

# **National Bank of Oman SAOG**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 March 2015 (UNAUDITED)**



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## **CHAIRMAN'S REPORT Q1 2015**

OUR ESTEEMED SHAREHOLDERS,

On behalf of the Board of Directors of National Bank of Oman SAOG, I am pleased to announce the results for the three months ended 31<sup>st</sup> March 2015.

### **Operating Performance**

The first three months of the year have maintained the significant forward momentum generated by National Bank of Oman in 2014, with net profits increasing by 23% over the corresponding period last year. The net profit for the three months ended 31<sup>st</sup> March 2015 is OMR 12.6 million, compared with OMR 10.3 million for the same period last year. This increase is primarily a result of the strong income growth resulting in stronger performance at an operating level.

Net interest income from conventional banking and revenues from Islamic financing activities increased by 17% to OMR 22.4 million due to strong growth in loans and advances as well as a reduction in interest expenditure against an improved deposit mix.

Total non-interest income increased by 26% to OMR 9 million due to higher commission income and higher arrangement fees. The Bank's efforts to diversify earnings have started to yield positive results.

Total operating income as a result grew by a healthy 20% over the corresponding period last year and given the challenging market conditions, we are pleased with the Bank's financial progress during the first quarter.

Operating expenses increased to OMR 14.3 million, a 14% growth over the corresponding period last year. This is largely due to an increase in our human capital and other infrastructure in the UAE business and the Muzn Islamic window.

Impairments on loans and advances increased by 35% to OMR 2.6 million over the last year due to increase in general provisions in the retail and corporate books. The Bank's coverage ratio has increased to 146% in the first quarter of 2015 as compared to 142% in December 2014. The Bank has also improved its recovery efforts and as result recoveries of debts previously provided or written-off has increased by 46% to OMR 2.5 million. Non-performing loans (NPLs) at the end of the period remained constant at 2.0%.

During the first three months, deposits grew by over OMR 262 million, whereas net loans have grown by OMR 71 million resulting in surplus liquid assets. The Bank will look to deploy the surplus liquidity in more remunerative assets to boost its return on assets further. Return on equity a key measure of returns has improved from 12.9% in March 2014 to 14.4% in March 2015.

Capital adequacy ratio stood at 14.1%, in excess of the regulatory requirement of 12.625%, and given that the interim profits of OMR 12.6 million is not factored in, we consider this ratio to be healthy. The

Bank has plans in place to substitute all of its tier 2 debt to Basel 3 compliant capital instruments. This will strengthen its capital ratio before June.

### **Islamic Banking**

The Bank continues to witness robust growth to its Islamic banking. Islamic net loans grew by 259% to OMR 74 million, which has resulted in a total income of OMR 770 K this quarter, showing a revenue growth of 307% compared to the same period last year.

### **Key Achievements**

Building on the Bank's vision to be the bank of choice and as part of its commitment to deliver a consistently superior customer experience across all its customer touch-points, the Bank continued to invest in new and innovative technologies to enhance customers' banking experience. The Bank launched a new fully-featured website designed for an intuitive customer-friendly experience and to open new channels for customer interaction. This was followed by the unveiling of a state-of-the-art Mobile Banking app providing a full range of key banking services including EZ pay, a unique service that enables customers to transfer funds to a mobile number. With the region witnessing an increase in ecommerce transactions, the Bank also partnered with MasterCard and Visa to offer debit card customers a more secure shopping experience.

Alongside increasing the Bank's digital offering, the Bank continued to expand its physical footprint in the first quarter of 2015. A new Muzn Islamic Banking outlet was opened in Sohar, while National Bank of Oman opened new, more conveniently located premises in Bahla.

The Al Kanz Prize Draw was revamped at the start of the year to give customers the chance to win more rewards. Over the first six months of 2015, the bank will award over OMR1 million in prizes to customers. This year will also see the launch of a Kids and a Youth competition.

The Bank's continued support for the Sultanate's SME sector was one again evident in the first quarter of 2015. National Bank of Oman was proud to sign a Memorandum of Understanding (MoU) with the Ministry of Tourism to support and develop SMEs operating in the strategically important tourism sector.

The Bank's dedication to developing and promoting Omani talent in line with the country's Omanisation efforts was reinforced with the launch of two new internal leaderships programs designed to increase the pool of talent available to fill senior leadership roles over the medium- to long-term. This is part and parcel of the Bank's dedication to fostering a high-performance and values-based culture supported by a robust training and development program.

There was cause for celebration this quarter to commemorate the return of our Nation's wise and visionary leader, His Majesty Sultan Qaboos bin Said, to the Sultanate. The Bank and its employees as well as their respective families joined hands with the community to express their loyalty for His Majesty Sultan Qaboos bin Said. As part of its month-long festivities, National Bank of Oman demonstrated its

pride in the Sultanate and His Majesty by holding several celebrations across its branches and divisions, which also included the introduction of various initiatives to provide the community with a platform to express their happiness.

In addition, as part of the Bank's commitment to the community, the Bank was delighted to add its support to Earth Hour, organised by the Environmental Society of Oman (ESO). The annual event is part of a laudable global movement to conserve energy and protect the environment.

The Bank also held the second edition of the National Bank of Oman Chairman's Speaker Series, which is designed to bridge the gap between Oman's future leaders and seasoned professionals, providing an interactive platform to learn and share experiences, ideas and aspirations. Each quarter, one of the leading influencers is invited to share their expertise, knowledge and best practice at an exclusive evening event in Oman. H.E. Khaldoon Khalifa Al Mubarak, Group Chief Executive Officer and Managing Director of Mubadala were invited to speak at the first National Bank of Oman Chairman's Speaker Series event of 2015. Speaking in Muscat, he shared the fascinating story of the Abu Dhabi-based investment and development company's success with a gathered audience of public officials, business leaders, university students, and bank customers.

