



National Bank of Oman SAOG

# **National Bank of Oman SAOG**

## **INTERIM FINANCIAL STATEMENTS**

**31 March 2007 (UNAUDITED)**



البنك الوطني العُماني  
بنك  
National Bank of Oman  
SAOG

PO Box 751 PC 112 Ruwi Sultanate of Oman.



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## **TO OUR ESTEEMED SHAREHOLDERS:**

On behalf of the Board of Directors of National Bank of Oman SAOG, I am pleased to announce the results for the three months ended 31<sup>st</sup> March 2007.

### ***Operating Performance***

The bank achieved a net profit after tax of RO 9.6 million for the period ended March 2007, which is a 73% increase over RO 5.5 million for the same period in 2006.

More gratifying was the continuing improvement in profit from operations with the profit for the quarter growing by 25% from RO 6.8 million as at March 2006 to RO 8.5 million for the current period reflecting the positive and clear emphasis on sustainable growth.

Net interest income for the three months to March 2007 was RO 9.4 million, an increase of RO 1 million (12%) over the same period last year.

The momentum towards diversifying its income continued as reflected in ratio of other operating income to total income which increased from 30.3% in the first quarter of 2006 to 36.1% in the first quarter of 2007. Business efficiency remained an important focus and the improvement in cost to income ratio from 43.5% in March 2006 to 42.1 % in March 2007 is a testimony to this effort.

During the three month period additional loan loss provisions of RO 1.29 million were taken as compared to RO 3.84 million for the same period in 2006, a decrease of 67%. The collection efforts for impaired assets have continued to be successful with recoveries amounting to RO 3.8 million as at March 2007.

Total Deposits have grown by RO 32 million during the three months to close at RO 849 million as at March 2007. Net advances have grown by RO 60 million to close at RO 763 million as at March 2007. The continuing growth trend is consistent with the strategy of the bank to grow quality loans and deposits.

Overseas operations in the UAE and Egypt continue to contribute towards the improved profitability of the bank.

### ***Capital***

Based on the bank's net worth (BIS) of RO 181.5 million the capital adequacy ratio as at the end of the March was 16.85% well above the minimum prescribed level of 10%.



### ***Appreciation***

On behalf of the members of the Board of Directors, I would like to acknowledge and thank our valued customers and shareholders for the continued participation in the performance of the Bank.

We thank their Excellencies, the Ministers and their officials for their continued guidance and encouragement. In particular we express our appreciation to the Ministry of Finance, the Central Bank of Oman and the Capital Market Authority for their ever wise guidance and support for our endeavours.

We thank the bank's management and staff for their dedication and commitment.

Most of all, we pay tribute to His Majesty, Sultan Qaboos Bin Said, for his inspiring leadership and vision under whose wise guidance all of us in Oman will assuredly continue on the path towards successful development.

**Suhail Salim Bahwan**  
*Chairman*



**SUMMARY OF RESULTS**

	<b>3 months ended</b>	<b>3 months ended</b>
<b>Particulars</b>	<b>31/03/2007</b>	<b>31/03/2006</b>
<b>(All RO '000 unless stated otherwise)</b>		
Net Loans and advances	<b>763,946</b>	<b>599,737</b>
Deposits	<b>849,101</b>	<b>647,585</b>
Other assets	<b>50,247</b>	<b>37,878</b>
Net interest income	<b>9,391</b>	<b>8,367</b>
Net profit before tax	<b>11,019</b>	<b>6,351</b>
Earnings per share-annualized (RO)	<b>0.422</b>	<b>0.244</b>
Net Assets per share (RO)	<b>1.956</b>	<b>2.017</b>
Capital adequacy ratio *	<b>16.85%</b>	<b>19.64%</b>

*\* Capital adequacy ratio is computed in line with Basel II norms.*

**BALANCE SHEET****At 31 March 2007 (Un-audited)**

		<i>31/03/2007</i>	<i>31/03/2006</i>	<i>Audited</i> <i>31/12/2006</i>
	<i>Notes</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>ASSETS</b>				
Cash and balances with Central Banks	3	<b>151,492</b>	116,887	102,317
Due from banks and other money market placements	4	<b>116,181</b>	79,406	184,205
Loans and advances (net)	5	<b>763,946</b>	599,737	703,767
Financial Assets at fair value through income statement		<b>78</b>	83	83
Investments	6	<b>41,385</b>	36,854	40,697
Premises and equipment	7	<b>5,992</b>	6,255	5,885
Deferred tax asset	11	<b>113</b>	4,596	1,370
Other assets	8	<b>50,247</b>	37,878	44,119
		<b>1,129,434</b>	881,696	1,082,443
<b>LIABILITIES</b>				
Due to banks and other money market deposits		<b>38,331</b>	9,646	17,256
Customers' deposits	9	<b>849,101</b>	647,585	816,647
Other liabilities	10	<b>47,791</b>	40,338	49,867
Taxation	11	<b>1,730</b>	1,407	1,596
		<b>936,953</b>	698,976	885,366
<b>SUBORDINATED FUNDS</b>				
Subordinated loan	12	-	8,838	-
Subordinated private placement	13	<b>12,500</b>	12,500	12,500
		<b>12,500</b>	21,338	12,500
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		<b>92,000</b>	80,000	80,000
Share premium		<b>34,465</b>	34,465	34,465
Legal reserve		<b>21,564</b>	18,521	21,564
General Reserve		<b>4,419</b>	-	4,419
Other non distributable reserves		<b>14,562</b>	18,355	14,739
Proposed Dividend		-	-	14,000
Proposed Stock Dividend		-	-	12,000
Retained earnings		<b>12,971</b>	10,041	3,390
		<b>179,981</b>	161,382	184,577
		<b>1,129,434</b>	881,696	1,082,443
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>				
	14	<b>271,500</b>	256,833	253,541

