March 2015

| | | | |
|-------------|---|------------------|------------------|
| 4.e. | The interest/ profit rate band of these are as follows: | 31-Mar-15 | 31-Mar-14 |
| | | RO' 000 | RO' 000 |
| | 0-5% | 3,843,612 | 3,143,119 |
| | 5-7% | 2,637,913 | 2,364,371 |
| | 7-9% | 550,638 | 841,177 |
| | 9-11% | 38,703 | 47,083 |
| | 11-13% | 61,719 | 80,374 |
| | more than 13% | 37,773 | 30,303 |
| | Gross loans & advances/financing receivables | <u>7,170,358</u> | <u>6,506,427</u> |

5. Provisions and reserved interest

The movement on the provision for possible credit losses and reserved interest for the period is analysed as follows:

| | Provisions | Reserved Interest |
|--|----------------|-------------------|
| | RO' 000 | RO' 000 |
| At 1 January 2015 | 237,750 | 21,144 |
| Provided during the period | 12,837 | - |
| Released/recovered during the period | (6,759) | - |
| Written off during the period | (179) | (38) |
| Interest reserved during the period | - | 3,132 |
| Reserved interest recovered | - | (1,548) |
| Transfer from Memorandum portfolio | 404 | 21 |
| Translation adjustment of opening balances | (89) | - |
| At 31 March 2015 | <u>243,964</u> | <u>22,711</u> |

| | Provisions | Reserved Interest |
|--|----------------|-------------------|
| | RO' 000 | RO' 000 |
| At 1 January 2014 | 201,822 | 15,750 |
| Provided during the period | 10,208 | - |
| Released/recovered during the period | (6,743) | - |
| Written off during the period | (378) | (96) |
| Interest reserved during the period | - | 3,380 |
| Reserved interest recovered | - | (1,440) |
| Transfer from Memorandum portfolio | 705 | 47 |
| Translation adjustment of opening balances | 9 | - |
| At 31 March 2014 | <u>205,623</u> | <u>17,641</u> |

Recoveries of RO 7,215 K (Mar 2014: 7,019 K) reported in the income statement includes RO 456 K (Mar 2014: 276 K) recovered from loans written off earlier.

Interest is reserved on loans and advances which are impaired.

At 31 March 2015 loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 214.5 mn (Mar 2014 : RO 182.7 mn).

Total Impairment above includes impairment for off-balance sheet exposure as well

* *Specific provisions are established after considering security on a case by case basis in respect of specific loans and advances where recovery appears doubtful.*

** *General Provisions are established to meet the credit risks inherent within the loans and advances portfolio.*

Notes to the Consolidated Financial Statements for the period ended 31 March 2015

6. Deposits

| | 31-Mar-15 | 31-Mar-14 |
|---|------------------|------------------|
| | RO' 000 | RO' 000 |
| 6.a. <u>Customer Deposits - Conventional</u> | | |
| Current accounts | 2,262,340 | 2,169,133 |
| Call accounts | 264,934 | 259,213 |
| Savings accounts | 2,055,903 | 1,689,237 |
| Time deposits | 1,863,556 | 1,914,238 |
| Other | 57,473 | 33,059 |
| Customer Deposits | 6,504,206 | 6,064,880 |
| CD's / Unsecured Bonds / FRN's | 206,278 | 265,183 |
| Total | 6,710,484 | 6,330,063 |

6.b. Islamic customer deposits

| | | |
|------------------|----------------|----------------|
| Current accounts | 33,068 | 9,519 |
| Savings accounts | 41,556 | 19,189 |
| Time deposits | 230,665 | 80,768 |
| Other | 2,431 | 165 |
| Total | 307,720 | 109,641 |

6.c. Total customer deposits

| | | |
|--------------------------------|------------------|------------------|
| Current accounts | 2,295,408 | 2,178,652 |
| Call accounts | 264,934 | 259,213 |
| Savings accounts | 2,097,459 | 1,708,426 |
| Time deposits | 2,094,221 | 1,995,006 |
| Other | 59,904 | 33,224 |
| Customer Deposits | 6,811,926 | 6,174,521 |
| CD's / Unsecured Bonds / FRN's | 206,278 | 265,183 |
| Total | 7,018,204 | 6,439,704 |