The Bank also marked its 42<sup>nd</sup> anniversary with a gala dinner in Muscat attended by 150 of Oman's most prominent citizens and residents to celebrate its growth journey that was made possible with the support of the stakeholders and the people of the Sultanate of Oman. We were delighted to welcome His Excellency Sayyid Badr bin Saud bin Harib Al Busaidi, Minister Responsible for Defence Affairs, as our guest of honour for this landmark event. To commemorate our 45<sup>th</sup> National Day, and as a gift to our Nation, we were delighted to announce that we will be providing scholarships for five undergraduate students to complete their Masters' degree at the most reputed universities in the world, we will also provide scholarships for 15 high school students to complete their undergraduate degrees at the top universities in the world. In addition, the Bank will train and employ 25 diploma level students in various divisions of the Bank. In all of this, the ultimate goal, and primary focus, is to make positive and sustainable contributions to our community; for you and for our Nation.

## **Appreciation**

On behalf of the members of the Board of Directors, I would like to acknowledge and thank our valued customers and shareholders for their continued support of the Bank. We express our appreciation to our regulators, the Central Bank of Oman, the Central Bank of UAE and the Capital Market Authority, for their continued guidance and support of our endeavours. We thank the Bank's management and staff for their dedication and commitment.

Above all, we pay tribute to His Majesty, Sultan Qaboos Bin Said, for his inspiring leadership and vision and under whose wise guidance Oman steadfastly continues on its path towards successful development.

Mohammed Mahfoodh Al Ardhi

**Chairman**

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

31 March 2015 (Un-audited)

		<i>31-03-2015</i>	<i>31-03-2014</i>	<i>Audited</i> <i>31-12-2014</i>
	<i>Notes</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Assets</b>				
Cash and balances with Central Banks	3	<b>402,324</b>	1,024,514	288,832
Due from banks and other money market placements (net)	4	<b>164,729</b>	140,124	144,933
Loans, advances and financing activities for customers (net)	5	<b>2,387,984</b>	2,091,874	2,316,813
Financial investments	6	<b>158,907</b>	133,872	147,524
Premises and equipment	7	<b>27,938</b>	20,297	23,204
Deferred tax asset	12	<b>479</b>	410	436
Other assets	8	<b>61,756</b>	114,983	54,352
<b>Total assets</b>		<b>3,204,117</b>	3,526,074	2,976,094
<b>Liabilities</b>				
Due to banks and other money market deposits		<b>67,605</b>	189,337	102,188
Customers' deposits and unrestricted investment accounts	9	<b>2,439,624</b>	2,829,984	2,177,742
Euro medium term notes	10	<b>198,266</b>	-	195,223
Other liabilities	11	<b>81,944</b>	102,972	69,761
Taxation	12	<b>1,103</b>	1,576	6,051
<b>Total liabilities</b>		<b>2,788,542</b>	3,123,869	2,550,965
<b>Subordinated debt</b>	13	<b>62,100</b>	79,700	63,600
<b>Equity</b>				
Share capital		<b>134,071</b>	121,883	121,883
Share premium		<b>34,465</b>	34,465	34,465
Legal reserve		<b>43,380</b>	39,586	43,380
General reserve		<b>4,419</b>	4,419	4,419
Other non-distributable reserves	14	<b>39,850</b>	45,639	41,322
Proposed cash dividend		-	-	20,720
Proposed stock dividend		-	-	12,188
Retained earnings		<b>97,290</b>	76,513	83,152
<b>Total equity</b>		<b>353,475</b>	322,505	361,529
<b>Total liabilities, subordinated debt and equity</b>		<b>3,204,117</b>	3,526,074	2,976,094

The interim condensed financial statements were authorised for issue on 21<sup>st</sup> April 2015 in accordance with a resolution of the Board of Directors.

The attached notes 1 to 26 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**31 March 2015 (Un-audited)**

	Notes	<i>Three months ended 31 March</i>	
		2015 RO'000	2014 RO'000
Interest income	16	29,277	28,657
Interest expense	17	(7,637)	(9,736)
<b>Net interest income</b>		<b>21,640</b>	<b>18,921</b>
Income from Islamic financing and Investment activities		858	217
Unrestricted investment account holders' share of		(112)	(40)
<b>Net Income from Islamic financing and Investment activities</b>		<b>746</b>	<b>177</b>
Other operating income	18	9,072	7,201
<b>OPERATING INCOME</b>		<b>31,458</b>	<b>26,299</b>
<b>OPERATING EXPENSES</b>			
Staff costs		(8,540)	(7,590)
Other operating expenses	19	(5,044)	(4,272)
Depreciation	7	(735)	(744)
		<b>(14,319)</b>	<b>(12,606)</b>
<b>PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX</b>		<b>17,139</b>	<b>13,693</b>
Credit loss expense – customer loans	5	(5,059)	(3,744)
Recoveries and releases from provision for credit losses	5	433	148
Recoveries from loans and advances written off		2,039	1,546
Impairment losses on available for sale investments		-	(17)
Credit loss expense / write-back - bank loans		(17)	139
<b>TOTAL IMPAIRMENT LOSSES (NET)</b>		<b>(2,604)</b>	<b>(1,928)</b>
<b>PROFIT BEFORE TAX</b>		<b>14,535</b>	<b>11,765</b>
Taxation	12	(1,897)	(1,458)
<b>PROFIT FOR THE PERIOD</b>		<b>12,638</b>	<b>10,307</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Net movement on available for sale investments		(15)	784
Tax effect of net results on available for sale financial investments		43	(50)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>28</b>	<b>734</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>12,666</b>	<b>11,041</b>
Earnings per share annualized:			
Basic and diluted, profit for the period attributable to equity holders		0.038	0.031

The attached notes 1 to 26 form part of the interim condensed financial statements.

