

Liquidity Management: A Comparative study of Oman Banks and Multinational Banks

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Abstract

In this research paper our main objective was to find out about how well the banking sector of Oman is managing their liquidity risk by comparing them with some of the leading multinational banks. The liquidity ratios are used to compare the liquidity risk of domestic banks with the multinational banks. The two domestic banks and two multinational banks are considered in our study; Bank Muscat and National Bank of Oman (NBO) as the two leading banks of Oman and two Multinational Banks i.e. HSBC Holding and Standard Chartered Bank (SCB) Group Ltd. Frequently used liquidity ratios were calculated and compared for the period of three years from 2012 to 2014. Study confirms that NBO is better equipped in managing liquidity as compared to Bank Muscat which is highly sensitive to deposit withdrawals risk. On the basis of liquidity ratios the two domestic banks of Oman are weak in liquidity management as compared to their international counterpart. However, Central bank of Oman monitors the liquidity reports of each bank, policies are reviewed and approved by the risk committee of banks. Moreover, the Omani local banks also frequently conduct stress testing based on the market situations and bank conditions as per the standard laid down by the Basel Committee.

Keywords: Liquidity, liquid assets, Bank Muscat, NBO

1. Introduction

In today's world the banking industry has developed to such a great extent that with the increase in the banking industry, it gave rise to the complexity of handling new businesses and the risks involve with them. One such risk in the banking industry has to do with the liquidity and the way to overcome this risk has become a challenge for the industry. In banking liquidity means ability of financial institutions to meet liabilities and to fund increases in assets. Measuring and managing liquidity risk is one of the most vital activities of commercial banks all over the world. At the time of Global Financial crisis of 2007 many premium banks of the world were believed to hold an adequate capital levels, but when the crisis occurred most of the banking sector experienced some serious problems due to the poor management of liquidity. They had failed to sufficiently account for their exposure to liquidity risk. In simple terms, this risk can be defined as a risk in which the banking sector struggles in meeting their commitments linked with financial liabilities that are settled by delivering cash or another financial asset whereas interest rate risk can be defined as the possibility of changes in interest rates that can affect the future profitability on the fair values of financial instruments.

Before the financial crisis the impression of the market was that there will not be any liquidity problems in the coming future since at that time the funding was readily available and at cheaper prices. However, at the wake of financial crises, low-priced funding that had been used by banking sector to cope with the liquidity risk started vanishing as lending rates became repressed. Hence, the market were in a position where they were not able to lend and the loans that were made before the crisis when there was enough liquidity were no longer getting rolled-over. Accordingly banking sector came into severe stress situation where regulators had to step in providing support by introducing liquidity to money markets as well as the individual institutions.

The goal of the asset and liability policy of a bank is normally to manage the liquidity and interest rate risks to safeguard the security and safety of the Bank's capital base, at the same time maintain adequate net interest margins and spreads to provide suitable yield to the shareholders. It is the responsibility of the ALCO (Assets and Liabilities Committee) to ensure that their institution is self-sufficient when it comes to meeting all their financial debts to make payments as and when they fall due by operating within the liquidity limits set for the country.

The most effective tool that has been developed in computing the liquidity risk is the recent framework introduced by the Basel committee who are the primary global standard body for introducing the prudential regulation of banks. The Committee has recently developed an LCR (liquidity Coverage Ratio) frameworks whose aim is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have enough high quality liquid assets to protect them in 30 days stress scenario. These standards of LCR got affected from January 1, 2015 with a minimum ratio of sixty percent.

2. Oman's Banking Sector

Oman's banking sector has been growing at a steady rate during the past decade due to the increase in oil prices, which lead to increase government spending on infrastructure and also because of the high interest margins on retail loans. The Oman's banking sector includes 9 resident banks, 2 specialized banks, 9 foreign commercial banks, and 2 Islamic banks known as Alizz Bank & Bank Nizwa. According to the official data it's been revealed that the top 3 financial institutions contribute around 62% of total sector assets, while leading institution, i.e. Bank Muscat accounts for 37.26% of total sector assets (The Business Year [1]).

