

# **National Bank of Oman SAOG**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 June 2015 (UNAUDITED)**



PO Box 751 PC 112 Ruwi Sultanate of Oman.

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## CHAIRMAN'S REPORT Q2 2015

Dear Shareholders,

On behalf of the Board of Directors of National Bank of Oman SAOG, I am pleased to announce yet another strong set of financial results for the six months ended June 30, 2015.

### Operating Performance

During the first six months of 2015, the Bank has made very good progress on its strategic agenda which has resulted in net profits increasing by 22% over the corresponding period last year. The net profit for the six months ended 30<sup>th</sup> June 2015 is OMR 28.1 million, compared with OMR 23.1 million for the same period last year. This increase primarily results from a strong income growth comprising the funded and non-funded income.

Net interest income from conventional banking and revenues from Islamic financing activities increased by 18% to OMR 45.4 million due to strong growth in loans and advances as well as a reduction in interest expenditure resulting from a better deposit mix.

Total non-interest income increased by 21% to OMR 19.0 million primarily due to higher commission income and higher arrangement/documentation fees. The Bank's strategic initiative to diversify its fee income streams has started to yield positive results.

Total income as a result grew by a healthy 19% over the corresponding period last year and given the highly challenging market conditions, we are delighted with the Bank's financial progress during the first half of the year.

Operating expenses increased to OMR 28.5 million, a 12% growth over the corresponding period last year. This is largely due to an increase in our human capital, branding and other infrastructure in the UAE business and the Muzn Islamic window. Cost to income ratio, a key measure of efficiency has improved to 44% from 47% during the same period last year.

As a result, net operating income has grown by 25% to OMR 35.9 million reflecting higher income growth versus growth in operating costs.

Net impairment on assets increased by 60% to OMR 3.6 million over the last year due to increases in specific provisions in the corporate and retail books. The Bank's coverage ratio has increased to 149% in the first six months of 2015 as compared to 142% in December 2014. Non-performing loans (NPLs) at the end of the period have improved to 1.9% as compared to 2.0% as of December 2014.

Net loans, advances and financing activities grew by 5.1% to OMR 2,434 million over December 2014 and deposits grew by 13% to OMR 2,459 million resulting in surplus liquid assets. Return on equity, a key measure of profitability has improved to 15.6% in June 2015 from 14.2% during the same period last year.

Capital adequacy ratio as at June 2015 stood at 14.1%, with core equity ratio at 11.8%. This is in excess of the regulatory requirement where the total CAR requirement is 12.625% and core equity ratio of 7.625%. Given that the interim profit of OMR 28 million has not been considered, we consider this ratio to be healthy. As recently published in Muscat Securities Market, the Bank has plans in place to carry out a USD 300 million Basel 3 compliant additional tier 1 instrument very soon subject to favourable market conditions and obtaining necessary regulatory approvals. This issuance is expected to strengthen the Bank's capital ratio and provide ample room for growth.

### **Islamic Banking**

The Bank continues to witness robust growth in its Islamic banking window. Assets grew by 64% year-on-year to OMR 85 million and revenue for the first six months was OMR 1,633 K showing a growth of 223% over the corresponding period last year.

### **Key Achievements**

During the second quarter of 2015, the Bank continued to invest in its people, business, processes and be a frontrunner in developing and adopting the best practices in the world of technology in line with its philosophy of delivering a consistently superior customer experience and realizing its vision: To be the bank of choice. This commitment was further reinforced when the Bank launched an innovative Augmented Reality mobile app in order to help customers find the nearest branch or ATM and locate the best offers and deals.

In line with its commitment to simplify everyday banking for its customers, the Bank recently partnered with MasterCard to launch a pilot project to introduce "NBO Beam" contactless payment technology in Oman ahead of a nationwide rollout later in the year. This solution allows customers to complete payments for low value items at the checkout, without needing to enter a PIN or sign a receipt, completing the transaction in a quicker timeframe.

The introduction of the innovative propositions follows the launch of a Mobile Banking app at the beginning of the year that offers a range of features including EZ pay, a unique service that enables customers to transfer funds to a mobile number instead of a bank account number.

The second quarter of the year has also seen the Bank refreshing its brand identity and awarding over OMR1 million in prizes under its Al Kanz prize scheme. During the quarter, the Bank also launched a special draw for children and young people where committed savers will have the opportunity to win OMR 500 and OMR 1,000 in their respective categories. Building on the success of the Bank's annual first of its kind "Souq" sales campaign last year, the Bank launched the second edition of the "Souqs"

across the Sultanate, which was created to serve customers with greater efficiency while showcasing the Bank's full offering to potential clients with exclusive offers and rewards.