## INTERIM CONDENSED STATEMENT OF CASH FLOWS

31 March 2015 (Un-audited)

	Notes	Three months ended	
		31 March 2015 RO'000	2014 RO'000
<b>Profit before taxation</b>		<b>14,535</b>	11,765
Adjustments for:			
Depreciation	7	735	744
Provision for credit losses (net)		4,626	3,596
Provision / (write back) for credit loss expenses bank loans (net)		17	(139)
Impairment on available for sale investments		-	17
Profit on sale of equipment (net)		-	(4)
Loss/(profit) on sale of investments		32	(161)
Investment income		(1,325)	(1,406)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>18,620</b>	14,412
Increase in due from and other money market deposits		(10,558)	29,398
Increase in due to and other money market placements		1,483	(42,350)
Increase in loans and advances to customers		(75,797)	(27,271)
Increase in other assets		(7,404)	(36,842)
Increase in customer deposits		261,882	650,825
Euro Medium Term Notes		3,043	-
Increase in other liabilities		12,183	25,460
<b>Cash from operations</b>		<b>203,452</b>	613,632
Tax paid		(6,829)	(5,358)
<b>Net cash from operating activities</b>		<b>196,623</b>	608,274
<b>Investing activities</b>			
Purchase of investments		(12,275)	(2,131)
Proceeds from sale of investments		891	1,739
Purchase of premises and equipment	7	(5,486)	(937)
Disposal of premises and equipment		3	4
Translation difference in premises & equipment & Tax		(31)	-
Interest on Govt. Development Bond and T-Bills		675	714
Dividend income	18	650	692
<b>Net cash used in investing activities</b>		<b>(15,573)</b>	81
<b>Financing activities</b>			
Payment of dividend		(20,720)	(16,620)
Repayment of Subordinated debt		(1,500)	-
<b>Net cash used in financing activities</b>		<b>(22,220)</b>	(16,620)
<b>Increase in cash and cash equivalents</b>		<b>158,830</b>	591,735
Cash and cash equivalents at the beginning of the period		313,135	479,315
<b>Cash and cash equivalents at the end of the period</b>		<b>471,965</b>	1,071,050
<b>Representing:</b>			
Cash and balances with Central Bank	3	401,824	1,024,014
Deposits and balances with other banks and financial institutions (net)		70,141	47,036
		<b>471,965</b>	1,071,050

The attached explanatory notes 1 to 26 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**Period ended 31 March 2015 (Un-audited)**

<i>(RO'000)</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve *</i>	<i>General reserve</i>	<i>Other non-distributable reserves*</i>	<i>Proposed cash dividend</i>	<i>Proposed stock dividend</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2014	110,803	34,465	39,586	4,419	44,905	16,620	11,080	66,206	328,084
Total comprehensive income for the period	-	-	-	-	734	-	-	10,307	11,041
Dividend paid during the period	-	-	-	-	-	(16,620)	-	-	(16,620)
Issue of Shares	11,080	-	-	-	-	-	(11,080)	-	-
<b>Balance at 31 March 2014</b>	<b>121,883</b>	<b>34,465</b>	<b>39,586</b>	<b>4,419</b>	<b>45,639</b>	<b>-</b>	<b>-</b>	<b>76,513</b>	<b>322,505</b>
Balance at 1 April 2014	121,883	34,465	39,586	4,419	45,639	-	-	76,513	322,505
Total comprehensive income for the period	-	-	-	-	(937)	-	-	39,961	39,024
Transfer to subordinated debt reserve	-	-	-	-	(3,380)	-	-	3,380	-
Transfer to legal reserve	-	-	3,794	-	-	-	-	(3,794)	-
Transfer to proposed stock dividend	-	-	-	-	-	-	12,188	(12,188)	-
Transfer to proposed cash dividend	-	-	-	-	-	20,720	-	(20,720)	-
<b>Balance at 31 December 2014</b>	<b>121,883</b>	<b>34,465</b>	<b>43,380</b>	<b>4,419</b>	<b>41,322</b>	<b>20,720</b>	<b>12,188</b>	<b>83,152</b>	<b>361,529</b>
Balance at 1 January 2015	<b>121,883</b>	<b>34,465</b>	<b>43,380</b>	<b>4,419</b>	<b>41,322</b>	<b>20,720</b>	<b>12,188</b>	<b>83,152</b>	<b>361,529</b>
Total comprehensive income for the period	-	-	-	-	28	-	-	12,638	12,666
Transfer to retained earnings	-	-	-	-	(1,500)	-	-	1,500	-
Dividend paid during the period	-	-	-	-	-	(20,720)	-	-	(20,720)
Issue of shares	<b>12,188</b>	-	-	-	-	-	<b>(12,188)</b>	-	-
<b>Balance at 31 March 2015</b>	<b>134,071</b>	<b>34,465</b>	<b>43,380</b>	<b>4,419</b>	<b>39,850</b>	<b>-</b>	<b>-</b>	<b>97,290</b>	<b>353,475</b>

\*Transfers to legal reserve and subordinated debt reserve are made on an annual basis.

The attached notes 1 to 26 form part of the interim condensed financial statements.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (Un-audited)**

**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

National Bank of Oman SAOG ("NBO", "the bank") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail, wholesale banking, investment banking services and Islamic banking within the Sultanate of Oman with overseas branches in the United Arab Emirates and Egypt. The bank operates in Oman under a banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme. The registered address of the bank is PO Box 751, Ruwi, Postal Code 112, Muscat, Sultanate of Oman. The bank has a primary listing on the Muscat Stock Exchange.

The bank employed 1,373 employees as of 31 March 2015 (31 March 2014 – 1,371 employees / 31 December 2014 – 1,368 employees).

**2 SIGNIFICANT ACCOUNTING POLICIES**

The condensed interim financial statements of the bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2014.

The condensed interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three months ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The condensed interim financial statements are prepared in Rial Omani, rounded to the nearest thousands, except as indicated. The functional currencies of the bank's operations are as follows:

- Sultanate of Oman: Rial Omani
- United Arab Emirates: UAE Dirham
- Egypt: US Dollar

The interim condensed financial statements are prepared under the historical cost convention, modified to include revaluation of freehold land and buildings, measurement of derivative financial instruments and investments, either through profit and loss account or through other comprehensive Income, at fair value.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (Unaudited)**

**3 CASH AND BALANCES WITH CENTRAL BANKS**

	<i>31/03/2015</i>	<i>31/03/2014</i>	<i>31/12/2014</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Cash	<b>43,764</b>	36,701	47,834
Treasury bills	<b>7,320</b>	-	-
Certificate of deposit with Central Banks	<b>110,000</b>	850,000	8,000
Other balances with Central Banks	<b>240,740</b>	137,313	232,498
<b>Cash and cash equivalents</b>	<b>401,824</b>	1,024,014	288,332
Capital deposit with Central Bank of Oman	<b>500</b>	500	500
<b>Cash and balances with Central Banks</b>	<b>402,324</b>	1,024,514	288,832

The capital deposit with the Central Bank of Oman cannot be withdrawn without the approval of the Central Bank of Oman.