With the increase in the foreign investments the banking sector of Oman had started to play a bigger role in the Middle East's Financial Services Market. However, with the reduction in the oil prices in recent time (which is the main source of Country's revenues) has raised concerns about the country's financial stability. Therefore, the purpose of this study is to conduct a comparison of Oman's Banking sector with some of the leading multinational firms operating in the world. This study will help us in identifying on the ways the banking sector of Oman is managing their liquidity and interest rate risk after comparing them with some of the leading international banks.

Bank Muscat, which is the country's largest bank won the liquidity risk management award for being the best bank in the Middle East and Africa by the Asian Banker [2]. They are one of the first in the region to achieve this award. The objective of this appreciation is to recognize the developing

best practices and outstanding achievements amongst the risk management teams in the banking sector because risk departments are considered to be at the core of decision making whose significance has been underscored in the aftershock of a number of international economic crises. Thus, achieving this superior award shows us that the local banks are taking risk management very seriously and it testifies the superior risk management practices adopted by the bank and the investment they have made over the years to make risk management as one of their core competency of their overall success.

3. Literature Review

In the wake of financial turmoil which began in 2007, the importance of managing liquidity risk was re-emphasized. Therefore, many research and methods were developed to tackle these conditions in future. In this section we can see some of the leading researches that have been conducted on liquidity risk, which will help us in understanding the importance of liquidity risk. The variety of liquidity risks and their importance in asset pricing has been a dynamic area of research. Over the time it has been proved that credit and liquidity risk are considered as key factors that influence market liquidity. Therefore, Saadaoui & Boujelbene [3] conducted a study, whose main objective was to provide an empirical analysis of the effect of liquidity and credit risk on the worsening of liquidity problems across ten emerging bond markets in countries like Argentina, Australia, Hong Kong, Hungary, Greece, Mexico, Peru, Poland, Spain and turkey's bond markets after the subprime crisis period. In order to understand the relationship between these risks the researches used Control variables, outstanding amount, coupon, age and interest rates. Their results indicated that liquidity risk has a greater impact on the liquidity of the bond market than credit risk.

Liquidity crisis, which started during the financial turmoil had created such a buzz that the world regulatory committees were forced to introduce new methods to prevent future liquidity crises. Benzchawel [4] in his article discusses the proposed methods introduced by the Basell Committee to prevent the future liquidity crises and the International Monetary Fund's proposed methods such as the systemic liquidity risk index (SLRI), for measuring overall and bank-specific systemic risk. The paper focuses on the advantages and the limitations of these models. In addition to that an index for market liquidity, the CLX, is introduced, which is composed of inputs from five liquid derivatives contracts spanning equity, debt, rates and volatility markets. This model has proven to be useful for measuring various aspects of economic activity and is very similar to the IMF's SLRI model. In addition, the CLX forms the basis for a liquidity early warning system and can anticipate changes in several major economic releases.

Yan M. *et al.* [5] in their paper presented a quantitative model known as the exposure based cashflow on risk in order to estimate the liquidity risk in the banking sector. They applied this model in their UK banking sector by using the data for the period 1997-2010. With the help of their data they were able to demonstrate that which bank's cash flow is the most impulsive of the six leading United Kingdom banks selected in their sample. Subramonim K. [6] examines the Basel III Framework on Liquidity Standards and includes in his paper the challenges that are faced by the Indian banks on the Liquidity Risk Management. In his paper he discusses the guideline that has recently been published by the Reserve Bank of India (RBI) based on the Basel framework

on the liquidity risk management. RBI included improved regulation on liquidity risk governance, measurement, monitoring and reporting to the RBI on liquidity positions. The regulations also cover two minimum international regulatory standards which are currently being adopted by some of the leading financial markets, i.e. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The paper tries to bring out the procedure given by RBI and the challenges the banks may face in implementing the guidelines.