The Bank's impressive financial performance and various strategic initiatives have continued to be recognized by the industry, and the Bank was recently named the Sultanate's top bank in the latest Business Today–Ernst & Young survey, which is considered the most comprehensive assessment of Omani banking and non-banking financial services companies.

The Bank's efforts in delivering a superior customer experience were also recognized when it won two prestigious titles at the 2014 Customer Experience Benchmarking Index awards held in Dubai. The Bank took home the awards for "Best Customer Experience Overall Website – Oman" and "Best Customer Experience Overall Bank – Oman" in recognition of the quality of its service provision.

As part of its commitment to supporting Nationalization efforts and developing talent and potential within Oman's student population, the Bank recently enrolled 100 high school students in its summer internship programme. Additionally, the Bank's commitment to its talent development strategy for Omani Nationals was further testified with the recent announcement of 15 scholarships to be awarded to underprivileged Omani students to study at some of the world's leading universities. The Bank will also create 25 new graduate employment roles within various divisions of the bank and give five existing employees the opportunity to study for an MBA at a top international business school. The 45 scholarships and job opportunities are part of the Bank's 45<sup>th</sup> National Day celebrations and are in line with its ongoing commitment to the community; to support and up skill Omani talent and help them unlock their full potential.

National Bank of Oman Chairman's Speaker Series, a platform that was created in 2014 to harness collective wisdom and foster creative thinking, hosted the first private female space explorer, Dr. Anousheh Ansari in June, who shared her inspirational and pioneering story with an audience of public officials, business leaders, customers and students. This quarterly forum was designed to bridge the gap between Oman's hopeful youth and more seasoned professionals, by providing an interactive platform to learn and share ideas, experiences and aspirations.

The Bank continues to contribute to the Nation's diversification strategy by supporting SMEs, which are a fundamental part of the Sultanate's economic fabric. As a testament to this, the Bank recently launched a new "Innovation in SME" award to inspire the conceptualization and development of new business ideas amongst the Omani youth and to encourage the transformation of these ideas into businesses with robust and sustainable business plans and strategies. The competition reflects the Bank's belief in innovation that advances a creative culture of growth and benefits Oman's economy and the wider community.

Building on its commitment to developing Oman's youth, during the second quarter, the Bank supported Omani motorcyclist Maher Al Barwani's transcontinental journey to promote the Sultanate across 25 counties in just over 60 days in celebration of the Sultanate's 45<sup>th</sup> National Day.

The Bank's continued support for the Sultanate's Real Estate sector was reinforced when it partnered with the Oman Real Estate Association, a non-profit organization established by the Ministry of Social development, to promote best practices, share insights and identify opportunities for collaboration to encourage investments in this sector and contribute to its development. As part of the partnership agreement, several workshops and training programmes will be organized by the Oman Real Estate Association focusing on promoting awareness around the regulations and policies, opportunities and challenges pertaining to this sector.

In addition, as part of its comprehensive CSR programme and strong commitment to the community, the Bank organized its annual Iftar Sa'im initiative whereby it distributed food hampers to underprivileged families across the Sultanate. The Bank also demonstrated its long-standing commitment to sustainability and the environment when it partnered with Omantel in its 'Go Green' initiative that allows Omantel to submit employees' income documents to the bank through secure e-mail improving time efficiencies and enabling a more efficient and greener community.

### 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**  
**30 June 2015 (Un-audited)**

		<i>Audited</i>
	<i>30-06-2015</i>	<i>30-06-2014</i>
	<i>RO'000</i>	<i>RO'000</i>
	<i>Notes</i>	<i>31-12-2014</i>
		<i>RO'000</i>
<b>Assets</b>		
Cash and balances with Central Banks	3	398,179
Due from banks and other money market placements (net)	4	144,040
Loans, advances and financing activities for customers (net)	5	2,434,076
Financial investments	6	164,969
Premises and equipment	7	29,676
Deferred tax asset	12	600
Other assets	8	83,532
<b>Total assets</b>		<b>3,255,072</b>
<b>Liabilities</b>		
Due to banks and other money market deposits		62,109
Customers' deposits and unrestricted investment accounts	9	2,458,689
Euro medium term notes	10	195,908
Other liabilities	11	102,107
Taxation	12	3,279
<b>Total liabilities</b>		<b>2,822,092</b>
<b>Subordinated debt</b>	13	<b>62,100</b>
<b>Equity</b>		
Share capital		134,071
Share premium		34,465
Legal reserve		43,380
General reserve		4,419
Other non-distributable reserves	14	41,830
Proposed cash dividend		-
Proposed stock dividend		-
Retained earnings		112,715
<b>Total equity</b>		<b>370,880</b>
<b>Total liabilities, subordinated debt and equity</b>		<b>3,255,072</b>

The interim condensed financial statements were authorised for issue on \_\_\_\_\_ in accordance with a resolution of the Board of Directors.