**4 DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS (NET)**

	<i>31/03/2015</i>	<i>31/03/2014</i>	<i>31/12/2014</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Loans and advances to banks	<b>27,931</b>	-	24,721
Placements with bank	<b>110,990</b>	113,611	71,842
Demand balances	<b>25,948</b>	26,513	48,494
<b>Due from banks and other money market placements</b>	<b>164,869</b>	140,124	145,057
Less: allowance for credit losses	<b>(140)</b>	-	(124)
<b>Net due from banks and other money market placements</b>	<b>164,729</b>	140,124	144,933

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (Unaudited)**

**5 LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS (NET)**

	<i>31/03/2015</i> <i>RO'000</i>	<i>31/03/2014</i> <i>RO'000</i>	<i>31/12/2014</i> <i>RO'000</i>
Corporate loans	<b>1,325,324</b>	1,081,699	1,289,808
Personal loans	<b>1,075,231</b>	1,039,364	1,046,172
Overdrafts	<b>70,202</b>	59,379	59,781
Gross loans and advances	<b>2,470,757</b>	2,180,443	2,395,761
Less: Allowance for credit losses and reserved interest	<b>(82,773)</b>	(88,569)	(78,948)
Net loans and advances	<b>2,387,984</b>	2,091,874	2,316,813

Gross loans and advances include RO 20.8 million due from related parties at 31 March 2015 (31 March 2014 – RO 29.9 million, 31 December 2014 – RO 12.9 million).

The movement in the provision for impairment of loans and advances presented as loan loss provisions and reserved interest is set out below:

<b>Allowance for credit losses</b>	<i>3 months</i> <i>ended</i> <i>31/03/2015</i> <i>RO'000</i>	<i>3 months</i> <i>ended</i> <i>31/03/2014</i> <i>RO'000</i>	<i>12 months</i> <i>ended</i> <i>31/12/2014</i> <i>RO'000</i>
	Balance at beginning of period / year	<b>69,197</b>	67,752
Provided during the period / year	<b>5,059</b>	3,744	12,299
Recovered/ released during the period / year	<b>(240)</b>	(81)	(2,665)
Written off during the period / year	<b>(1,288)</b>	(924)	(8,097)
Translation difference	<b>(124)</b>	(5)	(92)
Balance at end of period / year	<b>72,604</b>	70,486	69,197

<b>Reserved interest</b>	<i>3 months</i> <i>ended</i> <i>31/03/2015</i> <i>RO'000</i>	<i>3 months</i> <i>ended</i> <i>31/03/2014</i> <i>RO'000</i>	<i>12 months</i> <i>ended</i> <i>31/12/2014</i> <i>RO'000</i>
	Balance at beginning of period / year	<b>9,751</b>	20,890
Reserved during the period / year	<b>735</b>	1,186	3,185
Recovered/ released during the period / year	<b>(193)</b>	(67)	(223)
Written off during the period / year	<b>(118)</b>	(3,926)	(14,099)
Translation difference	<b>(6)</b>	-	(2)
Balance at end of period / year	<b>10,169</b>	18,083	9,751

All loans and advances require payment of interest based on agreed tenors, some at fixed rates and others at rates that re-price prior to maturity.

As of 31 March 2015 loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 60 million, (31 March 2014 – RO 67 million and 31 December 2014 – RO 58 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (Unaudited)**

**6 FINANCIAL INVESTMENTS**

	<i>Carrying value</i> <b>31/03/2015</b> <i>RO'000</i>	<i>Carrying value</i> <i>31/03/2014</i> <i>RO'000</i>	<i>Carrying value</i> <i>31/12/2014</i> <i>RO'000</i>
<b>A. Held for trading</b>			
<b>Quoted investments- Oman</b>			
Government Development Bonds	<b>42,433</b>	26,698	39,292
Equities	<b>52</b>	-	-
	<b>42,485</b>		
<b>Quoted investments- Foreign</b>			
Equities	<b>48</b>	-	-
	<b>48</b>	-	-
<b>Total held for trading</b>	<b>42,533</b>	26,698	39,292
<b>B. Available for sale</b>			
<b>Quoted investments- Oman</b>			
Banking and investment sector	<b>490</b>	675	490
Manufacturing sector	<b>355</b>	1,354	822
Service sector	<b>20,523</b>	9,369	19,696
Government Development Bonds	<b>68,742</b>	75,043	68,952
	<b>90,110</b>	86,441	89,960
<b>Quoted investments- Foreign</b>			
Banking and investment sector	<b>2,008</b>	501	1,790
Service sector	<b>3,809</b>	3,349	702
Government Development Bonds	<b>5,349</b>	834	-
	<b>11,166</b>	4,684	2,492
<b>Unquoted investments</b>			
Banking and investment sector	<b>9,453</b>	10,570	10,133
Manufacturing sector	<b>3,483</b>	3,483	3,483
Service sector	<b>175</b>	225	175
	<b>13,111</b>	14,278	13,791
<b>Total available for sale</b>	<b>114,387</b>	105,403	106,243
<b>C. Held to maturity</b>			
<b>Quoted investments- Overseas</b>			
Manufacturing sector	-	1,771	-
Banking Sector	<b>1,987</b>	-	1,989
<b>Total Held to maturity</b>	<b>1,987</b>	1,771	1,989
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>158,907</b>	133,872	147,524

**Details of significant investments**

Details of investments exceeding 10% of the carrying value of the bank's investment are as follows:

	<i>Bank's portfolio</i> <i>%</i>	<i>Carrying value</i> <i>RO'000</i>
<b><u>31 March 2015</u></b>		
Government Development Bonds-Oman	<b>70.0</b>	<b>111,175</b>
<b><u>31 March 2014</u></b>		
Government Development Bonds-Oman	76.0	101,741
<b><u>31 December 2014</u></b>		
Government Development Bonds-Oman	73.4	108,244

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (Unaudited)**

**7 PREMISES AND EQUIPMENT**

	<i>Freehold Land, buildings and leasehold improvements RO'000</i>	<i>Motor vehicles, furniture and equipment RO'000</i>	<i>Capital work in progress RO'000</i>	<i>Total RO'000</i>
<b>Reconciliation of carrying amount:</b>				
Balance at 1 January 2015, net of accumulated depreciation	11,940	5,420	5,844	23,204
Additions	93	169	5,224	5,486
Disposal	-	(3)	-	(3)
Transfers	121	422	(543)	-
Translation difference	(14)	-	-	(14)
Depreciation	(190)	(545)	-	(735)
<b>Balance at 31 March 2015, net of accumulated depreciation</b>	<b>11,950</b>	<b>5,463</b>	<b>10,525</b>	<b>27,938</b>
At cost / valuation	26,212	28,220	10,525	64,957
Accumulated depreciation	(14,262)	(22,757)	-	(37,019)
<b>Net carrying value at 31 March 2015</b>	<b>11,950</b>	<b>5,463</b>	<b>10,525</b>	<b>27,938</b>
Net carrying value at 31 March 2014	12,292	4,736	3,269	20,297

**8 OTHER ASSETS**

	<i>31/03/2015 RO'000</i>	<i>31/03/2014 RO'000</i>	<i>31/12/2014 RO'000</i>
Interest receivable and others	17,213	51,243	13,524
Positive fair value of derivatives (note 25)	11,216	3,374	9,029
Customers' indebtedness for acceptances (note 11)	33,327	60,366	31,799
	<b>61,756</b>	<b>114,983</b>	<b>54,352</b>

**9 CUSTOMERS' DEPOSITS AND UNRESTRICTED INVESTMENT ACCOUNTS**

	<i>31/03/2015 RO'000</i>	<i>31/03/2014 RO'000</i>	<i>31/12/2014 RO'000</i>
Current accounts	893,151	1,292,128	824,587
Savings accounts	591,588	557,404	563,729
Term deposits	954,885	980,452	789,426
	<b>2,439,624</b>	<b>2,829,984</b>	<b>2,177,742</b>

**10 EURO MEDIUM TERM NOTES**

The Bank in 2014 had established a 5-year, USD 500 million Regulation S, bond issuance under its Euro Medium Term Note (EMTN) programme of USD 600 million with regional and international investors. The bonds are listed on the Irish Stock Exchange and are governed by English law. The carrying amount of EMTN is stated after taking into account the amount of MTM value of the fair value hedge (Refer note 25).

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT

31 March 2015 (Unaudited)

### 11 OTHER LIABILITIES

	<i>31/03/2015</i> <i>RO'000</i>	<i>31/03/2014</i> <i>RO'000</i>	<i>31/12/2014</i> <i>RO'000</i>
Interest payable and other accruals	43,052	39,261	32,401
Negative fair value of derivatives (note 25)	5,565	3,345	5,561
Liabilities under acceptances (note 8)	33,327	60,366	31,799
	<b>81,944</b>	102,972	69,761

### 12 TAXATION

	<i>31/03/2015</i> <i>RO'000</i>	<i>31/03/2014</i> <i>RO'000</i>	<i>31/12/2014</i> <i>RO'000</i>
<b>Statement of comprehensive income</b>			
Current period/year	<b>1,897</b>	1,458	7,226

#### Reconciliation of tax expense

The bank is liable to income tax at the following rates:

- Sultanate of Oman: 12% of consolidated taxable income in excess of RO 30,000
- United Arab Emirates: 20% of taxable income
- Egypt: 20% of taxable income (with effect from 2007)

Set out below is reconciliation between incomes taxes calculated on accounting profits with income tax expense for the period:

	<i>31/03/2015</i> <i>RO'000</i>	<i>31/03/2014</i> <i>RO'000</i>	<i>31/12/2014</i> <i>RO'000</i>
Accounting profit	14,535	11,765	57,494
Tax at applicable rate	1,744	1,412	6,899
Non-deductible expenses	28	34	101
Tax exempt revenues	(178)	(102)	(398)
Others	303	114	624
	<b>1,897</b>	1,458	7,226

The bank's liabilities for taxation in the Sultanate of Oman have been assessed up to the year ended 31 December 2007.

The tax assessments of the Egypt operations in respect of the different taxes applicable are at different stages of completion with the respective tax authorities. The bank's liability in respect of its branches in UAE has been agreed with the tax authorities up to 31 December 2013.

	<i>31/03/2015</i> <i>RO'000</i>	<i>31/03/2014</i> <i>RO'000</i>	<i>31/12/2014</i> <i>RO'000</i>
<b>Tax liability</b>			
Income tax and other taxes – Current year	1,897	1,458	7,226
Income tax and other taxes – Prior years	(794)	118	(1,175)
	<b>1,103</b>	1,576	6,051

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (Unaudited)**

**12 TAXATION (continued)**

	<i>31/03/2015</i>	<i>31/03/2014</i>	<i>31/12/2014</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Recognised deferred tax assets and liabilities</b>			
Deferred tax assets and liabilities are attributable to the following:			
Provisions	480	480	480
Available for sale investments	(1)	(70)	(44)
	<b>479</b>	<b>410</b>	<b>436</b>

Deferred tax is calculated at 12% (2014 – 12%).