In one of the studies conducted by Vodova [7], the author tried to evaluate the liquidity positions of commercial banks in the Czech Republic through the computation of number of liquidity ratios. The period selected for the research was from 2001-2010 and the aim of the paper was to investigate whether the liquidity management differs with the size of the banks. The results of their study suggested that the Czech Republic banks were least liquid during the financial crisis of 2009. The research also indicated that while ensuring liquidity, that large bank depends on interbank markets, whereas small or medium size banks hold buffer of liquid assets.

Gatev *et al.* [8] conducted a study on managing bank's liquidity risk and the objective was to find out how the deposit and loans synergies vary with market conditions. In their study, they showed that the transactions deposit help banks, hedge liquidity risk from unutilized commitment of loans. Bank stock-return unpredictability increases with unutilized commitments, especially for the banks that had less transactional deposits such as saving or demand deposits. They also found out that during the tight liquidity deposit-lending hedge becomes more dominant, when anxious depositors move their funds to the banking institutes. Their results reverse the standard notion of liquidity risk at banks, where runs from deposit holders is considered the cause of concern. E. Bareikaite and R. Martinkute [9] conducted a research on the liquidity risk of the Lithuania banking system as we saw the failure of two of their commercial banks since they were not able to evaluate the liquidity risk or did not deal with it properly. The purpose of their research was to examine the liquidity position towards liquidity, the way liquidity and risk is managed in the country and to explore the liquidity influence to profitability in the Lithuanian banking sector. The article stresses on the importance of liquidity risk and in addition to that conducts a number of scientific analysis and research synthesis.

Ismal Rifki [10] examines the theoretical basis for managing the bank's liquidity risk in the present financial environments. After the identification and outlining of risks in the banking sector, the current model requires the banks to set up a liquidity risk management process which defines liquidity risk management procedures, setting the role of Asset and Liabilities Committee (ALCO), forming an effective information and internal control system for liquidity management. Furthermore, after analyzing factors initiating asset liability imbalance, the banking sector prepares methods to alleviate liquidity inequality and liquid financial instruments to achieve the demand for liquidity. C. Baldan *et al.* [11] in their study aims to ascertain whether there is a connection between liquidity and the interest rate risk of the banking sector. In their study, they chose the small Italian banks and started analyzing their financial reports for the period from 2009 till 2010. They also studied the liquidity profiles, influential variable dynamics and their effects on the respective bank's overall management with caution on interest margins and rates. The main finding of the study reveals that the financial institution prospered with changes in its liquidity profile.

There are few studies on liquidity risks of Oman banking system but none of them dealt with liquidity risks Oman banks. The existing literature on liquidity risk of banks is not conclusive as far as the different methods and ratios used to measure liquidity is considered. With this background, the present study aims at measuring and comparing liquidity risk of top two Oman banks with the two international banks having their presence in Oman. Thus, this study attempts to add some value to the existing literature by providing recent empirical evidence on the liquidity risk of banks in Oman.

4. Data and Methodology

For this research, authors selected two local banks from Oman i.e. Bank Muscat and National Bank of Oman (NBO) along with two of the world's multinational banking institutes, namely HSBC Holdings PLC and Standard Chartered PLC (both the banks also have branches in Oman). All the data collected for this research is from the secondary source extracted from the annual financial reports available from the respective bank websites. Apart from that, any other source of information used in this study was also secondary in nature and was collected from journals, articles, Muscat Securities Market and other International Securities Market websites such as London and Hong Kong Stock Exchange.

4.1. Liquidity Ratios

To conduct the comparison amongst the selected banks, extracted 3 year data from each bank i.e. from 2012 till 2014. From the existing literature, the liquidity ratios defined and used by many researchers like Vodova [7] were considered as discussed below.

$$\textit{Liquidity Ratio (L1)} = \text{liquid assets} / \text{total assets}$$

The L1 ratio gives us the detail on the bank's ability to absorb the liquidity shock. Liquid assets comprise of high quality assets of a bank which includes cash and balances with central bank, due from other banks and financial instruments issued by the Government or the central bank. If the share of liquid asset is more, it represents the bank's ability of absorbing the liquidity shock.

$$\textit{Liquidity Ratio (L2)} = \text{liquid assets} / \text{deposits plus short term borrowing}$$