.....  
Chairman

.....  
Chief Executive Officer

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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**30 June 2015 (Un-audited)**

	Notes	<u>Six months ended</u> <u>30 June</u>		<u>Three months</u> <u>ended 30 June</u>	
		<b>2015</b>	2014	<b>2015</b>	2014
		<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Interest income	16	<b>59,347</b>	57,392	<b>30,070</b>	28,735
Interest expense	17	<b>(15,555)</b>	(19,409)	<b>(7,918)</b>	(9,673)
<b>Net interest income</b>		<b>43,792</b>	37,983	<b>22,152</b>	19,062
Income from Islamic financing and Investment activities		<b>1,842</b>	573	<b>984</b>	356
Unrestricted investment account holders' share of profit		<b>(265)</b>	(105)	<b>(153)</b>	(65)
<b>Net Income from Islamic financing and Investment activities</b>		<b>1,577</b>	468	<b>831</b>	291
<b>Net interest income and net income from Islamic financing and Investment activities</b>		<b>45,369</b>	38,451	<b>22,983</b>	19,353
Other operating income	18	<b>19,009</b>	15,686	<b>9,937</b>	8,485
<b>OPERATING INCOME</b>		<b>64,378</b>	54,137	<b>32,920</b>	27,838
Staff costs		<b>(16,993)</b>	(15,407)	<b>(8,453)</b>	(7,817)
Other operating expenses	19	<b>(9,974)</b>	(8,600)	<b>(4,930)</b>	(4,328)
Depreciation	7	<b>(1,548)</b>	(1,453)	<b>(813)</b>	(709)
<b>OPERATING EXPENSES</b>		<b>(28,515)</b>	(25,460)	<b>(14,196)</b>	(12,854)
<b>PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX</b>		<b>35,863</b>	28,677	<b>18,724</b>	14,984
Credit loss expense – customer loans	5	(8,102)	(7,575)	(3,043)	(3,831)
Recoveries and releases from provision for credit losses	5	4,586	5,232	2,114	3,538
Others		(69)	101	(52)	(21)
<b>TOTAL IMPAIRMENT LOSSES (NET)</b>		<b>(3,585)</b>	(2,242)	<b>(981)</b>	(314)
<b>PROFIT BEFORE TAX</b>		<b>32,278</b>	26,435	<b>17,743</b>	14,670
Taxation	12	<b>(4,215)</b>	(3,386)	<b>(2,318)</b>	(1,928)
<b>PROFIT FOR THE PERIOD</b>		<b>28,063</b>	23,049	<b>15,425</b>	12,742
<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		<b>1,974</b>	246	<b>1,989</b>	(538)
Tax effect of net results on available for sale financial investments		<b>34</b>	(34)	<b>(9)</b>	16
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,008</b>	212	<b>1,980</b>	(522)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>30,071</b>	23,261	<b>17,405</b>	12,220
Earnings per share annualized:					
Basic and diluted, profit for the period attributable to equity holders		<b>0.042</b>	0.035	<b>0.046</b>	0.038

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



## INTERIM CONDENSED STATEMENT OF CASH FLOWS

30 June 2015 (Un-audited)

	Notes	Six months ended 30 June	
		2015 RO'000	2014 RO'000
<b>Profit before taxation</b>		<b>32,278</b>	26,435
Adjustments for:			
Depreciation	7	1,548	1,453
Provision for credit losses (net)		7,444	5,443
Provision / (write back) for credit loss expenses bank loans (net)		68	(121)
Impairment on available for sale investments		1	20
Profit on sale of equipment (net)		(4)	(7)
Loss/(profit) on sale of investments		67	(1,360)
Investment income		(2,379)	(2,226)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>39,023</b>	29,637
Increase in due from and other money market deposits		(24,870)	(3,882)
Increase in due to and other money market placements		(5,242)	(26,947)
Increase in loans and advances to customers		(124,707)	(158,924)
Increase in other assets		(29,310)	4,199
Increase in customer deposits		280,947	609,765
Euro Medium Term Notes		685	-
Increase in other liabilities		32,346	10,065
<b>Cash from operations</b>		<b>168,872</b>	463,913
Tax paid		(6,971)	(5,411)
<b>Net cash from operating activities</b>		<b>161,901</b>	458,502
<b>Investing activities</b>			
Purchase of investments		(16,649)	(8,024)
Proceeds from sale of investments		1,191	13,133
Purchase of premises and equipment	7	(8,053)	(2,514)
Disposal of premises and equipment		23	14
Translation difference in premises & equipment & Tax		(15)	(11)
Interest on Govt. Development Bond and T-Bills		1,390	1,369
Dividend income	18	989	857
<b>Net cash used in investing activities</b>		<b>(21,124)</b>	4,824
<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>118,557</b>	446,706
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>431,692</b>	926,021
<b>Representing:</b>			
Cash and balances with Central Bank	3	397,679	936,306
Deposits and balances with other banks and financial institutions (net)		34,013	(10,285)
		<b>431,692</b>	926,021

