

## Chairman's Report – Third Quarter 2014

Dear Shareholders,

I am glad to share with you the results achieved by the bank during the third quarter ending 30<sup>th</sup> September 2014. The key business lines of the bank maintained performance momentum during the period in question. Going forward, the bank will continue its prudent policies and align growth according to market conditions, which pose a challenging situation.

### **Financial Overview**

The bank posted net profit of RO 126.73 million for the period compared to RO 102.51 million reported during the same period in 2013.

Net interest income from Conventional Banking and income from Islamic Financing stood at RO 182.75 million for the nine months of 2014 compared to RO 171.97 million for the same period of 2013, an increase of 6.3 per cent.

Non-interest income at RO 104.1 million was higher by 33.2 per cent compared to RO 78.16 million for the nine months ended 30<sup>th</sup> September 2013. This includes one-off investment gain of RO 9.4 million arising from investment in Al Salam Bank accounted in second quarter 2014.

Operating expenses for the nine months period ended 30<sup>th</sup> September 2014 stood at RO 117.55 million as compared to RO 123.02 for the same period in 2013. Last year operating expenses included RO 14.98 million prepaid travel card operating loss provision. Excluding that, the operating expenses increased by 8.8 per cent.

Impairment for credit losses for the nine months period in 2014 was RO 40.71 million as against RO 26.42 million for the same period in 2013. Recoveries from impairment for credit loss was RO 19.55 million for the nine months period of 2014 as against RO 20.61 million for the same period in 2013. Share of income from associates for the nine months period in 2014 was RO 896 thousand against RO 349 thousand for the same period in 2013.

Net Loans and advances increased by 5.2 per cent to RO 6,042 million as against RO 5,741 million as at 30<sup>th</sup> September 2013. Customer deposits, including CDs, increased by 14.9 per cent to RO 6,351 million as against RO 5,527 million as at 30<sup>th</sup> September 2013.

Islamic Financing receivables amounted to RO 385 million as of 30<sup>th</sup> September 2014 compared to RO 247 million in the same period of 2013. Islamic Banking customer deposits amounted to RO 231 million as of 30<sup>th</sup> September 2014 compared to RO 124 million reported in 30<sup>th</sup> September 2013.

### **Strategic Initiatives**

- The bank in collaboration with the Royal Oman Police (ROP) introduced a state-of-the-art biometric system compatible with the national identification card (NID). The new system is the first-of-its-kind in the banking sector in Oman.

- The bank launched al Wathbah Academy, a major initiative for training entrepreneurs in Oman, leading to accredited international certification. The academy marked a milestone, building up on the series of initiatives by the bank to complement government efforts in strengthening the role of SMEs in the economic development of Oman.
- Identifying new business opportunities, bank muscat Oryx Fund widened the objective of the fund to invest in companies listed in the MENA region, in addition to the GCC markets.
- Meethaq Islamic Banking signed a Memorandum of Understanding (MoU) with Islamic Development Bank (IDB) and Islamic Research & Training Institution (IRTI) to support joint business opportunities in the Islamic Banking sector.

### ***Key Developments***

- Inculcating a strong savings culture, momentum has started building up for Oman's flagship al Mazyona Savings Scheme, which is all set to reward with the grand year-end bonanza of RO 1.9 million to be shared between 15 customers.
- The bank, as part of its commitment to human resources development, nominated nine senior Omani executives to participate in management and leadership development programmes at leading global business schools.
- Highlighting new horizons in the world of technology contributing to the progress of the banking sector, the bank hosted a conference on 'Technology Evolutions & Banking'.
- Marking the Holy Month of Ramadhan, the bank's Tadamun initiative, in association with the Ministry of Social Development, targeted social welfare families and distributed household goods and appliances to low-income beneficiaries across Oman. The bank also hosted al Wathbah Ramadhan Souq, which promoted a variety of products developed by women entrepreneurs.
- The bank extended lead support to Salalah Tourism Festival 2014, the Sultanate's annual tourism and cultural celebration, as part of efforts to promote tourism in the country.
- Marking the successful third year, the bank significantly enhanced support to the Green Sports initiative aimed at strengthening sports infrastructure in general and greening of football grounds in particular in Oman, benefiting 14 teams in 2014 compared to 10 teams in the previous year.

- Consolidating Islamic Banking services, Meethaq Islamic Banking widened the network with state-of-the-art branches in Al Khuwair and Al Khoud.

### ***Accolades***

- The bank topped 38 Omani companies ranked in the Forbes Top 500 Companies in the Arab World 2014. The awards celebrated the region's corporate success.
- For the fourth consecutive year, the bank was ranked the Best Bank in Oman by Business Today magazine. The best performance ranking was based on return on capital, tighter controls on non-performing loans (NPLs) and healthy growth in deposits.
- The bank won straight through processing (STP) excellence awards from Standard Chartered Bank and Deutsche Bank for outstanding performance in dollar and euro denominated fund transfer and commercial payments.

### ***In Conclusion***

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

The Board of Directors welcomes and supports the measures taken by the Central Bank of Oman and the Capital Market Authority to strengthen the financial market in the Sultanate. The foresight and market-friendly policies adopted by His Majesty's Government have helped the bank to record encouraging results.

The Board of Directors is deeply grateful to His Majesty Sultan Qaboos Bin Saïd for his vision and guidance, which has helped the country along its path of growth and prosperity during the last 44 years.



**Khalid bin Mustahail Al Mashani**