The L2 ratio also uses the same functionality of liquid assets, but the difference between this ratio and L1 is that the liquidity ratio L2 is a proxy for what percentage of customer deposits and short term funding could be met if they were withdrawn suddenly and is commonly known as a deposit run ratio. This ratio is more focused on the bank's sensitivity to certain type of fundings like, deposits of retail sector, corporations, small and medium enterprises, financial institutes and other bank borrowings plus those funds in debt securities issued by the banks. Hence L2 ratio shows the exposure or vulnerability of financial institutes to such kind of funding. So higher L2 ratio implies better liquidity and less vulnerability to a classic run on the bank.

$$\textit{Liquidity Ratio (L3)} = \text{loans} / \text{total assets}$$

The L3 liquidity ratio computes the share of loan in the total asset of the bank. The ratio helps in knowing the percentage of assets tied up in the illiquid asset. As compare to L2 ratio this L3 ratio measures the

liquidity of a bank supposing that the financial institution is unable to borrow from any other financial institution during the severe crisis of liquidity. This is a fairly severe measure of liquidity, but it assists in finding least part of market liquidity risk. In case $L3 > 1$, it shows that the bank is able to meet its debts in terms of funding (the size of liquid assets is high enough to cover volatile funding). If $L3 < 1$, it shows that the bank is exposed to increased sensitivity related to deposit withdrawals.

Loans to Deposits (LD) Ratio = total loans and advances to customers / total customer deposits

This ratio can be defined as the ratio which captures the total customer loans and advances against the customer deposits. This ratio reflects the amount of funds, the bank is lending out of the deposits it has mobilized. A higher ratio indicates more reliance on deposits for lending and vice-versa. So, if the ratio is too high that puts the bank at high risk. Alternatively a very low ratio means the bank is at low risk, at the same time it is not using assets to generate income.

5. Research Analysis and Findings

In the above table 1, we computed the liquidity ratio (L1) for the selected multinational banks, i.e. (HSBC & Standard Chartered Bank Group) against the local banks (i.e. Bank Muscat and NBO). L1 ratio generally indicates the liquidity shock absorption capacity of the banks and is computed by taking the total liquid assets of the bank against the total assets. In our calculation we considered liquid assets as cash and balances with Central bank, financial assets, Loans and advances to banks, derivatives plus any other financial assets. The L1 data shows us that the ratios of multinational banks are much higher than that of the locals. e.g. in the case of HSBC group we can see that the liquidity ratio L1 has been reduced from 2012, the ratio was at 0.56 in 2012 and reduced to 0.41 in 2014 whereas the SCB group ratio has been slightly improved from 0.48 reported in 2012 to 0.53 in 2014. As far as the local banks are concerned, we can see that the Bank Muscat ratio has remained stable with a slight volatility during the years, whereas NBO showed a sharp increase in the year 2013 from 0.21 reported in 2012 to 0.25 but again reduced to 0.20 during the year 2014.

Table 1. Comparison of Liquidity ratios (L1) of sample banks

Sample Bank	Year wise Liquidity Ratios			Average Liquidity Ratio
	2014	2013	2012	
HSBC Group	0.41	0.53	0.56	0.50
SCB Group	0.53	0.49	0.48	0.50
Bank Muscat	0.27	0.24	0.25	0.25
NBO	0.20	0.25	0.21	0.22

(Source: Author's Estimation of Ratios)

In terms of comparing the ratios between the multinational and local banks it can be noticed that the liquidity average L1 ratio of multinational firms is at 0.50, whereas the local bank's ratios are somewhere close to an average 0.23. The reason for this difference may be that the liquidity market is not same for local and multinational banks. The data indicate that the liquid assets in multinational banks are much higher than that of local as they have a higher number of investments

in financial instruments than customer loans and advances. In Oman Market the investment opportunities in the financial instruments are lesser than the international market due to their size variations. The financial instruments in the local market consist of certificate of deposits and treasury bills issued by the Central bank of Oman and Government Bonds. Besides this, the Oman government in 2015 announced the issuance of Islamic Bonds called as Sukuk. The government will realize the importance of issuing Sukuk and is expected to introduce more in future to manage liquidity in the country.