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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**Period ended 30 June 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	-	-	-	-	212	-	-	23,049	23,261
Dividend paid during the period	-	-	-	-	-	(16,620)	-	-	(16,620)
Issue of Shares	11,080	-	-	-	-	-	(11,080)	-	-
<b>Balance at 30 June 2014</b>	<b>121,883</b>	<b>34,465</b>	<b>39,586</b>	<b>4,419</b>	<b>45,117</b>	<b>-</b>	<b>-</b>	<b>89,255</b>	<b>334,725</b>
Balance at 1 July 2014	121,883	34,465	39,586	4,419	45,117	-	-	89,255	334,725
Total comprehensive income for the period	-	-	-	-	(415)	-	-	27,219	26,804
Transfer to subordinated debt reserve	-	-	-	-	12,270	-	-	(12,270)	-
Transfer to retained earnings	-	-	-	-	(16,100)	-	-	16,100	-
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	-	-	-	-	2,008	-	-	28,063	30,071
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 30 June 2015</b>	<b>134,071</b>	<b>34,465</b>	<b>43,380</b>	<b>4,419</b>	<b>41,830</b>	<b>-</b>	<b>-</b>	<b>112,715</b>	<b>370,880</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 30 June 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 1,426 employees as of 30 June 2015 (30 June 2014 – 1,393 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 six months ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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**  
**30 June 2015 (Unaudited)**

**3 CASH AND BALANCES WITH CENTRAL BANKS**

	<i>30/06/2015</i>	<i>30/06/2014</i>	<i>31/12/2014</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Cash	<b>48,421</b>	41,753	47,834
Treasury bills	<b>47,123</b>	-	-
Certificate of deposit with Central Banks	<b>113,900</b>	850,000	8,000
Other balances with Central Banks	<b>188,235</b>	44,553	232,498
<b>Cash and cash equivalents</b>	<b>397,679</b>	936,306	288,332
Capital deposit with Central Bank of Oman	<b>500</b>	500	500
<b>Cash and balances with Central Banks</b>	<b>398,179</b>	936,806	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>30/06/2015</i>	<i>30/06/2014</i>	<i>31/12/2014</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Loans and advances to banks	<b>38,319</b>	3,502	24,721
Placements with bank	<b>72,519</b>	105,495	71,842
Demand balances	<b>33,394</b>	26,424	48,494
<b>Due from banks and other money market placements</b>	<b>144,232</b>	135,421	145,057
Less: allowance for credit losses	<b>(192)</b>	(17)	(124)
<b>Net due from banks and other money market placements</b>	<b>144,040</b>	135,404	144,933

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**30 June 2015 (Unaudited)**

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

	<i>30/06/2015</i> <i>RO'000</i>	<i>30/06/2014</i> <i>RO'000</i>	<i>31/12/2014</i> <i>RO'000</i>
Corporate loans	<b>1,337,642</b>	1,214,192	1,289,808
Personal loans	<b>1,109,243</b>	1,024,589	1,046,172
Overdrafts	<b>70,594</b>	65,139	59,781
Gross loans and advances	<b>2,517,479</b>	2,303,920	2,395,761
Less: Allowance for credit losses and reserved interest	<b>(83,403)</b>	(82,240)	(78,948)
Net loans and advances	<b>2,434,076</b>	2,221,680	2,316,813

Gross loans and advances include RO 32.4 million due from related parties at 30 June 2015 (30 June 2014 – RO 27.6 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>6 months</i> <i>ended</i> <i>30/06/2015</i> <i>RO'000</i>	<i>6 months</i> <i>ended</i> <i>30/06/2014</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	67,752
Provided during the period / year	<b>8,102</b>	7,575	12,299
Recovered/ released during the period / year	<b>(449)</b>	(1,973)	(2,665)
Written off during the period / year	<b>(4,079)</b>	(3,603)	(8,097)
Translation difference	<b>(118)</b>	(54)	(92)
Balance at end of period / year	<b>72,653</b>	69,697	69,197

<b>Reserved interest</b>	<i>6 months</i> <i>Ended</i> <i>30/06/2015</i> <i>RO'000</i>	<i>6 months</i> <i>ended</i> <i>30/06/2014</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	20,890
Reserved during the period / year	<b>1,429</b>	2,415	3,185
Recovered/ released during the period / year	<b>(209)</b>	(159)	(223)
Written off during the period / year	<b>(216)</b>	(10,600)	(14,099)
Translation difference	<b>(5)</b>	(3)	(2)
Balance at end of period / year	<b>10,750</b>	12,543	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 30 June 2015 loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 59.6 million, (30 June 2014 – RO 60.4 million and 31 December 2014 – RO 58 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**30 June 2015 (Unaudited)**

