

Chairman's Report – Nine Months Ended Sep 2016

Dear Shareholders,

I am glad to share with you the results achieved by the bank during the nine months ending 30th September 2016. The key business lines of the bank maintained performance momentum during this period. Going forward, the bank is well positioned to continue its prudent policies and align growth, finding new opportunities in challenging market conditions.

Financial Overview

The bank posted a net profit of RO 136.91 million for the period compared to RO 136.23 million reported during the same period in 2015.

Net interest income from conventional banking stood at RO 187.95 million for the nine months of 2016 compared to RO 176 million for the same period of 2015, an increase of 6.8 per cent. Net income from Islamic financing was RO 17.78 million for the nine months of 2016 compared to RO 13.68 million for the same period of 2015, an increase of 30.0 per cent.

Non-interest income was RO 108.47 million for the nine month period ended 30 September 2016 compared to RO 112.87 million for the same period in 2015.

Operating expenses for the nine month period ended 30 September 2016 was RO 129.02 million as compared to RO 126 million for the same period in 2015, an increase of 2.4 per cent.

Impairment for credit losses for the nine month period in 2016 was RO 46.96 million as against RO 42.74 million for the same period in 2015. Recoveries from impairment for credit losses was RO 22.69 million for the nine month period of 2016 as against RO 25.54 million for the same period in 2015.

Share of income from an associate for the nine months period in 2016 was RO 1.09 million as against RO 1.85 million for the same period in 2015.

Net loans and advances increased by 7.1 per cent to RO 7,032 million as against RO 6,566 million as at 30 September 2015.

Customer deposits increased by 0.8 per cent to RO 6,831 million as against RO 6,778 million as at 30 September 2015.

Islamic financing receivables amounted to RO 782 million as of 30 September 2016 compared to RO 482 million in the same period of 2015. Islamic customer deposits amounted to RO 746 million as of 30 September 2016 compared to RO 549 million reported for the same period in 2015.

Key Developments

- The bank, as part of its commitment to innovation in banking service excellence and in line with the Omani government's ambitious eGovernment project, distributed over a million Chip and PIN debit cards to customers across the Sultanate.
- Aimed at strengthening SME initiatives, the bank enrolled 15 entrepreneurs for a new session at al Wathbah Academy in Muscat as the academy in Salalah and Sohar marked the graduation of the first batches.
- Providing a boost to the tourism sector and opening up the doors for avid travellers, the bank launched the first-of-its-kind 'Terhal' holiday finance package. The bank also, in association with the Ministry of Tourism, hosted Sheikh Majed Al Sabah, renowned social media personality, on a unique 'Discover Oman' programme to promote tourism.
- In a major boost to talent development, the bank launched the second phase of Jadara management development programme in collaboration with Duke Corporate Education to build a leadership pipeline comprising 42 employees.
- As part of efforts to enhance customer experience, the bank launched CareMore initiative offering soft skills training for employees; a new dedicated communication channel on Twitter for customer care and an employee engagement campaign.
- Promoting secure digital banking solutions, the bank highlighted the largest network of ATMs, CDMs, mobile banking, online banking and Call Centre. The bank also launched a mobile application 'BM Offers' showcasing new product promotions and developments.
- Meethaq Islamic Banking, as part of its focus to offer world-class Islamic banking experience to customers, opened state-of-the-art branches in Souq Al Seeb and Muttrah Corniche.
- Enhancing in-country value and sustainable development, Meethaq Islamic Banking hosted a Memorandum of Understanding (MoU) between Bauer Nimr and Sebacic Oman for growing castor with saline waste water from Bauer facility in Nimr.

CSR & Sustainability

The bank, in step with its commitment to innovative customer service, launched a first-of-its-kind initiative in the banking sector in Oman to train employees in sign language to serve hearing impaired customers.

Accolades

Reflecting consistency of performance and innovative strategies, which have cemented the reputation in a tough market, the bank won the 'Best Bank in Oman' award by Euromoney. For the second consecutive year and the third time overall, Bank Muscat Oryx Fund won the prestigious 2016 Thomson Reuters Lipper Fund Award for the 'Best MENA Fund' based on its last 3-year performance.

In Conclusion

On behalf of the Board of Directors, I would like to take this opportunity to thank the banking community, both in Oman and overseas, the shareholders and clients 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.

As Oman marks the 46th year of the glorious Renaissance, we express our deep gratitude and appreciation to our leader, His Majesty Sultan Qaboos Bin Said for his vision and guidance, which have helped the country along its path of success, growth and prosperity.



Khalid bin Mustahail Al Mashani