The attached explanatory notes 1 to 24 form part of the interim financial statements.

**INCOME STATEMENT****Period Ended 31 March 2007 (Unaudited)**

	<i>Notes</i>	<i>3 months ended 31/03/2007 RO'000</i>	<i>3 months ended 31/03/2006 RO'000</i>
Interest income	15	18,666	13,405
Interest expense	16	(9,275)	(5,038)
<b>Net interest income</b>		<b>9,391</b>	<b>8,367</b>
Other operating income	17	5,298	3,642
<b>OPERATING INCOME</b>		<b>14,689</b>	<b>12,009</b>
<b>OPERATING EXPENSES</b>			
Staff costs		(3,561)	(2,919)
Other operating expenses	18	(2,256)	(1,860)
Depreciation	7	(365)	(449)
		<b>(6,182)</b>	<b>(5,228)</b>
<b>PROFIT FROM OPERATIONS BEFORE PROVISIONS AND RECOVERIES</b>		<b>8,507</b>	<b>6,781</b>
Provision for credit losses	5	(1,285)	(3,841)
Recoveries/releases from provision for impairments	5	1,643	2,978
Recoveries from bad debts written off and others	5	2,154	433
		<b>2,512</b>	<b>(430)</b>
<b>PROFIT FROM OPERATIONS AFTER PROVISIONS AND RECOVERIES</b>		<b>11,019</b>	<b>6,351</b>
Taxation	11	(1,438)	(817)
<b>NET PROFIT FOR THE PERIOD</b>		<b>9,581</b>	<b>5,534</b>
Basic earnings per share-annualized		<b>0.422</b>	<b>0.244</b>

The attached explanatory notes 1 to 24 form part of the interim financial statements.


**STATEMENT OF CASH FLOWS**  
**Period ended 31 March 2007 (Un-audited)**

	<i>3 months ended 31/03/2007 RO'000</i>	<i>3 months ended 31/03/2006 RO'000</i>
<b>OPERATING ACTIVITIES</b>		
Interest and commission received	25,038	15,725
Interest paid	(9,275)	(5,038)
Staff and supplier payments	(5,817)	(4,779)
(Increase) in loans and advances to customers	(60,179)	(58,299)
(Increase) in due from/to banks and other money market placements/deposits	(18,596)	(59,064)
(Increase) Decrease in other assets	(4,737)	6,400
Increase in customer deposits	32,454	31,199
(Profit) on sale of fixed assets	(20)	-
Change in fair value of investments	(177)	75
(Decrease) in other liabilities	(2,076)	(12,242)
Translation/valuation difference in premises and equipment	(2)	-
<b>Net cash (used in) from operating activities</b>	<b>(43,387)</b>	<b>(86,023)</b>
<b>INVESTING ACTIVITIES</b>		
Net sale (purchase) of non-trading investments	(683)	(5,282)
Disposal of premises and equipments	25	386
Purchase of premises and equipments	(475)	(461)
<b>Net cash (used in) from investing activities</b>	<b>(1,133)</b>	<b>(5,357)</b>
<b>FINANCING ACTIVITIES</b>		
Payment of dividends and Directors remuneration	(14,000)	(11,058)
<b>Net cash (used in) financing activities</b>	<b>(14,000)</b>	<b>(11,058)</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(58,520)</b>	<b>(102,438)</b>
Cash and cash equivalents at 1 January	250,501	215,336
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>191,981</b>	<b>112,898</b>
<b>REPRESENTING:</b>		
Cash and balances with Central Banks	151,492	116,887
Deposits and balances due (to)/from other banks and financial institutions (net)	40,489	(3,989)
<b>Total</b>	<b>191,981</b>	<b>112,898</b>

The attached explanatory notes 1 to 24 form part of the interim financial statements.



