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**Unaudited Consolidated Statement of Financial Position  
as at 30 June 2015**

	Notes	30-Jun-15 RO' 000	30-Jun-14 RO' 000
<b>ASSETS</b>			
Cash and balances with Central Banks		1,138,587	1,045,109
Due from banks		971,010	880,318
Loans and advances	4 & 5	6,392,123	6,113,316
Islamic financing receivables	4 & 5	465,418	352,144
Other assets		193,911	256,220
Investments securities:			
- Designated as fair value through profit or loss	8b	1,397	-
- Available for sale	8c	365,574	350,543
- Held to Maturity	8d	803,640	317,258
Investment in associates	8a	46,890	46,000
Property and equipment		69,025	71,708
		<u>10,447,575</u>	<u>9,432,616</u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from banks*		802,531	802,956
Customers' deposits	6	6,914,336	6,275,871
Islamic customers' deposits	6	510,024	178,677
Certificates of deposit		-	47,000
Euro Medium Term Notes		191,428	190,101
Mandatory Convertible bonds		94,655	62,239
Other liabilities		358,861	377,486
Taxation		20,418	23,483
Subordinated liabilities		240,450	240,450
		<u>9,132,703</u>	<u>8,198,263</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of parent:</b>			
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		5,305	5,145
Subordinated loan reserve		118,600	82,317
Cash flow hedge reserve		(737)	(649)
Cumulative changes in fair value	8a & 8b	22,811	19,584
Foreign exchange translation reserve		(1,798)	(54)
Retained profit		233,994	203,035
		<u>1,314,872</u>	<u>1,234,141</u>
Non-controlling interest		-	212
<b>TOTAL EQUITY</b>		<u>1,314,872</u>	<u>1,234,353</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>10,447,575</u>	<u>9,432,616</u>
<b>Net assets per share</b>		<u>0.574</u>	<u>0.566</u>
<b>Contingent liabilities</b>	11	<u>2,988,166</u>	<u>2,251,740</u>

\*Balances held in the nature of custodian has been netted off.

**Unaudited Consolidated Statement of Cash Flows**  
**For the six months ended 30 June 2015**

	<b>6 months ended 30 June 2015</b>	<b>6 months ended 30 June 2014</b>
	<b>RO' 000</b>	<b>RO' 000</b>
<b>Cash flow from operating activities</b>		
Net profit for the period before taxation	103,665	99,848
Adjustments for :		
Depreciation	5,479	5,924
Investment income	(4,677)	(15,645)
Operating profit before working capital changes	<u>104,467</u>	<u>90,127</u>
Change in operating assets*	1,146	(301,721)
Change in operating liabilities**	754,348	756,599
<b>Net cash (used in) / from operating activities</b>	<u>859,961</u>	<u>545,005</u>
<b>Net cash (used in) / from financing activities</b>	(54,568)	(60,222)
<b>Net cash (used in) / from investing activities</b>	(86,463)	(16,532)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>718,930</u>	<u>468,251</u>
Cash and cash equivalents brought forward	1,159,732	845,645
<b>Cash and cash equivalents carried forward</b>	<u><u>1,878,662</u></u>	<u><u>1,313,896</u></u>

\* 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 Half 2015

Dear Shareholders,

At the outset, I would like to join the nation on the auspicious occasion of the 45<sup>th</sup> Renaissance anniversary in extending best wishes to His Majesty Sultan Qaboos bin Said who is leading Oman to greater prosperity, progress and development.

I am glad to share with you the encouraging results achieved by the bank during the first half ending 30 June 2015. The key business lines of the bank sustained performance momentum during the challenging period in question.

### ***Financial Overview***

The Bank posted net profit of RO 89.82 million for the period compared to RO 86.35 million reported during the same period in 2014, an increase of 4.0 per cent.