Hence, by comparing the two local banks from the above data on L1 ratio we can conclude by saying that the liquidity position in the local market has remained stable as the bank ratio is increasing from the year 2012 and NBO ratio has some volatility but on an average it is 0.22 which is similar to the average ratio of Bank Muscat.

In table 2, the information of liquidity ratio (L2) focuses more on the sensitivity of bank to selected types of funding. In our calculation we included deposits of customers along with the short term borrowing from the financial institutions. As per our workings of L2 ratio the average ratio of HSBC Group is at 0.94, whereas SCB Group is at 0.79 indicating that HSBC is stronger in order to meet its obligation when compared with SCB Group. However, observation for Bank Muscat whose average ratio for 3 years is at 0.34 shows the bank's increased sensitivity related to deposit withdrawals.

Table 2. Comparison of Liquidity ratios (L2) of sample banks

Sample Bank	Year wise Liquidity Ratios			Average Liquidity Ratio
	2014	2013	2012	
HSBC Group	0.76	0.99	1.08	0.94
SCB Group	0.83	0.78	0.74	0.79
Bank Muscat	0.36	0.32	0.34	0.34
NBO	0.78	0.71	0.75	0.75

(Source: Author's Estimation of Ratios)

As per the above data in table 3, HSBC group has an average 0.38 L3 ratio, whereas SCB group also not very far away with 0.42 average indicating the liquidity of both the banks. However, if we look at local banks we can notice that their L3 ratios are much higher than that of the multinational banks. The L3 average ratio for Bank Muscat is 0.78, whereas the same is the case with NBO whose ratio is coming to 0.75 indicating that local banks are less liquid than the international banks. In other words, the local banks are stronger when it comes to meeting its obligation in terms of funding.

In table 4, loan to deposit ratio is displayed which is a great tool to compute the liquidity of a bank. It is regularly used by most of the banks to keep an eye on their liquidity position. This ratio computes the total loans and advances of the customer with the customer deposits. In the above data, compared the LD ratio of the international banks with the locals. The table shows the average LD ratios of multinational banks at 0.75, whereas local banks averaged at 1.06. The lower ratio

shows us that the customer deposits are higher as compared to customer loans, which results from the emphasis placed on generating a high level of stable funding from customers.

Table 3. Comparison of Liquidity ratios(L3) of sample banks

Sample Bank	Year wise Liquidity Ratios			Average Liquidity Ratio
	2014	2013	2012	
HSBC Group	0.37	0.40	0.37	0.38
SCB Group	0.39	0.43	0.44	0.42
Bank Muscat	0.70	0.78	0.86	0.78
NBO	0.78	0.71	0.75	0.75

(Source: Author's Estimation of Ratios)

Table 4. Comparison of Loan-Deposit (LD)ratios of sample banks

Sample Bank	Year wise Liquidity Ratios			Average Liquidity Ratio
	2014	2013	2012	
HSBC Group	0.72	0.79	0.76	0.76
SCB Group	0.70	0.76	0.75	0.74
Bank Muscat	1.03	1.09	1.05	1.06
NBO	1.03	1.09	1.05	1.06

(Source: Author's Estimation of Ratios)

6. Discussion

The result suggest that the banks in Oman are lacking the liquidity standards adopted by international banks like HSBC and Standrad Charetered. After comparing the L1 ratio between the multinational and local banks we can easily notice that the liquidity average ratio of multinational banks is at 0.50, whereas the local bank's ratios are somewhere close to an average of 0.23. One possible reason for this difference may be that the liquidity market is not same for local and multinational banks. In case of L2 ratio, Bank Muscat is way behind as compared to NBO as well as multinational banks which means Bank Muscat is highly sensitive to deposit withdrawals. If we compare the two leading banks of Oman ,National Bank of Oman has a better liquidity than Bank Muscat. In case of L3 liquidity ratio which computes the share of loan in the total asset of the bank and also measures the liquidity of a bank supposing that the financial institution is unable to borrow from any other financial institution during the severe crisis of liquidity. In this measure of liquidity, the ratios for domestic banks (0.78 and 0.75 for Bank Muscat and NBO) are much higher than those of multinational banks (0.38 and 0.42 for HSBC and SCB) which proves that for Omani banks higher percentage of their assets are in the form of loans which are difficult to liquidate during crisis. Therefore, in this severe measure of liquidity the domestic banks are way behind as compared to multinational banks.