**STATEMENT OF CHANGES IN EQUITY**  
**Period ended 31 March 2007 (Unaudited)**

(RO'000)	Other non-distributable reserves										Retained earnings	Total
	Share capital	Proposed Stock Dividend	Share premium reserve	Legal reserve	General Reserve	Non distributable reserve*	Revaluation reserve	Subordinated fund reserve	Change in fair value of Investments Available for Sale	Proposed Dividends and Directors Remuneration		
Balance at 1 January 2006	80,000	-	34,465	18,521	-	6,182	2,928	9,419	(132)	12,110	4,507	168,000
Change in fair value of Investment available for sale	-	-	-	-	-	-	-	-	75	-	-	75
Dividends and directors remuneration paid	-	-	-	-	-	-	-	-	-	(12,110)	-	(12,110)
Reversal of previous year revaluation reserve	-	-	-	-	-	-	(117)	-	-	-	-	(117)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	5,534	5,534
Balance at 31 March 2006	80,000	-	34,465	18,521	-	6,182	2,811	9,419	(57)	-	10,041	161,382
Balance at 1 April 2006	80,000	-	34,465	18,521	-	6,182	2,811	9,419	(57)	-	10,041	161,382
Change in fair value of Investment available for sale	-	-	-	-	-	-	-	-	(1,697)	-	-	(1,697)
Transfer from Subordinated funds reserve	-	-	-	-	4,419	-	-	(4,419)	-	-	-	-
Transfer to Subordinated funds reserve	-	-	-	-	-	-	-	2,500	-	-	(2,500)	-
Net profit for the period	-	-	-	-	-	-	-	-	-	-	24,892	24,892
Transfer to legal reserve	-	-	-	3,043	-	-	-	-	-	-	(3,043)	-
Transferred to proposed dividend	-	-	-	-	-	-	-	-	-	14,000	(14,000)	-
Transfer to Proposed stock Dividends	-	12,000	-	-	-	-	-	-	-	-	(12,000)	-
Balance at 31 December 2006	80,000	12,000	34,465	21,564	4,419	6,182	2,811	7,500	(1,754)	14,000	3,390	184,577
Balance at 1 January 2007	80,000	12,000	34,465	21,564	4,419	6,182	2,811	7,500	(1,754)	14,000	3,390	184,577
Change in fair value of Investment available for sale (refer to note 22)	-	-	-	-	-	-	-	-	(177)	-	-	(177)
Transfer from proposed stock dividends	12,000	(12,000)	-	-	-	-	-	-	-	-	-	-
Transfer from Subordinated funds reserve	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation during the period	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid during the year	-	-	-	-	-	-	-	-	-	(14,000)	-	(14,000)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	9,581	9,581
<b>Balance as at 31 March 2007</b>	<b>92,000</b>	<b>-</b>	<b>34,465</b>	<b>21,564</b>	<b>4,419</b>	<b>6,182</b>	<b>2,811</b>	<b>7,500</b>	<b>(1,931)</b>	<b>-</b>	<b>12,971</b>	<b>179,981</b>

\* Non-distributable reserve is a voluntary reserve created by the bank's board of directors to cover the obligation, if any, arising from Government guarantee relating to BCCI receivables. The attached explanatory notes 1 to 24 form part of the interim financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (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 corporate and retail banking activities within the Sultanate of Oman with branches in the United Arab Emirates and Egypt. The bank operates in Oman under a banking licence 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 employed 1,059 employees as of 31 March 2007 (31 March 2006-1,098 employees, 31 December 2006-1,065)

### 2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

**Basis of preparation:**

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB), requirements of the Oman Commercial Companies Law of 1974, as amended and the disclosure requirements of the Capital Market Authority. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2006.

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and the measurement of derivative financial instruments, trading and available for sale investment securities at fair value.

These financial statements are presented in Rials Omani. 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 preparation of financial statements requires management to make adjustments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed by the bank to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Estimates considered by the bank to have a significant risk of material adjustment in subsequent periods primarily comprise provisions for impairment of loans and advances.

The accounting policies are the same as those applied by the Bank in its annual financial statements as at and for the year ended 31 December 2006 and have been applied consistently by the Bank.

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## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances with banks and other financial institutions, treasury bills and money market placements, deposits and certificates of deposit maturing within three months of the date of acquisition.

#### **Financial Assets at fair value through income statement**

This category includes those investments, which are initially recognized at cost and re-measured at fair value. All related realized and unrealized gains or losses are included in the income statement in the period in which they arise. Interest earned or dividends received are included in the interest and dividend income respectively.

#### **Loans and advances**

Loans and advances are carried at amortized cost less specifically identified and collective provisions for impairment. Specific provisions are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce those loans and advances to their recoverable amounts. Collective impairment provisions are maintained in respect of incurred losses, which have not yet been specifically identified within the portfolio of loans and advances. The recoverable amount of loans and advances is calculated as the present value of the expected future cash flows discounted at the original effective interest rate. Short-term balances are not discounted.

When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly.