**6 FINANCIAL INVESTMENTS**

	<i>Carrying value 30/06/2015 RO'000</i>	<i>Carrying value 30/06 /2014 RO'000</i>	<i>Carrying value 31/12/2014 RO'000</i>
<b>A. Held for trading</b>			
<b>Quoted investments- Oman</b>			
Government Development Bonds	42,349	26,638	39,292
Equities	34	119	-
	<b>42,383</b>	<b>26,757</b>	<b>39,292</b>
<b>Quoted investments- Foreign</b>			
Equities	-	300	-
	-	300	-
<b>Total held for trading</b>	<b>42,383</b>	<b>27,057</b>	<b>39,292</b>
<b>B. Available for sale</b>			
<b>Quoted investments- Oman</b>			
Banking and investment sector	595	634	490
Manufacturing sector	385	1,179	822
Service sector	26,504	15,145	19,696
Government Development Bonds	68,528	74,817	68,952
	<b>96,012</b>	<b>91,775</b>	<b>89,960</b>
<b>Quoted investments- Foreign</b>			
Banking and investment sector	2,117	523	1,790
Service sector	3,750	-	702
	<b>5,867</b>	<b>523</b>	<b>2,492</b>
<b>Unquoted investments</b>			
Banking and investment sector	9,741	4,291	10,133
Manufacturing sector	3,483	3,483	3,483
Service sector	175	196	175
	<b>13,399</b>	<b>7,970</b>	<b>13,791</b>
<b>Total available for sale</b>	<b>115,278</b>	<b>100,268</b>	<b>106,243</b>
<b>C. Held to maturity</b>			
<b>Quoted investments- Overseas</b>			
Manufacturing sector	-	1,765	-
Banking Sector	1,985	-	1,989
Government Development Bonds	5,323	-	-
<b>Total Held to maturity</b>	<b>7,308</b>	<b>1,765</b>	<b>1,989</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>164,969</b>	<b>129,090</b>	<b>147,524</b>

**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>Carrying value RO'000</i>
<b><u>30 June 2015</u></b>		
Government Development Bonds-Oman	<b>67.2</b>	<b>110,877</b>
<b><u>30 June 2014</u></b>		
Government Development Bonds-Oman	78.6	101,455
<b><u>31 December 2014</u></b>		
Government Development Bonds-Oman	73.4	108,244

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**30 June 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	146	592	7,315	8,053
Disposal	-	(5)	(14)	(19)
Transfers	295	804	(1,099)	-
Translation difference	(14)	-	-	(14)
Depreciation	(393)	(1,155)	-	(1,548)
<b>Balance at 30 June 2015, net of accumulated depreciation</b>	<b>11,974</b>	<b>5,656</b>	<b>12,046</b>	<b>29,676</b>
At cost / valuation	26,345	28,960	12,046	67,351
Accumulated depreciation	(14,371)	(23,304)	-	(37,675)
<b>Net carrying value at 30 June 2015</b>	<b>11,974</b>	<b>5,656</b>	<b>12,046</b>	<b>29,676</b>
Net carrying value at 30 June 2014	12,215	4,425	4,509	21,149

**8 OTHER ASSETS**

	<i>30/06/2015 RO'000</i>	<i>30/06/2014 RO'000</i>	<i>31/12/2014 RO'000</i>
Interest receivable and others	20,117	24,831	13,524
Positive fair value of derivatives (note 25)	8,789	5,679	9,029
Customers' indebtedness for acceptances (note 11)	54,626	43,432	31,799
	<b>83,532</b>	<b>73,942</b>	<b>54,352</b>

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

	<i>30/06/2015 RO'000</i>	<i>30/06/2014 RO'000</i>	<i>31/12/2014 RO'000</i>
Current accounts	875,707	1,301,453	824,587
Savings accounts	603,112	558,813	563,729
Term deposits	979,870	928,658	789,426
	<b>2,458,689</b>	<b>2,788,924</b>	<b>2,177,742</b>

**10 EURO MEDIUM TERM NOTES**

The Bank in 2014 had Issued 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**  
**30 June 2015 (Unaudited)**

**11 OTHER LIABILITIES**

	<b>30/06/2015</b>	<b>30/06/2014</b>	<b>31/12/2014</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Interest payable and other accruals	42,481	38,484	32,401
Negative fair value of derivatives (note 25)	5,000	5,661	5,561
Liabilities under acceptances (note 8)	54,626	43,432	31,799
	<b>102,107</b>	<b>87,577</b>	<b>69,761</b>

**12 TAXATION**

	<b>30/06/2015</b>	<b>30/06/2014</b>	<b>31/12/2014</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Statement of comprehensive income</b>			
Current period/year	<b>4,215</b>	<b>3,386</b>	<b>7,226</b>

**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:

	<b>30/06/2015</b>	<b>30/06/2014</b>	<b>31/12/2014</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Accounting profit	32,278	26,435	57,494
Tax at applicable rate	3,873	3,172	6,899
Non-deductible expenses	47	51	101
Tax exempt revenues	(337)	(243)	(398)
Others	632	406	624
	<b>4,215</b>	<b>3,386</b>	<b>7,226</b>

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.