**13 SUBORDINATED DEBT**

	<i>31/03/2015</i>	<i>31/03/2014</i>	<i>31/12/2014</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
At 1 January	63,600	79,700	79,700
Repaid during the period/year	(1,500)	-	(16,100)
	<b>62,100</b>	<b>79,700</b>	<b>63,600</b>

**14 OTHER NON-DISTRIBUTABLE RESERVES**

	<i>Available for sale reserve</i>	<i>Revaluation reserve</i>	<i>Subordinated debt reserve</i>	<i>Total</i>
	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>
At 1 January 2015	2,596	3,766	34,960	41,322
Net movement on available for sale investments	(15)	-	-	(15)
Tax effect of net results on available for sale financial investments	43	-	-	43
Transfer to retained earnings	-	-	(1,500)	(1,500)
<b>At 31 March 2015</b>	<b>2,624</b>	<b>3,766</b>	<b>33,460</b>	<b>39,850</b>
At 31 March 2014	3,533	3,766	38,340	45,639

- (i) The revaluation reserve represents the surplus on revaluation of building and is not available for distribution until the related assets have been disposed off.
- (ii) The subordinated debt reserve represents an annual transfer towards subordinated debt which is due to mature within the next five years period (note 13). The reserve is available for transfer back to retained earnings upon maturity of the subordinated debt.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (Unaudited)**

**15 CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>31/03/2015</i>	<i>31/03/2014</i>	<i>31/12/2014</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Guarantees	<b>447,294</b>	476,891	487,964
Documentary letters of credit	<b>96,827</b>	69,606	77,018
Undrawn commitment to lend	<b>113,433</b>	93,344	83,637
	<b>657,554</b>	639,841	648,619

Contingent liabilities include RO 0.3 million (31 March 2014 – RO 0.1 million and 31 December 2014– RO 0.1 million) relating to non-performing loans.

**16 INTEREST INCOME**

Interest bearing assets earned interest at an overall rate of 4.72% for the three months period ended 31 March 2015 (31 March 2014 – 4.48% and 31 December 2014 – 4.20%).

**17 INTEREST EXPENSE**

For the three months period ended 31 March 2015, the average overall cost of funds was 1.21% (31 March 2014- 1.46% and 31 December 2014 – 1.29%).

**18 OTHER OPERATING INCOME**

	<i>3 months ended</i>	<i>3 months ended</i>
	<i>31/03/2015</i>	<i>31/03/2014</i>
	<i>RO'000</i>	<i>RO'000</i>
Net gains from foreign exchange dealings	<b>1,330</b>	892
Fees and commissions	<b>4,310</b>	3,574
Net (loss) / income from sale of investments	<b>(32)</b>	161
Income from bonds	<b>675</b>	714
Dividend income	<b>650</b>	692
Service charges	<b>1,968</b>	1,050
Miscellaneous income	<b>171</b>	118
	<b>9,072</b>	7,201

**19 OTHER OPERATING EXPENSES**

	<i>3 months ended</i>	<i>3 months ended</i>
	<i>31/03/2015</i>	<i>31/03/2014</i>
	<i>RO'000</i>	<i>RO'000</i>
Establishment costs	<b>1,575</b>	1,405
Operating and administration expenses	<b>3,469</b>	2,867
	<b>5,044</b>	4,272

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**

**31 March 2015 (Unaudited)**

**20 ASSET LIABILITY MISMATCH**

The asset liability mismatch is based on CBO circular BM 955 and given as follows:

**31 March 2015**

Maturities	<i>Assets</i> RO'000	<i>Equity, subordinated funds and liabilities</i> RO'000	<i>Mismatch</i> RO'000
0 - 3 month	1,128,787	778,366	350,421
3 - 12 month	302,268	836,722	(534,454)
1 – 5 years	604,885	755,664	(150,779)
More than 5 years	1,168,177	833,365	334,812
<b>Total</b>	<b>3,204,117</b>	<b>3,204,117</b>	<b>-</b>

**31 December 2014**

Maturities	<i>Assets</i> RO'000	<i>Equity, subordinated funds and liabilities</i> RO'000	<i>Mismatch</i> RO'000
0 - 3 month	894,887	767,323	127,564
3 - 12 month	311,848	728,875	(417,027)
1 – 5 years	546,819	688,202	(141,383)
More than 5 years	1,222,540	791,694	430,846
<b>Total</b>	<b>2,976,094</b>	<b>2,976,094</b>	<b>-</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (Unaudited)**

**21 RELATED PARTY TRANSACTIONS**

**Other related parties transactions:**

In the ordinary course of business, the Bank conducts transactions with certain of its Directors and/or shareholders and companies over which they have significant interest. The aggregate amounts of balances with such related parties are as follows

	31/03/2015			31/03/2014		
	<i>Principal shareholder</i>	<i>Others</i>	<i>Total</i>	<i>Principal shareholder</i>	<i>Others</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Loans and advances	-	20,791	20,791	-	29,899	29,899
Customers' deposits	113,149	24,497	137,646	209,167	22,585	231,752
Due from banks	19,311	12,898	32,209	83	12,898	12,981
Due to banks	9,816	15,400	25,216	83	-	83
Subordinated debt	14,500	4,000	18,500	14,500	5,500	20,000
Letters of credit, guarantees and acceptances	469	1,439	1,908	700	1,017	1,717
Standby revolving credit facility	77,000	-	77,000	77,000	-	77,000
Risk indemnities received	488	-	488	957	667	1,624
Investments	2,034	-	2,034	2,026	166	2,192

The statement of comprehensive income includes the following amounts in relation to transactions with related parties:

	31/03/2015			31/03/2014		
	<i>Principal shareholder</i>	<i>Others</i>	<i>Total</i>	<i>Principal shareholder</i>	<i>Others</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Interest income	-	186	186	4	322	326
Commission income	-	7	7	-	10	10
Interest expense	947	82	1,029	1,375	169	1,544
Other expenses	-	129	129	-	235	235
Senior management compensation:				<b>3 months ended</b>	<b>3 months ended</b>	
Salaries and other short term benefits				<b>31/03/2015</b>	<b>31/03/2014</b>	
- Fixed				<b>RO'000</b>	<b>RO'000</b>	
- Discretionary				<b>598</b>	<b>561</b>	
				<b>1,616</b>	<b>830</b>	
				<b>2,214</b>	<b>1,391</b>	

**22 SHAREHOLDERS**

As of 31 March 2015, the shareholders of the bank who own 10% or more of the bank's shares:

	<i>Number of shares '000</i>	<i>% Holding</i>
The Commercial Bank of Qatar	425,369	34.90
Suhail Bahwan Group (Holdings) LLC	179,707	14.74
Civil Service Employees Pension Fund	130,775	10.73

The percentage shareholding is calculated based on the total shares of the bank outstanding at the reporting date.