#### **Non-trading investments**

These are classified as follows:

- Available for sale
- Held to maturity

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

#### *Available for sale*

After initial recognition, investments, which are classified as “available for sale”, are re-measured at fair value. Fair value changes are included in equity in the period in which they arise, except for changes in impairment losses and in the case of monetary items, foreign exchange gains and losses. When these investments are de-recognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

#### *Held to maturity*

Where the bank has the positive intent and ability to hold financial assets to maturity, they are stated at amortized cost less impairment losses.

Premiums and discounts on held to maturity investments are amortized using the effective interest rate method and taken to interest income.

#### **Fair values**

For investments traded in organized financial markets, fair value is determined by reference to quoted market prices at the close of business on the balance sheet date.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of a similar investment, or is based on the expected discounted cash flows.

#### **Due from banks and other money market placements**

These are stated at cost less any provisions for impairment.



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Premises and equipment

Premises and equipment are initially recorded at cost or deemed cost.

Revaluations of buildings are carried out every five years on an open market value for existing use basis by an independent valuer. Net surpluses arising on revaluation are credited to a capital reserve, except that a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.

A decrease as a result of a revaluation is recognised as an expense, except that it is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. On disposal the related revaluation surplus is credited to retained earnings.

Depreciation is provided on a straight-line basis over the estimated useful lives of all premises and equipment other than freehold land, which is deemed to have an indefinite life, and capital work in progress. The rates of depreciation are based upon the following estimated useful lives:

Buildings on freehold land	25 years
Buildings on leasehold land	10 years
Leasehold improvements	3 to 5 years
Motor vehicles	4 years
Furniture	10 years
Equipment	5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

#### Collateral pending sale

The bank occasionally acquires real estate in settlement of certain loans and advances. Real estate is stated at the lower of the net realisable value of the related loans and advances and the current fair value of such assets. Gains or losses on disposal, and unrealised losses on revaluation, are recognised in the income statement.

#### Deposits

All money market and customer deposits are carried at amortised cost.

#### Taxation

Taxation is provided for based on the relevant tax laws of the respective countries, in which the bank operates.

Income tax on the profit or loss for the years comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### Derivatives

Derivatives are used in the bank's non-trading activities to reduce exposures to fluctuations in interest and exchange rates, including forward foreign exchange contracts, interest rate swaps and credit default swaps. Derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Unrealised gains or losses are included in the income statement.

#### Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the bank and accordingly are not included in these financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Offsetting

Financial assets and financial liabilities are only offset and the net reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Revenue recognition

Interest income is recognised on an accrual basis. Commission and fees are recognised when earned. Income from investments is accrued on notification of entitlement. Dividend income is recognized when the right to receive payment is established.

#### Foreign currencies

- (i) Transactions denominated in foreign currencies are translated into Rial Omani and recorded at rates of exchange ruling at the value dates of the transactions.
- (ii) Monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at exchange rates ruling at the balance sheet date. Realised and unrealised gains and losses are dealt with in the income statement.
- (iii) The financial statements of overseas branches are translated into Rial Omani for aggregation purposes at the balance sheet date rates of exchange. Any translation difference arising from the application of balance sheet date rates of exchange to the opening net assets of overseas branches are taken directly to reserves.

#### Repurchase and resale agreements

Assets sold with a commitment to repurchase (repos) at a specified future date are recognised in the balance sheet and are measured in accordance with accounting policies for trading securities or investment securities. The counter party liability for amounts received under these agreements is included in due to banks and other financial institutions. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet and the amounts paid under these agreements are included in deposits with banks and other financial institutions. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repo agreement.

#### Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, recognised in the income statement.

#### Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the entity commits to purchase the asset. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### Leases

Operating lease payments, are recognised as an expense in the income statement on a straight-line basis over the lease term.

#### Staff terminal benefits

The terminal benefits for Omani employees are provided in accordance with the Sultanate of Oman's Social Insurance Law of 1991. For Egyptian employees the terminal benefits are provided in accordance with the Egyptian social security law. For all other employees, provision for staff terminal benefits is based on the liability that would arise if the employment of all employees were terminated at the balance sheet date.

#### Segment Reporting

A segment is a distinguishable component of the bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

**3 CASH AND BALANCES WITH CENTRAL BANKS**

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Cash	<b>13,156</b>	12,400	16,489
Treasury bills with Central Banks	<b>17,234</b>	33,993	21,584
Certificate of Deposit with Central Banks	<b>36,085</b>	16,000	30,000
Insurance Deposit with Central Bank of Oman	<b>764</b>	764	764
Capital Deposit with Central Bank of Oman	<b>500</b>	500	500
Other balances with Central Banks	<b>83,753</b>	53,230	32,980
	<b>151,492</b>	116,887	102,317

The capital and insurance deposits with the Central Bank of Oman cannot be withdrawn without the approval of the Central Bank of Oman.

On 13<sup>th</sup> March 2007, a claim by Central Bank of Egypt (CBE) and a counter claim by the Bank (both related to CBE's conversion to Egyptian Pounds in 2003 of a placement of US Dollars by the Bank with CBE) were settled with no further loss to the Bank (an exchange loss of RO 8.9 million had been recognized in 2003 in respect of this matter).