6.d. The maturities of deposits are as follows

| | 31-Mar-15 | 31-Mar-14 |
|--------------------------------|------------------|------------------|
| | RO' 000 | RO' 000 |
| Less than 1 year | 2,985,000 | 2,833,006 |
| 1 to 3 years | 1,733,932 | 1,387,010 |
| 3 to 5 years | 1,036,846 | 1,061,432 |
| Over 5 years | 1,262,426 | 1,158,256 |
| Total customer deposits | 7,018,204 | 6,439,704 |

6.e. The interest/profit rate bands of deposits are as follows:

| | 31-Mar-15 | 31-Mar-14 |
|--------------------------------|------------------|------------------|
| | RO' 000 | RO' 000 |
| 0% | 3,417,714 | 2,760,547 |
| 0-2% | 2,338,048 | 2,313,033 |
| 2-4% | 1,125,754 | 1,037,718 |
| 4-6% | 128,161 | 285,305 |
| more than 6% | 8,527 | 43,101 |
| Total customer deposits | 7,018,204 | 6,439,704 |

Notes to the Consolidated Financial Statements for the period ended 31 March 2015

7. Asset liability mismatch

The asset liability mismatch is analysed as follows:

| <i>Maturities</i> | 31-Mar-15 | | | 31-Mar-14 | | |
|-------------------|-------------------|------------------------|---------------------|-------------------|------------------------|---------------------|
| | Assets RO' 000 | Liabilities RO' 000 | Mismatch RO' 000 | Assets RO' 000 | Liabilities RO' 000 | Mismatch RO' 000 |
| Less than 1 year | 5,806,568 | 4,867,063 | 939,505 | 4,576,984 | 3,629,521 | 947,463 |
| 1 to 3 years | 1,003,763 | 2,142,249 | (1,138,486) | 896,186 | 1,793,202 | (897,016) |
| 3 to 5 years | 702,614 | 1,118,940 | (416,326) | 587,121 | 1,143,432 | (556,311) |
| Over 5 years | 3,205,657 | 2,590,350 | 615,307 | 2,911,002 | 2,405,138 | 505,864 |
| | <u>10,718,602</u> | <u>10,718,602</u> | <u>-</u> | <u>8,971,293</u> | <u>8,971,293</u> | <u>-</u> |

Mismatch represents the difference between assets and liabilities for each maturity band. Share capital is included within liabilities.

8. Non Trading Investments

8.a. Investment in associates

1 Investment in Al Salam Bank ('ASB'), Bahrain

The carrying value of investment in ASB is as reflected below:

| | 31-Mar-15 RO. 000's | 31-Mar-14 RO. 000's |
|--|------------------------|------------------------|
| Carrying value of the Investment at January 1 | 47,449 | - |
| Share of profit for the period Sep 14 to Dec 14 | 477 | - |
| Share of other comprehensive income Sep 14 to Dec 14 | (217) | - |
| Dividend received | (1,612) | - |
| Carrying value of the Investment at March 31 | <u>46,097</u> | <u>-</u> |

2 Investment in BMI Bank, Bahrain

The carrying value of the investment in BMI was as follows:

| | 31-Mar-15 RO. 000's | 31-Mar-14 RO. 000's |
|---|------------------------|------------------------|
| Carrying value of the investment at January 1 | - | 36,547 |
| Share of profit for the period | - | 271 |
| Dividend received | - | (1,465) |
| Carrying value of the Investment at Mar 31 | <u>-</u> | <u>35,353</u> |

Notes to the Consolidated Financial Statements for the period ended 31 March 2015