	<b>30/06/2015</b>	<b>30/06/2014</b>	<b>31/12/2014</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Tax liability</b>			
Income tax and other taxes – Current year	4,215	3,386	7,226
Income tax and other taxes – Prior years	(936)	106	(1,175)
	<b>3,729</b>	<b>3,492</b>	<b>6,051</b>



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**30 June 2015 (Unaudited)**

**12 TAXATION (continued)**

	<i>30/06/2015</i>	<i>30/06/2014</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	610	480	480
Available for sale investments	(10)	(54)	(44)
	<b>600</b>	<b>426</b>	<b>436</b>

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

**13 SUBORDINATED DEBT**

	<i>30/06/2015</i>	<i>30/06/2014</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	1,974	-	-	1,974
Tax effect of net results on available for sale financial investments	34	-	-	34
Transfer to retained earnings	-	-	(1,500)	(1,500)
<b>At 30 June 2015</b>	<b>4,604</b>	<b>3,766</b>	<b>33,460</b>	<b>41,830</b>
At 30 June 2014	3,011	3,766	38,340	45,117

- (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**  
**30 June 2015 (Unaudited)**

**15 CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>30/06/2015</i>	<i>30/06/2014</i>	<i>31/12/2014</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Guarantees	<b>414,958</b>	457,713	487,964
Documentary letters of credit	<b>86,541</b>	75,298	77,018
Undrawn commitment to lend	<b>135,205</b>	97,199	83,637
	<b>636,704</b>	630,210	648,619

Contingent liabilities include RO 0.1 million (30 June 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 4.51% for the six months period ended 30 June 2015 (30 June 2014 – 4.19% and 31 December 2014 – 4.20%).

**17 INTEREST EXPENSE**

For the six months period ended 30 June 2015, the average overall cost of funds was 1.20% (30 June 2014-1.38% and 31 December 2014 – 1.29%).

**18 OTHER OPERATING INCOME**

	<i>6 months ended</i>	<i>6 months ended</i>
	<i>30/06/2015</i>	<i>30/06/2014</i>
	<i>RO'000</i>	<i>RO'000</i>
Net gains from foreign exchange dealings	<b>2,705</b>	1,940
Fees and commissions	<b>8,836</b>	7,495
Net (loss) / income from sale of investments	<b>(67)</b>	1,360
Income from bonds	<b>1,390</b>	1,369
Dividend income	<b>989</b>	857
Service charges	<b>4,331</b>	2,368
Miscellaneous income	<b>825</b>	297
	<b>19,009</b>	15,686

**19 OTHER OPERATING EXPENSES**

	<i>6 months ended</i>	<i>6 months ended</i>
	<i>30/06/2015</i>	<i>30/06/2014</i>
	<i>RO'000</i>	<i>RO'000</i>
Establishment costs	<b>3,054</b>	2,739
Operating and administration expenses	<b>6,920</b>	5,861
	<b>9,974</b>	8,600

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**30 June 2015 (Unaudited)**

**20 ASSET LIABILITY MISMATCH**

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

**30 June 2015**

Maturities	<i>Assets</i> RO'000	<i>Equity, subordinated funds and liabilities</i> RO'000	<i>Mismatch</i> RO'000
0 - 3 month	1,074,618	765,154	309,464
3 - 12 month	299,497	904,225	(604,728)
1 - 5 years	605,730	733,283	(127,553)
More than 5 years	1,275,227	852,410	422,817
<b>Total</b>	<b>3,255,072</b>	<b>3,255,072</b>	<b>-</b>

**30 June 2014**

Maturities	<i>Assets</i> RO'000	<i>Equity, subordinated funds and liabilities</i> RO'000	<i>Mismatch</i> RO'000
0 - 3 month	1,555,011	957,642	597,369
3 - 12 month	246,584	899,593	(653,009)
1 - 5 years	536,707	762,241	(225,534)
More than 5 years	1,180,195	899,021	281,174
<b>Total</b>	<b>3,518,497</b>	<b>3,518,497</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**  
**30 June 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