**4 DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS**

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Net loans and advances to banks	<b>44,985</b>	26,278	28,925
Due from Banks - money market placement	<b>68,698</b>	49,308	147,025
Other balances	<b>2,498</b>	3,820	8,255
Net due from banks and other money market placement	<b>116,181</b>	79,406	184,205

**5 LOANS AND ADVANCES**

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Corporate loans	<b>469,828</b>	366,575	322,172
Personal loans	<b>336,744</b>	288,816	426,395
Overdrafts	<b>39,096</b>	35,927	39,547
Gross loans and advances	<b>845,668</b>	691,318	788,114
Less: Provisions for impairment	<b>(81,722)</b>	(91,581)	(84,347)
Net loans and advances	<b>763,946</b>	599,737	703,767

Gross loans and advances include RO 26.59 million due from related parties at 31 March 2007 (31 March 2006 - RO 28.47 million/ 31 December 2006 - RO 26.51 million).

## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 5 LOANS AND ADVANCES (continued)

The maturity of the gross loans and advances based on residual maturity can be analyzed as follows:

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
0 - 6 months	170,332	118,777	141,678
6 - 12 months	53,645	51,115	55,679
1 - 3 years	71,557	43,963	57,650
3 - 5 years	91,533	71,183	75,352
More than 5 years	458,601	406,280	457,755
	<u>845,668</u>	<u>691,318</u>	<u>788,114</u>

The average effective interest rate on gross loans and advances as at 31 March 2007, was 7.02% (31 March 2006- 7.26% - 31 December 2006 – 7.06%).

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

#### Loan loss provision

	<i>3 months ended</i> <i>31/03/2007</i> <i>RO'000</i>	<i>3 months ended</i> <i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Balance at beginning of period	66,472	75,140	75,140
Provided during the period	1,285	3,841	10,642
Recovered/ released during the period	(1,427)	(2,499)	(11,808)
Written off during the period	(2,795)	(4,662)	(7,622)
Translation difference	28	(8)	120
Balance at end of period	<u>63,563</u>	<u>71,812</u>	<u>66,472</u>

#### Reserved interest

	<i>3 months ended</i> <i>31/03/2007</i> <i>RO'000</i>	<i>3 months ended</i> <i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Balance at beginning of period	17,875	19,278	19,278
Reserved during the period	1,132	1,523	5,366
Recovered/ released during the period	(216)	(479)	(2,396)
Recovered/released during the period to interest income	(107)	(357)	(460)
Written off during the period	(526)	(196)	(3,913)
Translation difference	1	-	-
Balance at end of period	<u>18,159</u>	<u>19,769</u>	<u>17,875</u>

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

As of 31 March 2007 loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 91.6 million (31 March 2006 – RO 94.8 million/31 December 2006 – RO 88.8 million).

## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 6 INVESTMENTS

#### Financial Assets at fair value

Investments held at fair value through income statement represent Government Development Bonds of the Sultanate of Oman, purchased from an "Over The Counter Exchange" for trading purposes.

The bank had no investments in associates or subsidiaries as of 31 March 2007 (31 March 2006 – Nil/31 December 2006 – Nil).

#### Non-trading investments

##### a) Available for sale

	<i>Carrying/ Fair value 31/03/2007 RO'000</i>	<i>Cost 31/03/2007 RO'000</i>	<i>Carrying/ Fair value 31/03/2006 RO'000</i>	<i>Cost 31/03/2006 RO'000</i>	<i>Carrying/ Fair value 31/12/2006 RO'000</i>	<i>Cost 31/12/2006 RO'000</i>
<b>Quoted investments- Oman</b>						
Banking and Investment Sector	2,932	4,405	1,864	1,952	3,083	4,302
Industry Sector	6,089	6,417	3,932	4,439	5,751	5,965
Services Sector	2,376	2,475	2,816	2,454	1,959	2,116
	<u>11,397</u>	<u>13,297</u>	<u>8,612</u>	<u>8,845</u>	<u>10,793</u>	<u>12,383</u>
<b>Quoted investments- Foreign</b>						
Banking and Investment Sector	3,267	3,146	2,114	1,914	3,219	3,146
Service Sector	100	155	2,987	3,010	102	155
	<u>3,367</u>	<u>3,301</u>	<u>5,101</u>	<u>4,924</u>	<u>3,321</u>	<u>3,301</u>
<b>Unquoted investments</b>						
Banking and Investment Sector	9,408	9,381	385	385	9,362	9,381
Industry Sector	-	-	-	649	-	-
Service Sector	22	22	22	22	22	22
	<u>9,430</u>	<u>9,403</u>	<u>407</u>	<u>1,056</u>	<u>9,384</u>	<u>9,403</u>
<b>Total available for sale</b>	<u>24,194</u>	<u>26,001</u>	<u>14,120</u>	<u>14,825</u>	<u>23,498</u>	<u>25,087</u>