Net Interest Income from Conventional Banking stood at RO 115.45 million for the six months of 2015 compared to RO 112.20 million for the same period of 2014, an increase of 2.9 per cent. Net income from Islamic financing was RO 9.21 million for the six months of 2015 compared to RO 8.22 million for the same period of 2014, an increase of RO 12.0 per cent.

Non-interest income at RO 75.51 million was higher by 3.6 per cent compared to RO 72.89 million for the six months ended 30th June 2014.

Operating expenses for the six month period ended 30th June 2015 at RO 84.13 million as compared to RO 78.81 for the same period in 2014, an increase of 6.7 per cent.



Impairment for credit losses for the six month period in 2015 was RO 27.60 million as against RO 27.36 million for the same period in 2014. Recoveries from impairment for credit loss was RO 16.49 million for the six month period of 2015 as against RO 14.18 million for the same period in 2014. Share of income from associates for the six months period in 2015 was RO 1.07 million against RO 271 thousand for the same period in 2014.

Net Loans and advances increased by 4.6 per cent to RO 6,392 million as against RO 6,113 million as at 30th June 2014. Customer deposits, including CDs, increased by 9.3 per cent to RO 6,914 million as against RO 6,323 million as at 30th June 2014.

Islamic financing receivables amounted to RO 465 million as of 30th June 2015 compared to RO 352 million in the same period of 2014. Islamic Banking customer deposits amounted to RO 510 million as of 30th June 2015 compared to RO 179 million reported in 30th June 2014.

### ***Strategic initiatives***

- Marking a significant development in the local insurance sector, the bank, in association with AXA Gulf - one of the largest international insurers in the region - signed a 10-year partnership agreement to offer for the first time in Oman bancassurance products covering life protection to customers.
- Widening its reach with state-of-the-art technology, the bank enhanced online banking service offering with an array of services redefining banking with convenience. The bank also launched enhanced online banking services to corporate clients, offering a wide range of services online.

### ***Key developments***

- Mandated as Financial Adviser and Issue Manager, the bank successfully closed the initial public offering (IPO) of Phoenix Power Company operating Oman's largest power plant, which evoked strong response and was heavily oversubscribed.
- The bank successfully arranged a term loan facility of RO 350 Million for Oman Oil Refineries and Petroleum Industries Company SAOC (Orpic). The Syndication, managed entirely by **bank muscat**, received a good response from the market with substantial over subscription and participation from seven local and regional banks. The term loan facility is the largest RO denominated syndicated loan facility till date in the Omani market.
- The bank, as part of its commitment to sustainable development, launched al Wathbah SME TV, the first educational video channel in the banking sector in Oman with the sole objective of helping the small and medium enterprise (SME) sector gain 24/7 access to vital information that help drive their business further.
- Enhancing customer convenience, the bank launched integrated ATM/CDM machines equipped with higher capacity and capability of deposit, withdrawal and bank transactions integrated in one unit.
- Promoting the SME sector and encouraging Omani youth to embark on self-employment business ventures, the bank widened the scope of al Wathbah Academy training programme to accommodate 45 beneficiaries in the year of Oman's 45<sup>th</sup> Renaissance anniversary.
- Promoting Oman as a sporting destination, the bank extended support to the fifth Asian Beach Handball Championship. In support to the national game of football, the bank was the Presenting Partner of His Majesty's Cup Football Championship.

### ***Accolades***

- In recognition of banking excellence reflecting consistency of performance and innovative strategies, the bank won the 'Best Bank in Oman' awards by Global Finance, Euromoney and the Banker Middle East.
- Endorsing corporate leadership, the bank topped listed Omani companies ranked in the Forbes Top 500 Companies in the Arab World 2015.
- Reinforcing its outstanding track records, Bank Muscat Oryx Fund won the Lipper Fund 2015 award for Best MENA Fund.
- In recognition of outstanding performance, the bank won the 'Best Trade Finance Bank in Oman' award by Global Finance.
- The bank won the annual excellence award for straight-through-processing (STP) in dollar denominated fund transfer and commercial payments from Standard Chartered Bank and Wells Fargo Bank.
- In recognition of operational excellence, the bank's Call Centre won the 'Best Self Service Banking Project in the Middle East 2015' award by The Asian Banker.
- The bank was ranked the top performer among large companies listed on Muscat Securities Market (MSM) in the Best Performing Company awards instituted by Alam Al-Iktisaad Wal A'Mal (AIWA) business magazine.