The above number of shares is prior to the distribution of proposed stock dividend approved by AGM dated 26th March 2015.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (Unaudited)**

**23 SEGMENT REPORTING**

For management purposes, the bank is organised into operating segments based on business units and are as follows:

- Retail banking offers various products and facilities to individual customers to meet everyday banking needs.
- Corporate banking delivers a variety of products and services to corporate customers that include lending, accepting deposits, trade finance and foreign exchange.
- Investment banking offers investment products such as asset management, corporate advisory and brokerage services to retail customers as well as high net worth individuals and institutional clients.
- Treasury provides a full range of treasury products and services including money market and foreign exchange to the clients in addition to managing liquidity and market risk.
- International banking offers services such as issuance of guarantee, risk participation, syndications, etc.
- Islamic banking offers Shari'a compliant Islamic products and services.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. The costs incurred by the central functions are managed on a group basis and are not allocated to operating segments.

Segment information is as follows:

<i>3 Months ended</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Investment banking</i>	<i>Treasury and international banking</i>	<i>Head office</i>	<i>Islamic Banking</i>	<i>Total</i>
<i>31-Mar-15</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Operating income</b>	<b>12,628</b>	<b>12,102</b>	<b>819</b>	<b>1,306</b>	<b>3,833</b>	<b>770</b>	<b>31,458</b>
<b>Net Profit / (loss)</b>	<b>6,309</b>	<b>9,345</b>	<b>646</b>	<b>1,125</b>	<b>(5,059)</b>	<b>272</b>	<b>12,638</b>
<b>Total assets</b>	<b>1,008,503</b>	<b>1,338,434</b>	<b>47,732</b>	<b>56,688</b>	<b>511,225</b>	<b>241,535</b>	<b>3,204,117</b>

  

<i>3 Months ended</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Investment banking</i>	<i>Treasury and international banking</i>	<i>Head office</i>	<i>Islamic Banking</i>	<i>Total</i>
<i>31-Mar-14</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Operating income</b>	<b>12,567</b>	<b>10,584</b>	<b>1,167</b>	<b>1,158</b>	<b>934</b>	<b>189</b>	<b>26,299</b>
<b>Net Profit / (loss)</b>	<b>6,961</b>	<b>7,527</b>	<b>995</b>	<b>1,161</b>	<b>(6,147)</b>	<b>190</b>	<b>10,307</b>
<b>Total assets</b>	<b>994,482</b>	<b>1,137,072</b>	<b>31,297</b>	<b>62,585</b>	<b>1,280,028</b>	<b>2,0610</b>	<b>3,526,074</b>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT

31 March 2015 (unaudited)

### 23 SEGMENT REPORTING (Continued)

For management purposes the bank also reports the segment information of its operations by the following geographical locations:

- i) Oman
- ii) United Arab Emirates (UAE)
- iii) Egypt

Transactions between the above segments are conducted at estimated market rates on an arm's length basis. Segment information by geography is as follows:

<b>For the period ended 31 March 2015</b>	<b>Oman</b>	<b>UAE</b>	<b>Egypt</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Segment revenue</b>				
Interest income and Income from Islamic financing and Investment activities – external	28,727	1,396	12	30,135
Interest income – internal	59	8	14	81
Other operating income – external	8,600	464	8	9,072
Other operating income – internal	56	-	-	56
<b>Total</b>	<b>37,442</b>	<b>1,868</b>	<b>34</b>	<b>39,344</b>
<b>Segment costs</b>				
Interest costs and Unrestricted investment account holders' share of profit – external	7,469	263	17	7,749
Interest costs – internal	12	69	-	81
Other operating expenses – external	12,803	716	65	13,584
Other operating expenses – internal	9	47	-	56
Depreciation	710	25	-	735
Credit loss expense - customer loan	4,919	140	-	5,059
Recoveries	(2,269)	(159)	(44)	(2,472)
Credit loss expense – bank loans	17	-	-	17
Taxation	1,744	153	-	1,897
<b>Total</b>	<b>25,414</b>	<b>1,254</b>	<b>38</b>	<b>26,706</b>
<b>Segment profit for the year</b>	<b>12,028</b>	<b>614</b>	<b>(4)</b>	<b>12,638</b>
<b>Other information</b>				
Segment assets	3,015,778	168,086	20,253	3,204,117
Segment capital expenses	5,474	12	-	5,486

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (unaudited)**

**23 SEGMENT REPORTING (Continued)**

<b>For the year ended 31 Dec 2014</b>	<b>Oman RO'000</b>	<b>UAE RO'000</b>	<b>Egypt RO'000</b>	<b>Total RO'000</b>
<b>Segment revenue</b>				
Interest income and Income from Islamic financing and Investment activities – external	115,712	3,814	68	119,594
Interest income – internal	88	26	177	291
Other operating income – external	29,831	1,783	156	31,770
Other operating income – internal	168	-	-	168
<b>Total</b>	<b>145,799</b>	<b>5,623</b>	<b>401</b>	<b>151,823</b>
<b>Segment costs</b>				
Interest costs and Unrestricted investment account holders' share of profit – external	36,296	723	115	37,134
Interest costs – internal	57	112	122	291
Other operating expenses – external	48,367	2,450	600	51,417
Other operating expenses – internal	21	141	6	168
Depreciation	2,873	129	1	3,003
Credit loss expense - customer loan	11,056	1,242	1	12,299
Recoveries	(9,460)	(781)	(58)	(10,299)
Impairment losses on available for sale investments	331	-	-	331
Credit loss expense – bank loans	(15)	-	-	(15)
Provision - Others	-	-	-	-
Taxation	6,890	321	15	7,226
<b>Total</b>	<b>96,416</b>	<b>4,337</b>	<b>802</b>	<b>101,555</b>
<b>Segment profit for the year</b>	<b>49,383</b>	<b>1,286</b>	<b>(401)</b>	<b>50,268</b>
<b>Other information</b>				
Segment assets	2,780,699	175,012	20,383	2,976,094
Segment capital expenses	5,937	182	-	6,119