8. Non Trading Investments (continued)

| | Fair Value 31-Mar-15 RO' 000 | Fair Value 31-Mar-14 RO' 000 |
|---|------------------------------------|------------------------------------|
| 8.b. Designated as fair value through profit or loss | | |
| <i>Quoted</i> | | |
| <i>Debt</i> | | |
| Foreign Bonds | 978 | - |
| | 978 | - |
| 8.c. Available For Sale | | |
| <i>Quoted investments</i> | | |
| <i>Equity</i> | | |
| Foreign securities | 25,985 | 27,066 |
| Other services sector | 32,001 | 34,403 |
| Investment fund units | 9,416 | 9,954 |
| Financial services sector | 5,958 | 9,420 |
| Industrial sector | 935 | 2,768 |
| <i>Debt</i> | | |
| Government bonds | 214,402 | 198,722 |
| Foreign Bonds | 29,265 | 31,716 |
| Local Bonds | - | - |
| Total Quoted investments | 317,962 | 314,049 |
| <i>Unquoted investments</i> | | |
| <i>Equity</i> | | |
| Foreign securities | 15,181 | 11,810 |
| Local securities | 8,651 | 8,001 |
| Investment fund units | 50 | 50 |
| <i>Debt</i> | | |
| Foreign Bonds | - | - |
| Local Bonds | 31,423 | 23,677 |
| Total Unquoted investments | 55,305 | 43,538 |
| Total available for sale investments | 373,267 | 357,587 |
| Impairment losses on investments | (7,032) | (6,687) |
| Available for sale investments (net) | 366,235 | 350,900 |
| 8.d. Held To Maturity | | |
| <i>Quoted</i> | | |
| Treasury Bills | 194,449 | 224,491 |
| Bonds | 24,623 | 23,683 |
| Unquoted local Bonds | 5,949 | 5,000 |
| | 225,021 | 253,174 |

Notes to the Consolidated Financial Statements for the period ended 31 March 2015

9. Related Party Transactions

9.a. The balances of directors and their related concerns were as follows:

| | 31-Mar-15 | 31-Mar-14 |
|--|------------------|------------------|
| | RO' 000 | RO' 000 |
| Loans and advances (Gross) | 37,849 | 40,838 |
| Provision and reserve interest | (8,337) | (9,344) |
| Loans and advances (Net) | 29,512 | 31,494 |
| Current, deposit and other accounts | 70,281 | 57,090 |
| Customers' liabilities under documentary credits, guarantees and other commitments | 19,997 | 16,371 |

9.b. The income and expenses in respect of related parties are as follows:

| | 3 months ended | 3 months ended |
|-----------------------------|-----------------------|-----------------------|
| | 31 Mar 2015 | 31 Mar 2014 |
| | RO' 000 | RO' 000 |
| Interest income | 523 | 284 |
| Interest expenditure | 151 | 97 |
| Commission and other income | - | 6 |

10. Shareholders

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

| | 31-Mar-15 | | 31-Mar-14 | |
|---------------------------|---------------------|----------------------|---------------------|----------------------|
| | % of holding | No. of shares | % of holding | No. of shares |
| Royal Court Affairs | 23.58% | 540,469,925 | 23.58% | 514,733,262 |
| Dubai Financial Group LLC | 12.33% | 282,671,898 | 12.33% | 269,211,333 |

11. Contingent liabilities

| | 31-Mar-15 | 31-Mar-14 |
|---------------------|------------------|------------------|
| | RO' 000 | RO' 000 |
| - Letters of Credit | 428,652 | 626,722 |
| - Guarantees | 2,107,255 | 1,713,380 |
| | 2,535,907 | 2,340,102 |

12. Spot / Forwards and options

Spot and Forwards

| | | |
|-------------|-----------|-----------|
| - Purchases | 1,369,618 | 1,278,162 |
| - Sales | 1,369,204 | 1,278,019 |

Options

| | | |
|-------------|--------|---------|
| - Sales | 83,504 | 225,975 |
| - Purchases | 83,504 | 225,975 |

Notes to the Consolidated Financial Statements for the period ended 31 March 2015