### ***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 rested 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.

**Sulaiman bin Mohamed Al Yahyai**  
**Deputy Chairman**



**Unaudited Consolidated Statement of Changes in Equity as at 30 June 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
<b>Balance at 1 January 2014</b>	<b>215,226</b>	<b>451,837</b>	<b>163,392</b>	<b>71,735</b>	<b>5,145</b>	<b>88,733</b>	<b>384</b>	<b>16,440</b>	<b>(3,589)</b>	<b>202,774</b>	<b>1,212,077</b>	<b>217</b>	<b>1,212,294</b>
Profit for the year	-	-	-	-	-	-	-	-	-	163,227	163,227	-	163,227
Share of other comprehensive income of associates	-	-	-	-	-	-	-	1,148	3,422	-	4,570	-	4,570
Other comprehensive income	-	-	-	-	-	-	(960)	4,051	(758)	-	2,333	-	2,333
<b>Total comprehensive income</b>	-	-	-	-	-	-	(960)	5,199	2,664	163,227	170,130	-	170,130
Dividends paid	-	-	-	-	-	-	-	-	-	(53,807)	(53,807)	-	(53,807)
Issue of mandatory convertible bonds	-	-	-	-	-	-	-	-	-	(31,964)	(31,964)	-	(31,964)
Issue expenses of mandatory convertible bonds	-	-	-	-	-	-	-	-	-	(320)	(320)	-	(320)
Transfer to legal reserve	-	-	-	1,021	-	-	-	-	-	(1,021)	-	-	-
Conversion of convertible bonds	3,043	13,114	-	-	-	-	-	-	-	-	16,157	-	16,157
Transfer from subordinated loan reserve	-	-	6,416	-	-	(6,416)	-	-	-	-	-	-	-
Transfer to subordinated loan reserve	-	-	-	-	-	36,283	-	-	-	(36,283)	-	-	-
Other Movements	-	-	-	-	-	-	-	-	-	(206)	(206)	(217)	(423)
<b>Balance at 31 December 2014</b>	<b>218,269</b>	<b>464,951</b>	<b>169,808</b>	<b>72,756</b>	<b>5,145</b>	<b>118,600</b>	<b>(576)</b>	<b>21,639</b>	<b>(925)</b>	<b>242,400</b>	<b>1,312,067</b>	<b>-</b>	<b>1,312,067</b>

	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
<b>Balance at 1 January 2015</b>	<b>218,269</b>	<b>464,951</b>	<b>169,808</b>	<b>72,756</b>	<b>5,145</b>	<b>118,600</b>	<b>(576)</b>	<b>21,639</b>	<b>(925)</b>	<b>242,400</b>	<b>1,312,067</b>	<b>-</b>	<b>1,312,067</b>
Profit for the year	-	-	-	-	-	-	-	-	-	89,815	89,815	-	89,815
Share of other comprehensive income of associate	-	-	-	-	-	-	-	(16)	(162)	-	(178)	-	(178)
Other comprehensive income	-	-	-	-	160	-	(161)	1,188	(711)	-	476	-	476
<b>Total other comprehensive income</b>	-	-	-	-	160	-	(161)	1,172	(873)	89,815	90,113	-	90,113
Conversion of convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(54,567)	(54,567)	-	(54,567)
Issue of mandatory convertible bonds	-	-	-	-	-	-	-	-	-	(32,416)	(32,416)	-	(32,416)
Issue expenses of mandatory convertible bonds	-	-	-	-	-	-	-	-	-	(324)	(324)	-	(324)
Issue of bonus shares	10,913	-	-	-	-	-	-	-	-	(10,913)	-	-	-
Transfer from subordinated loan reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>229,182</b>	<b>464,951</b>	<b>169,808</b>	<b>72,756</b>	<b>5,305</b>	<b>118,600</b>	<b>(737)</b>	<b>22,811</b>	<b>(1,798)</b>	<b>233,994</b>	<b>1,314,872</b>	<b>-</b>	<b>1,314,872</b>