	30/06/2015			30/06/2014		
	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000
Loans and advances	-	32,429	32,429	-	27,596	27,596
Customers' deposits	106,524	25,543	132,067	140,088	23,620	163,708
Due from banks	3,880	26,843	30,723	52	12,705	12,757
Due to banks	19,500	-	19,500	13,694	15,400	29,094
Subordinated debt	14,500	4,000	18,500	14,500	5,500	20,000
Letters of credit, guarantees and acceptances	318	1,500	1,818	98	1,051	1,149
Standby revolving credit facility	77,000	-	77,000	77,000	-	77,000
Risk indemnities received	479	-	479	962	667	1,629
Investments	2,094	-	2,094	2,172	165	2,337

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

	30/06/2015			30/06/2014		
	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000	<i>Principal shareholder</i> RO'000	<i>Others</i> RO'000	<i>Total</i> RO'000
Interest income	17	433	450	4	548	552
Commission income	-	26	26	-	24	24
Interest expense	1,834	171	2,005	2,579	336	2,915
Other expenses	-	208	208	-	391	391
Senior management compensation:				<b>6 months ended</b>	<b>6 months ended</b>	
Salaries and other short term benefits				<b>30/06/2015</b>	<b>30/06/2014</b>	
- Fixed				<b>RO'000</b>	<b>RO'000</b>	
- Discretionary				<b>1,234</b>	<b>1,171</b>	
				<b>1,699</b>	<b>738</b>	
				<b>2,933</b>	<b>1,909</b>	

**22 SHAREHOLDERS**

As of 30 June 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	467,906	34.90
Suhail Bahwan Group (Holdings) LLC	197,678	14.74
Civil Service Employees Pension Fund	143,852	10.73

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT 30 June 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>6 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>30-Jun-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>26,573</b>	<b>24,825</b>	<b>1,319</b>	<b>2,448</b>	<b>7,580</b>	<b>1,633</b>	<b>64,378</b>
<b>Net Profit / (loss)</b>	<b>14,653</b>	<b>20,210</b>	<b>979</b>	<b>2,062</b>	<b>(10,335)</b>	<b>494</b>	<b>28,063</b>
<b>Total assets</b>	<b>1,032,536</b>	<b>1,359,605</b>	<b>54,093</b>	<b>68,499</b>	<b>636,657</b>	<b>103,682</b>	<b>3,255,072</b>
<i>6 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>30-Jun-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>25,454</b>	<b>22,459</b>	<b>2,835</b>	<b>2,019</b>	<b>868</b>	<b>502</b>	<b>54,137</b>
<b>Net Profit / (loss)</b>	<b>15,343</b>	<b>17,991</b>	<b>2,491</b>	<b>1,811</b>	<b>(14,089)</b>	<b>(498)</b>	<b>23,049</b>
<b>Total assets</b>	<b>975,855</b>	<b>1,237,425</b>	<b>27,634</b>	<b>75,062</b>	<b>1,146,570</b>	<b>55,951</b>	<b>3,518,497</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**30 June 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 30 June 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	58,135	3,020	34	61,189
Interest income – internal	132	10	27	169
Other operating income – external	17,391	1,137	481	19,009
Other operating income – internal	123	-	-	123
<b>Total</b>	<b>75,781</b>	<b>4,167</b>	<b>542</b>	<b>80,490</b>
<b>Segment costs</b>				
Interest costs and Unrestricted investment account holders' share of profit – external	15,237	548	35	15,820
Interest costs – internal	20	149	-	169
Other operating expenses – external	25,316	1,498	153	26,967
Other operating expenses – internal	19	104	-	123
Depreciation	1,501	47	-	1,548
Credit loss expense - customer loan	7,643	458	1	8,102
Recoveries	(4,111)	(363)	(112)	(4,586)
Credit loss expense – bank loans	68	-	-	68
Impairment losses on available for sale investment	1	-	-	1
Taxation	3,869	344	2	4,215
<b>Total</b>	<b>49,563</b>	<b>2,785</b>	<b>79</b>	<b>52,427</b>
<b>Segment profit for the year</b>	<b>26,218</b>	<b>1,382</b>	<b>463</b>	<b>28,063</b>
<b>Other information</b>				
Segment assets	3,033,724	200,205	21,143	3,255,072
Segment capital expenses	8,014	39	-	8,053

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**30 June 2015 (unaudited)**