13 SEGMENTAL INFORMATION

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

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

| 31 March 2014 | Conventional Banking | | | | | Islamic Banking RO 000's | Total RO 000's |
|--|-------------------------------|------------------------------|-------------------------------|-----------------------------------|--------------------------------|-----------------------------|-------------------|
| | Corporate Banking RO 000's | Consumer Banking RO 000's | Wholesale Banking RO 000's | International Banking RO 000's | Total Conventional RO 000's | | |
| Segment revenue | | | | | | | |
| Net interest income | 17,458 | 26,457 | 9,267 | 2,031 | 55,213 | - | 55,213 |
| Net income from Islamic financing | - | - | - | - | - | 3,939 | 3,939 |
| Commission, fees and other income (net) | 4,283 | 14,943 | 8,757 | 1,719 | 29,702 | 415 | 30,117 |
| Operating income | 21,741 | 41,400 | 18,024 | 3,750 | 84,915 | 4,354 | 89,269 |
| Segment costs | | | | | | | |
| Operating expenses (incl. depreciation) | (6,557) | (24,688) | (3,577) | (2,904) | (37,726) | (1,514) | (39,240) |
| Impairment for credit & other losses (net) | (1,825) | (548) | (932) | (329) | (3,634) | (742) | (4,376) |
| Share of profit from associates | - | - | - | 271 | 271 | - | 271 |
| Tax expense | (1,770) | (2,103) | (1,795) | (175) | (5,843) | (318) | (6,161) |
| | (10,152) | (27,339) | (6,304) | (3,137) | (46,932) | (2,574) | (49,506) |
| Segment profit / (loss) for the year | 11,589 | 14,061 | 11,720 | 613 | 37,983 | 1,780 | 39,763 |
| Segment assets | 3,675,816 | 2,358,470 | 1,984,659 | 606,018 | 8,624,964 | 346,329 | 8,971,293 |

14. Comparative Figures

The corresponding figures for 2014 included for comparative purposes have been reclassified to conform with the presentation in the current year.

Summary of unaudited consolidated results as at 31 March 2015

| | 31-Mar-15 | 31-Mar-14 |
|---|-----------------------------------|-----------------------------------|
| | RO' 000 | RO' 000 |
| Loans and advances and Islamic financing receivables | 6,903,683 | 6,283,163 |
| Customer Deposits | 7,018,204 | 6,439,704 |
| Net assets | 1,264,461 | 1,180,656 |
| Net assets per share * | 0.552 | 0.541 |
| | 3 months ended 31 Mar 2015 | 3 months ended 31 Mar 2014 |
| Net interest income and income from Islamic financing | 61,559 | 59,152 |
| Net profit before tax for the period | 49,985 | 45,924 |
| Net profit after tax for the period | 43,299 | 39,763 |
| Basic earnings per share (for the period) ** | 0.019 | 0.018 |
| Diluted earnings per share (for the period) ** | 0.017 | 0.017 |
| Capital Adequacy as per Basel III reporting *** | | |
| Tier I Capital | 1,192,076 | 1,086,490 |
| Tier II Capital | 264,340 | 290,257 |
| Total Regulatory Capital | 1,456,416 | 1,376,747 |
| Total risk weighted assets | 8,923,069 | 8,749,596 |
| Capital Adequacy Ratio: | | |
| Total regulatory capital expressed as a % of total risk weighted assets | 16.32% | 15.73% |
| Total Tier I capital expressed as a % of total risk weighted assets | 13.36% | 12.42% |

* Net assets per share is calculated by dividing net assets owned by ordinary shareholders at 31 Mar 2015 by 2,292 million number of ordinary shares. (2014 : 2,183 million ordinary shares)

** Basic and Diluted earnings per share is calculated as per International Accounting Standard No : 33. These pertain to the reported period only and are not annualized for the full year.

*** We started reporting Basel III from December 2013 along with Basel II. The detailed Basel III disclosure are available on bank's website under Investor Relations- Financial Information-Quarterly reports section.