*Unaudited Consolidated Statement of Comprehensive Income  
For the six months ended 30 June 2015*

	Notes	6 months ended 30 June 2015 RO' 000	6 months ended 30 June 2014 RO' 000	3 months ended 30 June 2015 RO' 000	3 months ended 30 June 2014 RO' 000
Interest income	1	161,317	160,137	80,924	80,940
Interest expense	2	(45,869)	(47,940)	(22,522)	(23,956)
<b>NET INTEREST INCOME</b>		<b>115,448</b>	<b>112,197</b>	<b>58,402</b>	<b>56,984</b>
Income from Islamic financing		12,116	9,728	6,272	5,136
Distribution to depositor's		(2,904)	(1,512)	(1,573)	(859)
<b>Net income from Islamic financing</b>		<b>9,212</b>	<b>8,216</b>	<b>4,699</b>	<b>4,277</b>
<b>Net interest income and Income from Islamic financing</b>		<b>124,660</b>	<b>120,413</b>	<b>63,101</b>	<b>61,261</b>
Other operating income	3	75,511	72,894	39,323	42,777
<b>OPERATING INCOME</b>		<b>200,171</b>	<b>193,307</b>	<b>102,424</b>	<b>104,038</b>
<b>OPERATING EXPENSES</b>					
Other operating expenses		(78,653)	(72,890)	(39,520)	(36,622)
Depreciation		(5,479)	(5,924)	(2,665)	(2,952)
		<b>(84,132)</b>	<b>(78,814)</b>	<b>(42,185)</b>	<b>(39,574)</b>
Impairment for credit losses	5	(27,601)	(27,357)	(14,764)	(17,149)
Impairment for due from banks		(300)	(556)	(150)	(151)
Impairment for investments		(2,032)	(1,185)	(1,512)	(403)
Recoveries from provision for credit losses	5	16,488	14,182	9,273	7,163
Share of results from associate	8a	1,071	271	594	-
		<b>(96,506)</b>	<b>(93,459)</b>	<b>(48,744)</b>	<b>(50,114)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>103,665</b>	<b>99,848</b>	<b>53,680</b>	<b>53,924</b>
Tax expense		(13,850)	(13,503)	(7,164)	(7,342)
<b>PROFIT FOR THE PERIOD</b>		<b>89,815</b>	<b>86,345</b>	<b>46,516</b>	<b>46,582</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent period</b>					
Share of other comprehensive income of associates, before tax		(18)	-	199	-
Foreign currency translation of investment in associate transferred to income statement on derecognition of associate		-	3,198	-	3,198
Share of other comprehensive income of associate transferred to income statement on derecognition of associate		-	1,167	-	1,167
Translation of net investments in foreign operations, before tax		(711)	42	(119)	(18)
Change in fair value of available-for-sale assets, before tax		1,188	2,272	3,022	3,244
Change in fair value of cash flow hedges, before tax		(161)	(1,033)	792	(476)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>298</b>	<b>5,646</b>	<b>3,894</b>	<b>7,114</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>90,113</b>	<b>91,991</b>	<b>50,410</b>	<b>53,696</b>
<b>Total comprehensive income for the period attributable to:</b>					
Equity holders of parent company		90,113	91,997	50,410	53,698
Non-controlling interest		-	(6)	-	(2)
		<b>90,113</b>	<b>91,991</b>	<b>50,410</b>	<b>53,696</b>
<b>Profit attributable to:</b>					
Equity holders of Parent Company		89,815	86,351	46,516	46,584
Non-controlling interests		-	(6)	-	(2)
		<b>89,815</b>	<b>86,345</b>	<b>46,516</b>	<b>46,582</b>
<b>Earnings per share:</b>					
- Basic		0.040	0.039		
- Diluted		0.037	0.037		