7. Conclusion

On the basis of liquidity ratios calculated and compared, the domestic banks of Oman are not at par with the international banks, for which the obvious reason may be that the sample banks are operating in two different markets, where international banks are enjoying a much bigger and diversified market. It was observed that the domestic banks of Oman are following proper liquidity management system and are closely monitored by the Central bank of Oman. They have internal policies of liquidity contingency which are prepared in light of the detailed guidelines issued by the Central Bank of Oman. These policies from time on time are reviewed and approved by their Board Risk Committee. Liquidity Risk positions of the bank are supervised regularly with the help of different analysis reports, e.g. Liquidity ratios, EWI (early warning indicators) and Stock Ratios. Furthermore, the Omani local banks also frequently conduct stress testing based on the market situations and bank conditions as per the standard laid down by the Basel Committee. Central bank of Oman monitors the liquidity reports of each bank. They have set standards for all the banks to follow in order to avoid any future liquidity risk. The Central bank on monthly and quarterly basis requires all the banks whether local or foreign to submit the liquidity risk reports such as maturity analysis, lending ratios and the newly adopted Basel Committee's liquidity Coverage and Net stable funding ratios. The findings of this study will supplement existing literature on liquidity risk in banks and may provide significant insights to policy makers for managing liquidity risk in a better manner.

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Appendices

Balance sheet of selected banks

	million \$		
HSBC Group			
Particulars	2014	2013	2012
Assets			
cash and balance with Central bank	129,957	166,599	141,532
Trading assets	304,193	303,192	408,811
Financial assets designated at fair value	29,037	38,430	33,582
Derivatives	345,008	282,265	357,450
Loans and advances to banks	112,149	211,521	152,546
Loans and advances to customers	974,660	1,080,304	997,623
Financial Investment	161,713	425,925	421,101
Assets held for sale	415,467	4,050	19,269
other assets	161,955	159,032	160,624
Total Assets	2,634,139	2,671,318	2,692,538
Liabilities			
Deposits by bank	77,426	86,507	95,480
Customer accounts	1,350,642	1,361,297	1,311,396
Repurchase Agreement - Non trading	107,432	164,220	40,567
Trading liabilities	190,572	207,025	304,563
Financial liabilities designated at fair value	76,153	89,084	87,720
Derivatives	340,669	274,284	358,886
Debt securities in issue	95,947	104,080	119,461
Liabilities under insurance contract	73,861	74,181	68,195
other liabilities	121,459	120,181	123,141
Total Liabilities	2,434,161	2,480,859	2,509,409
Equity			
Total shareholders equity	190,447	181,871	175,242
Non Controlling interest	9,531	8,588	7,887
Total equity	199,978	190,459	183,129
Total Liabilities and equity	2,634,139	2,671,318	2,692,538