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 6 INVESTMENTS (continued)

#### b) Held to maturity

	<i>31/03/2007 RO'000</i>	<i>31/03/2006 RO'000</i>	<i>31/12/2006 RO'000</i>
Government Development Bonds	17,191	22,734	17,199
Total Held to maturity	17,191	22,734	17,199
Total non trading investments – carrying value	41,385	36,854	40,697

#### Details of significant investments

Details of investments exceeding 10% of the carrying/fair value of the investment portfolio as at 31 March 2007 are as follows:

#### 31 March 2007

	<i>Bank's portfolio %</i>	<i>Number of Securities</i>	<i>Fair Value/ Carrying Value RO'000</i>	<i>Cost RO'000</i>
<b>Unquoted</b>				
Gulf Commercial Bank Al Khaliji	27.78	12,100,000	6,721	6,721

#### 31 March 2006

<b>Quoted</b>				
Emerging Growth Note	14.83	5,000	2,094	1,887

#### 31 December 2006

<b>Unquoted</b>				
Gulf Commercial Bank Al Khaliji	28.60	12,100,000	6,721	6,721

# NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

## 7 PREMISES AND EQUIPMENT

	<i>Freehold land and 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 2007, net of Accumulated depreciation	3,386	2,229	270	5,885
Additions	4	274	197	475
Revaluation	-	-	-	-
Disposals	(1)	(4)	-	(5)
Transfers	-	-	-	-
Translation difference	2	-	-	2
Depreciation	(104)	(261)	-	(365)
<b>Balance at 31 March 2007, net of accumulated depreciation</b>	<b>3,287</b>	<b>2,238</b>	<b>467</b>	<b>5,992</b>
At cost	11,611	13,769	467	25,847
Accumulated depreciation	(8,324)	(11,531)	-	(19,855)
<b>Net carrying value at 31 March 2007</b>	<b>3,287</b>	<b>2,238</b>	<b>467</b>	<b>5,992</b>
Net carrying value at 31 March 2006	3,670	2,542	43	6,255
Net carrying value at 31 December 2006	3,386	2,229	270	5,885



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

**8 OTHER ASSETS**

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Interest receivable	<b>3,261</b>	2,257	2,913
Prepayments and deposits	<b>1,939</b>	1,375	1,164
Net due from BCCI (refer below)	<b>3,390</b>	3,840	3,540
Collateral pending sale	<b>985</b>	723	985
Positive fair value of derivatives (note 21)	<b>49</b>	35	130
Customers' indebtedness for acceptances (refer note 2)	<b>23,655</b>	20,351	31,924
Others	<b>16,968</b>	9,297	3,463
	<b>50,247</b>	37,878	44,119
Due from BCCI net of provision for impairment	<b>35,646</b>	36,096	35,796
Interim amounts received from BCCI liquidators	<b>(32,256)</b>	(32,256)	(32,256)
	<b>3,390</b>	3,840	3,540

The Government of the Sultanate of Oman has agreed, unconditionally, to guarantee payments of all and any sums, which are due to the bank by Bank of Credit and Commerce International (BCCI) up to a maximum of RO 38,944,200. BCCI is in liquidation. Upon receipt of formal and final notification from the liquidators of BCCI of the settlement arrangements in respect of amounts due to the bank ("the settlement date") the bank may make a call under this guarantee.

In consideration of granting of the guarantee, the bank has undertaken to pay to the Government, out of the bank's net profits, an annual fee of RO 1 million or 15% of the bank's annual profit, whichever is higher from the settlement date. The annual fee will initially offset any payments due from the Government under this guarantee. If after twenty years from the settlement date, a balance remains payable by the Government, the payment of the annual fee can be extended by mutual consent. The annual fee specified above is payable prior to dividends being distributed to shareholders.

In March 2001 certain terms of the guarantee with the Government of the Sultanate of Oman were revised so that the maximum amount payable by the bank to the Government is equivalent to the amount due from BCCI on the settlement date.

Under the terms of the revised guarantee agreement the Government of the Sultanate of Oman continues to have certain rights of approval and consultation.

The total interim amounts accepted by and received from the BCCI liquidators approximates 83% of the bank's admitted claims on BCCI. The details of the amounts received pending the final notification of settlement by the BCCI liquidators is as follows:

<i>Year</i>	<i>Interim amounts received RO'000</i>	<i>% of claim</i>
1996	9,457	24.28 %
1998	8,372	21.50 %
2000	5,430	13.94 %
2003	6,569	16.87 %
2005	2,393	6.14 %
2006	35	0.09 %
	<b>32,256</b>	<b>82.83 %</b>



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

**9 CUSTOMERS' DEPOSITS**

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Current accounts	<b>171,089</b>	152,244	130,459
Savings accounts	<b>180,868</b>	152,467	169,956
Certificate of deposits	<b>15,172</b>	17,611	15,686
Term deposits	<b>481,972</b>	325,263	500,546
	<b>849,101</b>	647,585	816,647

The maturity profile of customers' deposits is as follows:

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
0 - 6 month	<b>410,548</b>	266,007	400,050
6 - 12 month	<b>136,066</b>	100,752	130,161
1 – 3 years	<b>88,063</b>	105,105	88,703
3 – 5 years	<b>57,649</b>	47,349	49,971
More than 5 years	<b>156,775</b>	128,372	147,762
	<b>849,101</b>	647,585	816,647

The average effective interest rate of deposits as at 31 March 2007 was 3.65% (31 March 2006 – 3.34%/ 31 December 2006 – 3.48%).