*Summary of unaudited consolidated results as at 30 June 2015*

	<b>30-Jun-15</b>	<b>30-Jun-14</b>
	<b>RO' 000</b>	<b>RO' 000</b>
<b>Loans and advances and Islamic financing receivables</b>	6,857,541	6,465,460
<b>Customer Deposits</b>	7,615,788	6,691,649
<b>Net assets</b>	1,314,872	1,234,353
<b>Net assets per share *</b>	0.574	0.566
	<b>6 months ended 30 June 2015</b>	<b>6 months ended 30 June 2014</b>
<b>Net interest income and income from Islamic financing</b>	124,660	120,413
<b>Net profit before tax for the period</b>	103,665	99,848
<b>Net profit after tax for the period</b>	89,815	86,345
<b>Basic earnings per share (for the period) **</b>	0.040	0.039
<b>Diluted earnings per share (for the period) **</b>	0.037	0.037
<b>Capital Adequacy as per Basel III reporting ***</b>		
Tier I Capital	1,159,336	1,086,490
Tier II Capital	264,340	290,257
<b>Total Regulatory Capital</b>	<b>1,423,676</b>	<b>1,376,747</b>
<b>Total risk weighted assets</b>	<b>8,845,822</b>	<b>8,888,941</b>
<b>Capital Adequacy Ratio:</b>		
Total regulatory capital expressed as a % of total risk weighted assets	16.09%	15.49%
Total Tier I capital expressed as a % of total risk weighted assets	13.11%	12.22%

\* Net assets per share is calculated by dividing net assets owned by ordinary shareholders at 30 Jun 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.

\*\*\* The detailed Basel III disclosures are available on bank's website under Investor Relations- Financial Information-Quarterly reports section.

Notes to the Consolidated Financial Statements for the period ended 30 June 2015

1. Interest/Profit earned

Interest/profit bearing assets carried at an overall rate of 4.03 % for the period ended 30 June 2015. (June 2014 : 4.13%).

2. Interest/Profit expense

Interest/profit bearing liabilities incurred an average overall cost of funds of 1.26%. (June 2014 : 1.35%).

3. Other operating income

	YTD		For the 3 months ended	
	30-Jun-15 RO' 000	30-Jun-14 RO' 000	30-Jun-15 RO' 000	30-Jun-14 RO' 000
Foreign Exchange	18,500	9,755	10,508	6,474
Commission and fees (net)	48,666	45,784	25,367	24,674
Dividend income	2,141	3,025	284	250
Profit/(loss) on sale of investment securities	2,536	12,620	1,162	10,509
Other income	3,668	1,710	2,002	870
	<u>75,511</u>	<u>72,894</u>	<u>39,323</u>	<u>42,777</u>

The commission and fees shown above is net off commission and fees paid of RO 390 K. (2014 : RO 633 K)