**23 SEGMENT REPORTING (Continued)**

<b>For the year ended 30 June 2014</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	56,415	1,496	54	57,965
Interest income – internal	22	15	151	188
Other operating income – external	14,599	1,002	85	15,686
Other operating income – internal	69	-	-	69
<b>Total</b>	<b>71,105</b>	<b>2,513</b>	<b>290</b>	<b>73,908</b>
<b>Segment costs</b>				
Interest costs and Unrestricted investment account holders' share of profit – external	19,131	311	72	19,514
Interest costs – internal	31	34	123	188
Other operating expenses – external	22,442	1,150	415	24,007
Other operating expenses – internal	-	63	6	69
Depreciation	1,372	81	-	1,453
Credit loss expense - customer loan	7,403	171	1	7,575
Recoveries	(4,814)	(360)	(58)	(5,232)
Impairment losses on available for sale investments	20	-	-	20
Credit loss expense – bank loans	(121)	-	-	(121)
Taxation	3,159	212	15	3,386
<b>Total</b>	<b>48,623</b>	<b>1,662</b>	<b>574</b>	<b>50,859</b>
<b>Segment profit for the year</b>	<b>22,482</b>	<b>851</b>	<b>(284)</b>	<b>23,049</b>
<b>Other information</b>				
Segment assets	3,383,450	113,189	21,858	3,518,497
Segment capital expenses	2,372	143	-	2,515

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
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**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>30 June 2015</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Investments – held for trading:</b>			
Government development bonds	42,349	-	42,349
Quoted equities	34	-	34
<b>Total</b>	<b>42,383</b>	<b>-</b>	<b>42,383</b>
<b>Investments - available for sale:</b>			
Government development bonds	68,528	-	68,528
Quoted equities	33,351	-	33,351
Other unquoted equities	-	13,399	13,399
<b>Total</b>	<b>101,879</b>	<b>13,399</b>	<b>115,278</b>
<b>Total financial assets</b>	<b>144,262</b>	<b>13,399</b>	<b>157,661</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**  
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**24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

<i>30 June 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	26,638	-	26,638
Quoted equities	419	-	419
<b>Total</b>	<b>27,057</b>	<b>-</b>	<b>27,057</b>
<b>Investments - available for sale:</b>			
Government development bonds	74,817	-	74,817
Quoted equities	17,481	-	17,481
Other unquoted equities	-	7,970	7,970
<b>Total</b>	<b>92,298</b>	<b>7,970</b>	<b>100,268</b>
<b>Total financial assets</b>	<b>119,355</b>	<b>7,970</b>	<b>127,325</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**  
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**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>
<i>30 June 2015</i>						
<i>Derivatives</i>						
Fair value hedge	3,408	-	192,500	-	-	192,500
Interest rate swaps	4,819	(4,819)	124,039	2,125	11,691	110,223
Forward foreign exchange purchase contracts	348	(44)	122,074	56,126	65,948	-
Forward foreign exchange sales contracts	220	(143)	122,072	55,832	65,880	360
Currency options	(6)	6	15,675	15,658	17	-
<b>Total</b>	<b>8,789</b>	<b>(5,000)</b>	<b>576,360</b>	<b>129,741</b>	<b>143,536</b>	<b>303,083</b>
<i>30 June 2014</i>						
<i>Derivatives</i>						
Interest rate swaps	5,628	(5,628)	137,577	2,125	11,690	123,762
Forward foreign exchange purchase contracts	24	(23)	84,470	47,778	36,692	-
Forward foreign exchange sales contracts	27	(10)	84,470	47,789	36,681	-
<b>Total</b>	<b>5,679</b>	<b>(5,661)</b>	<b>306,517</b>	<b>97,692</b>	<b>85,063</b>	<b>123,762</b>
<i>31 December 2014</i>						
<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**  
**30 June 2015 (Unaudited)**

**26 LIQUIDITY COVERAGE RATIO**

	Total Unweighte d Value (average)	Total Weighte d Value (average)
<b>High Quality Liquid Assets</b>		
1 Total High Quality Liquid Assets (HQLA)		534,564
<b>Cash Outflows</b>		
2 Retail deposits and deposits from small business customers, of which:	711,400	41,003
3 Stable deposits	602,743	30,137
4 Less stable deposits	108,657	10,866
5 Unsecured wholesale funding, of which:	887,140	349,216
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	887,140	349,216
7 Non-operational deposits (all counterparties)	0	0
8 Unsecured debt	0	0
9 Secured wholesale funding		0
10 Additional requirements, of which	30,139	3,014
11 Outflows related to derivative exposures and other collateral requirements	0	0
12 Outflows related to loss of funding on debt products	0	0
13 Credit and liquidity facilities	30,139	3,014
14 Other contractual funding obligations	0	0
15 Other contingent funding obligations	562,684	31,620
16 <b>TOTAL CASH OUTFLOWS</b>		424,853
<b>Cash Inflows</b>		
17 Secured lending (e.g. reverse repos)	0	0
18 Inflows from fully performing exposures	305,989	191,710
19 Other cash inflows	12,936	12,936
20 <b>TOTAL CASH INFLOWS</b>	318,925	204,646
		Total Adjusted Value
21 <b>TOTAL HQLA</b>		534,564
22 <b>TOTAL NET CASH OUTFLOWS</b>		220,207
23 <b>LIQUIDITY COVERAGE RATIO (%)</b>		242.76