**10 OTHER LIABILITIES**

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Interest payable	<b>7,232</b>	4,575	6,042
Other accruals & provisions	<b>16,631</b>	15,253	11,633
Negative fair value of derivatives (note 23)	<b>273</b>	159	268
Liabilities under acceptances (note 2)	<b>23,655</b>	20,351	31,924
	<b>47,791</b>	40,338	49,867

## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 11 TAXATION

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
<b>Current tax expense (income)</b>			
Current liability	181	47	277
Adjustment for prior year	-	-	-
	<u>181</u>	<u>47</u>	<u>277</u>
<b>Deferred tax expense</b>	<b>1,257</b>	770	3,996
	<u>1,438</u>	<u>817</u>	<u>4,273</u>

#### 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 2006)

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

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Accounting profit	<u>11,019</u>	<u>6,351</u>	<u>34,699</u>
Tax applicable rate	1,322	762	4,164
Non-deductible expenses	-	66	-
Tax exempt revenues	(50)	(133)	(241)
Others	<u>166</u>	<u>122</u>	<u>350</u>
	<u>1,438</u>	<u>817</u>	<u>4,273</u>

The Bank's liabilities for taxation in the Sultanate of Oman has been assessed up to the year ended 31 December 2000. Management has filed an appeal with the tax authorities against the assessment orders received for years 2000 and 2001 and it has been advised that the appeal would be heard favourably based on current indications. Management believes that any additional taxes that may arise on completion of the tax assessments for the years 2001 to 2006 will not be significant to the Bank's financial position at 31 March 2007.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 11 TAXATION (continued)

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 branch in Abu Dhabi has been agreed with the tax authorities up to 31 December 2005.

	31/03/2007 RO'000	31/03/2006 RO'000	31/12/2006 RO'000
<b>Tax liability</b>			
<i>Current year</i>			
Income tax	145	41	223
Other taxes	15	6	42
	<u>160</u>	<u>47</u>	<u>265</u>
<i>Prior year</i>			
Income tax	310	87	87
Other taxes	1,260	1,273	1,244
	<u>1,570</u>	<u>1,360</u>	<u>1,331</u>
	<u>1,730</u>	<u>1,407</u>	<u>1,596</u>

### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31/03/2007 RO'000	31/03/2006 RO'000	31/12/2006 RO'000
Premises and equipment	(43)	194	(56)
Provisions	-	-	(23)
Tax value of loss carry forwards	(70)	(4,790)	(1,291)
	<u>(113)</u>	<u>(4,596)</u>	<u>(1,370)</u>

### De-recognized deferred tax assets

	31/03/2007 RO'000	31/03/2006 RO'000	31/12/2006 RO'000
Deductible temporary differences (net)	(36)	(67)	206
Tax losses	(1,221)	(703)	(4,202)
	<u>(1,257)</u>	<u>(770)</u>	<u>(3,996)</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 11 TAXATION (continued)

#### Movement in temporary differences during the year

	As at 1 January 2007 (Asset) liability RO'000	(Income) expense RO'000	As at 31 March 2007 (Asset) liability RO'000
Premises and equipment	(56)	13	(43)
Provisions	(23)	23	-
Tax losses	(1,291)	1,221	(70)
	<u>(1,370)</u>	<u>1,257</u>	<u>(113)</u>

### 12 SUBORDINATED LOAN

On 16 December 1992 the bank received an interest free subordinated loan amounting to RO 20,100,000 from the Government of the Sultanate of Oman. The terms of the loan were revised on 7 March 2000 and 10 November 2007.

Under the revised terms of the subordinated loan agreement the bank repaid RO 11.3 million (USD 29.4 million) in two instalments on 14 March 2000 and 24<sup>th</sup> April 2001. On 9 May 2006, based on mutual agreement between the Ministry of Finance and the Bank, the residual loan amount of RO 8.8 million (USD 22.9 million) was prepaid. The movement in reserves consequent to this prepayment is reflected in the Statement of Changes in Equity.

### 13 SUBORDINATED PRIVATE PLACEMENT

The bank obtained through subordinated private placement an amount of RO 12.5 million on 7 April 2003. This placement is repayable at the end of 6 years and carries effective annual interest rate of 5.875%. In accordance with the Central Bank of Oman regulations, the subordinated private placement is appropriately included in the calculation of capital as defined by Basel Convention.