	million \$		
Standard Chartered Bank Group			
Particulars	2014	2013	2012
Assets			
cash and balance with Central bank	97,282	54,534	60,537
Financial assets held at fair value	32,623	29,335	27,076
Derivatives Financial Instruments	65,834	61,802	49,495
Loans and advances to banks	83,890	83,702	67,797
Loans and advances to customers	284,695	290,708	279,638
Investment Securities	104,238	102,716	99,225
other assets	38,689	33,570	28,548
current tax assets	362	234	215
Prepayments and accrued income	2,647	2,510	2,552
Interest in associates and joint ventu	1,962	1,767	1,684
goodwill and intangible assets	5,190	6,070	7,145
Property, plant and equipment	7,984	6,903	6,620
Deferred tax assets	518	529	676
Total assets	725,914	674,380	631,208
Liabilities			
Deposits by banks	54,391	43,517	36,427
Customer accounts	405,353	381,066	372,874
Financial liabilities held at fair value	22,390	23,030	23,064
Derivative financial instruments	63,313	61,236	47,192
Debt securities in issue	71,951	64,589	55,979
other liabilities	31,274	27,338	24,285
Current tax liabilities	891	1,050	1,066
Accruals and Deferred income	5,915	4,668	4,811
Subordinated liabilities and other bo	22,947	20,397	18,588
Deferred tax liabilities	246	176	161
Provision for liabilities and charges	92	107	215
Retirement obligation benefits	413	365	491
Total Liabilities	679,176	627,539	585,153
Equity			
Share Capital	1,236	1,214	1,207
Reserves	45,196	45,032	44,155
Non controlling interest	306	595	693
Total equity	46,738	46,841	46,055
Total equity and liabilities	725,914	674,380	631,208

	OMR 000'		
Bank Muscat			
Particulars	2014	2013	2012
Assets			
cash and balance with Central bank	2,173,881	1,512,494	1,723,029
Due from banks	2,698,249	2,251,898	1,885,844
Loans and advances	16,586,039	15,229,957	14,547,928
Islamic financing receivables	1,039,714	725,489	-
Investment Securities	1,924,078	1,459,843	1,572,397
Investment in associates	123,244	94,925	119,327
Tangible fixed assets	186,660	173,119	179,904
other assets	536,494	595,000	526,554
Total assets	25,268,359	22,042,725	20,554,983
Liabilities			
Deposits from banks	2,308,621	1,737,291	1,950,010
Customer deposits	16,361,948	14,423,150	13,828,612
Islamic customers deposits	734,439	241,448	-
Certificate of deposits	119,480	122,078	139,221
unsecured bonds	-	77,410	142,345
Euro medium term notes	493,452	488,575	-
Mandatory convertible bonds	161,660	120,602	41,966
Other liabilities	981,327	959,279	964,361
Taxation	74,919	82,862	69,860
Subordinated liabilities	624,545	641,213	674,545
Shareholder's funds			
Share Capital	566,933	559,029	529,483
Share premium	1,207,665	1,173,603	1,008,147
General reserve	441,060	424,395	391,060
Non distributable reserves	510,393	430,164	343,409
Cashflow hedge reserves	-	1,496	997
Cumulative charges in fair value	56,205	42,701	21,070
Foreign currency translation reserve	-	2,403	-
Retained profit	629,610	526,686	463,235
Non Controlling interest in equity	-	564	496
Total liabilities and shareholders funds	25,268,358	22,042,725	20,554,983

	OMR 000'		
National Bank of Oman			
Particulars	2014	2013	2012
Assets			
cash and balance with Central bank	288,832	368,316	215,738
Due from banks and other money ma	144,933	228,518	217,261
Loans and advances (net)	2,316,813	2,068,199	1,911,562
Financial Investments	147,524	132,603	110,722
Premises and Equipment	23,204	20,104	20,498
Deferred Tax assets	436	460	409
other assets	54,352	78,141	61,628
Total assets	2,976,094	2,896,341	2,537,818
Liabilities			
Due to banks and other money marke	102,188	226,359	210,447
Customer deposit and unrestricted in	2,177,742	2,179,159	1,886,754
Euro medium term notes	195,223	-	-
Other liabilities	69,761	77,512	68,778
Taxation	6,051	5,527	5,687
Total Liabilities	2,550,965	2,488,557	2,171,666
Subordinated debt	63,600	79,700	61,700
Share Capital	121,883	110,803	110,803
Share premium	34,465	34,465	34,465
Legal reserve	43,380	39,586	39,586
General reserve	4,419	4,419	4,419
Other non distributable reserves	41,322	44,905	30,719
Proposed cash dividend	20,720	16,620	19,391
Proposed stock dividend	12,188	11,080	-
Retained earnings	83,152	66,206	65,069
Total Liabilities and shareholders deb	2,976,094	2,896,341	2,537,818