4. Loans and advances / Islamic banking financing

	30-Jun-15 RO' 000	30-Jun-14 RO' 000
<b>4.a. <u>Loans and advances - Conventional</u></b>		
Corporate and Other Loans	4,182,924	3,992,298
Personal and Housing loans	2,474,996	2,349,260
Gross loans and advances	<u>6,657,920</u>	<u>6,341,558</u>
Less : Allowances for impairment	265,797	228,242
Net loans and advances	<u>6,392,123</u>	<u>6,113,316</u>
<b>4.b. <u>Islamic financing receivables</u></b>		
Corporate and Other financing	127,964	98,678
Personal and Housing financing	346,082	260,038
Gross financing receivables	<u>474,046</u>	<u>358,716</u>
Less : Allowances for impairment	8,628	6,572
Net Islamic financing receivables	<u>465,418</u>	<u>352,144</u>
<b>4.c. <u>Total loan &amp; advances/ Islamic financing receivables</u></b>		
Corporate and Other loans/financing	4,310,888	4,090,976
Personal and Housing loans/financing	2,821,078	2,609,298
Gross loans & advances/financing receivables	<u>7,131,966</u>	<u>6,700,274</u>
Less : Allowances for impairment	274,425	234,814
Net loans & advances/Islamic financing receivables	<u>6,857,541</u>	<u>6,465,460</u>
<b>4.d. The maturity of these is analysed as follows:</b>	<b>30-Jun-15</b>	<b>30-Jun-14</b>
	<b>RO' 000</b>	<b>RO' 000</b>
Less than 1 year	2,747,462	2,640,160
1 to 3 years	770,982	685,781
3 to 5 years	595,286	552,862
Over 5 years	3,018,236	2,821,471
Gross loans & advances/financing receivables	<u>7,131,966</u>	<u>6,700,274</u>

Notes to the Consolidated Financial Statements for the period ended 30 June 2015

4.e. The interest/ profit rate band of these are as follows:	30-Jun-15 RO' 000	30-Jun-14 RO' 000
0-5%	3,930,644	3,283,525
5-7%	2,585,668	2,533,003
7-9%	478,214	727,634
9-11%	53,181	45,668
11-13%	46,677	78,455
more than 13%	37,582	31,989
Gross loans & advances/financing receivables	<u>7,131,966</u>	<u>6,700,274</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 RO' 000	Reserved Interest RO' 000
At 1 January 2015	237,750	21,144
Provided during the period	27,601	-
Released/recovered during the period	(15,646)	-
Written off during the period	(474)	(171)
Interest reserved during the period	-	6,430
Reserved interest recovered	-	(3,087)
Transfer from Memorandum portfolio	920	65
Translation adjustment of opening balances	(107)	-
At 30 June 2015	<u>250,044</u>	<u>24,381</u>

	Provisions RO' 000	Reserved Interest RO' 000
At 1 January 2014	201,822	15,750
Provided during the period	27,357	-
Released/recovered during the period	(13,416)	-
Written off during the period	(583)	(1,235)
Interest reserved during the period	-	6,317
Reserved interest recovered	-	(2,663)
Transfer from Memorandum portfolio	1,389	70
Translation adjustment of opening balances	6	-
At 30 June 2014	<u>216,575</u>	<u>18,239</u>

Recoveries of RO 16,488 K (Jun 2014: 14,182 K) reported in the income statement includes RO 842 K (Jun 2014: 765 K) recovered from loans written off earlier.

Interest is reserved on loans and advances which are impaired.

At 30 June 2015 loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 213.6 mn (June 2014 : RO 187.2 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 30 June 2015

6. Deposits	30-Jun-15	30-Jun-14
6.a. <u>Customer Deposits - Conventional</u>	RO' 000	RO' 000
Current accounts	2,246,104	2,073,591
Call accounts	339,391	296,557
Savings accounts	2,171,975	1,804,899
Time deposits	2,102,507	2,062,776
Other	54,359	38,048
<b>Customer Deposits</b>	<u>6,914,336</u>	<u>6,275,871</u>
CD's / Unsecured Bonds / FRN's	191,428	237,101
<b>Total</b>	<u><u>7,105,764</u></u>	<u><u>6,512,972</u></u>
<b>6.b. <u>Islamic customer deposits</u></b>		
Current accounts	42,119	17,590
Savings accounts	50,818	23,159
Time deposits	410,555	137,367
Other	6,532	561
<b>Total</b>	<u>510,024</u>	<u>178,677</u>
<b>6.c. <u>Total customer deposits</u></b>		
Current accounts	2,288,223	2,091,181
Call accounts	339,391	296,557
Savings accounts	2,222,793	1,828,058
Time deposits	2,513,062	2,200,143
Other	60,891	38,609
<b>Customer Deposits</b>	<u>7,424,360</u>	<u>6,454,548</u>
CD's / Unsecured Bonds / FRN's	191,428	237,101
<b>Total</b>	<u><u>7,615,788</u></u>	<u><u>6,691,649</u></u>
<b>6.d.</b> The maturities of deposits are as follows	<b>30-Jun-15</b>	<b>30-Jun-14</b>
	<b>RO' 000</b>	<b>RO' 000</b>
Less than 1 year	3,739,174	2,809,298
1 to 3 years	1,680,351	1,569,255
3 to 5 years	953,068	1,111,083
Over 5 years	1,243,195	1,202,013
Total customer deposits	<u>7,615,788</u>	<u>6,691,649</u>
<b>6.e.</b> The interest/profit rate bands of deposits are as follows:	<b>30-Jun-15</b>	<b>30-Jun-14</b>
	<b>RO' 000</b>	<b>RO' 000</b>
0%	3,568,168	3,042,462
0-2%	2,727,805	2,069,100
2-4%	1,203,549	1,274,462
4-6%	107,752	296,631
more than 6%	8,514	8,994
Total customer deposits	<u>7,615,788</u>	<u>6,691,649</u>