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (unaudited)**

**24 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

**Valuation models**

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table shows an analysis of financial instruments other than derivatives instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
<i>31 March 2015</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Investments – held for trading:</b>			
Government development bonds	42,433	-	42,433
Quoted equities	100	-	100
<b>Total</b>	<b>42,533</b>	<b>-</b>	<b>42,533</b>
<b>Investments - available for sale:</b>			
Government development bonds	68,742	-	68,742
Quoted equities	32,534	-	32,534
Other unquoted equities	-	13,111	13,111
<b>Total</b>	<b>101,276</b>	<b>13,111</b>	<b>114,387</b>
<b>Total financial assets</b>	<b>143,809</b>	<b>13,111</b>	<b>156,920</b>

Financial instruments at level 2 are valued based on counter party valuation, quoted forward rates and yield curves.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (unaudited)**

**24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

<i>31 March 2014</i>	<i>Level 1 RO'000</i>	<i>Level 2 RO'000</i>	<i>Total RO'000</i>
<b>Investments – held for trading:</b>			
Government development bonds	26,698	-	26,698
<b>Total</b>	<b>26,698</b>	<b>-</b>	<b>26,698</b>
<b>Investments - available for sale:</b>			
Government development bonds	75,877	-	75,877
Quoted equities	15,248	-	15,248
Other unquoted equities	-	14,278	14,278
<b>Total</b>	<b>91,125</b>	<b>14,278</b>	<b>105,403</b>
<b>Total financial assets</b>	<b>117,823</b>	<b>14,278</b>	<b>132,101</b>
<i>31 December 2014</i>	<i>Level 1 RO'000</i>	<i>Level 2 RO'000</i>	<i>Total RO'000</i>
<b>Investments – held for trading:</b>			
Government development bonds	39,292	-	39,292
<b>Total</b>	<b>39,292</b>	<b>-</b>	<b>39,292</b>
<b>Investments - available for sale:</b>			
Government development bonds	68,952	-	68,952
Quoted equities	23,500	-	23,500
Other unquoted equities	-	13,791	13,791
<b>Total</b>	<b>92,452</b>	<b>13,791</b>	<b>106,243</b>
<b>Total financial assets</b>	<b>131,744</b>	<b>13,791</b>	<b>145,535</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**

**31 March 2015 (Unaudited)**

**25 DERIVATIVES**

	<i>Positive fair value (Note 8) RO'000</i>	<i>Negative fair value (Note 11) RO'000</i>	<i>Notional amount total RO'000</i>	<i>Notional amounts by term to maturity</i>		
				<i>Within 3 months RO'000</i>	<i>3 – 12 months RO'000</i>	<i>Above 1 Year RO'000</i>
<b>31 March 2015</b>						
<i>Derivatives</i>						
Fair value hedge	5,766	-	192,500	-	-	192,500
Interest rate swaps	5,242	(5,242)	125,633	2,125	11,691	111,817
Forward foreign exchange purchase contracts	45	(156)	222,952	212,239	10,713	-
Forward foreign exchange sales contracts	163	(167)	222,953	220,529	2,424	-
<b>Total</b>	<b>11,216</b>	<b>(5,565)</b>	<b>764,038</b>	<b>434,893</b>	<b>24,828</b>	<b>304,317</b>
<b>31 March 2014</b>						
<i>Derivatives</i>						
Interest rate swaps	3,290	(3,290)	139,171	2,125	11,690	125,356
Forward foreign exchange purchase contracts	39	(24)	110,687	63,871	46,816	-
Forward foreign exchange sales contracts	44	(30)	110,687	63,887	46,800	-
Currency options	1	(1)	638	638	-	-
<b>Total</b>	<b>3,374</b>	<b>(3,345)</b>	<b>361,183</b>	<b>130,521</b>	<b>105,306</b>	<b>125,356</b>
<b>31 December 2014</b>						
<i>Derivatives</i>						
Fair value hedge	2,723	-	192,500	-	-	192,500
Interest rate swaps	5,252	(5,252)	130,872	2,125	11,690	117,057
Forward foreign exchange purchase contracts	7	(164)	229,953	86,860	143,093	-
Forward foreign exchange sales contracts	1,047	(145)	229,953	86,718	143,235	-
<b>Total</b>	<b>9,029</b>	<b>(5,561)</b>	<b>783,278</b>	<b>175,703</b>	<b>298,018</b>	<b>309,557</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2015 (Unaudited)**

**26 LIQUIDITY COVERAGE RATIO**

	Total Unweighted Value (average)	Total Weighted Value (average)
<b>High Quality Liquid Assets</b>		
1 Total High Quality Liquid Assets (HQLA)		439,486
<b>Cash Outflows</b>		
2 Retail deposits and deposits from small business customers, of which:	702,388	40,300
3 Stable deposits	598,782	29,939
4 Less stable deposits	103,606	10,361
5 Unsecured wholesale funding, of which:	805,407	333,754
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	805,407	333,754
7 Non-operational deposits (all counterparties)	-	-
8 Unsecured debt	-	-
9 Secured wholesale funding		-
10 Additional requirements, of which	15,503	1,550
11 Outflows related to derivative exposures and other collateral requirements	-	-
12 Outflows related to loss of funding on debt products	-	-
13 Credit and liquidity facilities	15,503	1,550
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	587,810	93,272
16 <b>TOTAL CASH OUTFLOWS</b>		468,876
<b>Cash Inflows</b>		
17 Secured lending (e.g. reverse repos)	-	-
18 Inflows from fully performing exposures	372,186	256,028
19 Other cash inflows	12,534	12,534
20 <b>TOTAL CASH INFLOWS</b>	384,719	268,562
		Total Adjusted Value
21 <b>TOTAL HQLA</b>		439,486
22 <b>TOTAL NET CASH OUTFLOWS</b>		200,314
23 <b>LIQUIDITY COVERAGE RATIO (%)</b>		219.4