Notes to the Consolidated Financial Statements for the period ended 30 June 2015

7. Asset liability mismatch

The asset liability mismatch is analysed as follows:

Maturities	30-Jun-15			30-Jun-14		
	Assets RO' 000	Liabilities RO' 000	Mismatch RO' 000	Assets RO' 000	Liabilities RO' 000	Mismatch RO' 000
Less than 1 year	5,524,382	4,777,168	747,214	4,937,635	3,775,340	1,162,295
1 to 3 years	999,132	2,013,590	(1,014,458)	887,991	1,956,145	(1,068,154)
3 to 5 years	673,621	1,035,068	(361,447)	618,571	1,195,509	(576,938)
Over 5 years	3,250,440	2,621,749	628,691	2,988,419	2,505,622	482,797
	<u>10,447,575</u>	<u>10,447,575</u>	<u>-</u>	<u>9,432,616</u>	<u>9,432,616</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:

	30-Jun-15 RO. 000's	30-Jun-14 RO. 000's
Carrying value of the Investment at January 1	47,449	46,000
Share of profit for the period Sep 14 to Mar 15	1,071	-
Share of other comprehensive income Sep 14 to Mar 15	(18)	-
Dividend received	(1,612)	-
Carrying value of the Investment at June 30	<u>46,890</u>	<u>46,000</u>

Notes to the Consolidated Financial Statements for the period ended 30 June 2015

8. Non Trading Investments (continued)

	Fair Value 30-Jun-15 RO' 000	Fair Value 30-Jun-14 RO' 000
<b>8.b. Designated as fair value through profit or loss</b>		
<i>Quoted</i>		
<i>Debt</i>		
Foreign Bonds	1,397	-
	<b>1,397</b>	<b>-</b>
<b>8.c. Available For Sale</b>		
<i>Quoted investments</i>		
<i>Equity</i>		
Foreign securities	32,707	26,806
Other services sector	25,951	32,311
Investment fund units	10,094	10,234
Financial services sector	6,065	9,301
Industrial sector	1,069	2,167
<i>Debt</i>		
Government bonds	214,084	199,353
Foreign Bonds	29,979	31,203
Local Bonds	-	-
<i>Total Quoted investments</i>	<b>319,949</b>	<b>311,375</b>
<i>Unquoted investments</i>		
<i>Equity</i>		
Foreign securities	14,588	13,872
Local securities	8,818	8,028
Investment fund units	50	50
<i>Debt</i>		
Foreign Bonds	-	-
Local Bonds	30,498	23,677
<i>Total Unquoted investments</i>	<b>53,954</b>	<b>45,627</b>
Total available for sale investments	<b>373,903</b>	<b>357,002</b>
Impairment losses on investments	(8,329)	(6,459)
Available for sale investments (net)	<b>365,574</b>	<b>350,543</b>
<b>8.d. Held To Maturity</b>		
<i>Quoted</i>		
Treasury Bills	729,991	287,909
Bonds	67,714	24,349
Unquoted local Bonds	5,935	5,000
	<b>803,640</b>	<b>317,258</b>



Notes to the Consolidated Financial Statements for the period ended 30 June 2015

**9. Related Party Transactions**

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

	<b>30-Jun-15</b>	<b>30-Jun-14</b>
	<b>RO' 000</b>	<b>RO' 000</b>
Loans and advances (Gross)	50,668	44,848
Provision and reserve interest	(8,359)	(8,244)
Loans and advances (Net)	42,309	36,604
Current, deposit and other accounts	76,774	90,456
Customers' liabilities under documentary credits, guarantees and other commitments	15,484	18,530

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

	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>RO' 000</b>	<b>RO' 000</b>
Interest income	963	754
Interest expenditure	335	203
Commission and other income	-	6

**10. Shareholders**

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

	<b>30-Jun-15</b>		<b>30-Jun-14</b>	
	<b>% of holding</b>	<b>No. of shares</b>	<b>% of holding</b>	<b>No. of shares</b>
Royal Court Affairs	23.58%	540,469,925	23.58%	514,733,262
Dubai Financial Group LLC	12.33%	282,671,899	12.33%	269,211,333

**11. Contingent liabilities**

	<b>30-Jun-15</b>	<b>30-Jun-14</b>
	<b>RO' 000</b>	<b>RO' 000</b>
- Letters of Credit	784,612	564,855
- Guarantees	2,203,554	1,686,885
	<b><u>2,988,166</u></b>	<b><u>2,251,740</u></b>

**12. Spot / Forwards and options**

**Spot and Forwards**

- Purchases	2,041,379	1,304,593
- Sales	2,041,453	1,304,453

**Options**

- Sales	113,951	208,052
- Purchases	113,951	208,052

**Notes to the Consolidated Financial Statements for the period ended 30 June 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:

30 June 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		
<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 (net)	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 (incl. depreciation)	(13,056)	(53,429)	(7,370)	(5,858)	(79,713)	(4,419)	(84,132)
Impairment for credit & other losses (net)	(6,249)	(687)	(2,632)	(2,892)	(12,460)	(985)	(13,445)
Share of profit from associates	-	-	-	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)
Segment profit / (loss) for the year	29,070	25,768	29,408	1,639	85,885	3,930	89,815
Segment assets	3,823,879	2,554,512	2,857,403	608,272	9,844,066	603,509	10,447,575

30 June 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		
<b>Segment revenue</b>							
Net interest income	36,228	53,584	17,731	4,654	112,197	-	112,197
Net income from Islamic financing	-	-	-	-	-	8,216	8,216
Commission, fees and other income (net)	8,629	30,800	23,030	9,556	72,015	879	72,894
<b>Operating income</b>	<b>44,857</b>	<b>84,384</b>	<b>40,761</b>	<b>14,210</b>	<b>184,212</b>	<b>9,095</b>	<b>193,307</b>
<b>Segment costs</b>							
Operating expenses (incl. depreciation)	(12,893)	(49,828)	(7,269)	(5,672)	(75,662)	(3,152)	(78,814)
Impairment for credit & other losses (net)	(11,437)	(1,296)	(1,485)	718	(13,500)	(1,416)	(14,916)
Share of profit from associates	-	-	-	271	271	-	271
Tax expense	(2,870)	(4,658)	(4,178)	(1,172)	(12,878)	(625)	(13,503)
	(27,200)	(55,782)	(12,932)	(5,855)	(101,769)	(5,193)	(106,962)
Segment profit / (loss) for the year	17,657	28,602	27,829	8,355	82,443	3,902	86,345
Segment assets	3,784,548	2,408,732	2,268,072	591,671	9,053,023	379,593	9,432,616

**14. Comparative Figures**

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