An amount equal to RO 2.5 million (USD 6.5 million) will be set aside annually before payment of dividends to shareholders, till the maturity of the private placement in April 2009, The amount set aside is credited to a non-distributable subordinated fund reserve account.

### 14 COMMITMENTS AND CONTINGENT LIABILITIES

	31/03/2007 RO'000	31/03/2006 RO'000	31/12/2006 RO'000
Guarantees	215,362	208,042	191,543
Documentary letters of credit	56,138	48,791	61,998
	<u>271,500</u>	<u>256,833</u>	<u>253,541</u>

Guarantees include RO 0.7 million (31 March 2006 – RO 6.0 million/31 December 2006 – RO 6.3 million) relating to non-performing loans.



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

**15 INTEREST INCOME**

Interest bearing assets earned interest at an overall rate of 7.35% for the three months period ended 31 March 2007 (31 March 2006 – 7.67% / 31 December 2006 – 7.50%).

**16 INTEREST EXPENSE**

For the three months period ended 31 March 2007 the average overall cost of funds was 3.67% (31 March 2006 – 3.32 %/ 31 December 2006 – 3.48%).

**17 OTHER OPERATING INCOME**

	<i>3 months ended 31/03/2007 RO'000</i>	<i>3 months ended 31/03/2006 RO'000</i>
Net gains from foreign exchange dealings	561	470
Fees and commissions	1,231	864
Profit (loss) on sale of investments	(4)	279
Income from Treasury bills, Government Development Bonds and Certificate of Deposits	482	504
Dividend Income	420	335
Service Charges	2,262	958
Miscellaneous income	346	232
	<u>5,298</u>	<u>3,642</u>

**18 OTHER OPERATING EXPENSES**

	<i>3 months ended 31/03/2007 RO'000</i>	<i>3 months ended 31/03/2006 RO'000</i>
Establishment costs	534	477
Operating and administration expenses	1,572	1,233
BCCI Provision	150	150
	<u>2,256</u>	<u>1,860</u>



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 19 ASSETS LIABILITY MISMATCH

The asset liability mismatch can be analyzed as follows:

#### 31 March 2007

Maturities	Assets RO'000	Equity, subordinated funds and liabilities RO'000	Mismatch RO'000
0 - 6 month	450,142	487,062	(36,920)
6 - 12 month	72,534	137,094	(64,560)
1 - 3 years	96,626	109,256	(12,630)
3 - 5 years	94,366	58,240	36,126
More than 5 years	415,766	337,782	77,984
	<u>1,129,434</u>	<u>1,129,434</u>	<u>-</u>

#### 31 March 2006

Maturities	Assets RO'000	Equity, subordinated funds and liabilities RO'000	Mismatch RO'000
0 - 6 month	333,876	319,617	14,259
6 - 12 month	43,153	101,608	(58,455)
1 - 3 years	73,301	133,518	(60,217)
3 - 5 years	72,944	61,146	11,798
More than 5 years	358,422	265,807	92,615
	<u>881,696</u>	<u>881,696</u>	<u>-</u>

#### 31 December 2006

Maturities	Assets RO'000	Equity, subordinated funds and liabilities RO'000	Mismatch RO'000
0 - 6 month	450,104	459,352	(9,248)
6 - 12 month	72,597	131,160	(58,563)
1 - 3 years	73,181	107,974	(34,793)
3 - 5 years	75,900	49,971	25,929
More than 5 years	410,661	333,986	76,675
	<u>1,082,443</u>	<u>1,082,443</u>	<u>-</u>

The above analysis is based on residual maturity dates. However the bank does not expect its deposits retention to deteriorate significantly in the immediate future.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 20 RELATED PARTY TRANSACTIONS

#### a) Management Service Agreement with CBO

Based on the approval received from the Shareholders in the Extraordinary General Meeting held on 25<sup>th</sup> June 2005, the bank entered into a management services agreement with the Commercial Bank of Qatar (CBQ) for an initial period of three years extendable for a further period of 3 years. This agreement is subject to annual renewal after approval by the Shareholders of the bank in a general meeting.

The scope of work under the management services agreement is subject to approval by the Board of Directors of the bank. The major areas covered include, broad strategic guidelines in all areas of the operations including overseas expansion. The other areas covered in the agreement include introducing or enhancing policies and processes in various areas of the bank including credit, operational controls, internal control, and reporting. In addition the areas where services will be provided include human resources, information technology, financial control.

For the above services the bank will pay Management Fees as follows:

- For net profit up to RO 15 Million the lower of Management Costs or 1% of the net profit
- For net profits between RO 15 million to RO 30 million the higher of Management Costs or 1% of the net profit
- For net profits in excess of RO 30 million, in addition to the above, 3% of the net profits in excess of RO 30 Million.

Proportionate fees will be paid where the agreement is not in effect for the full year. In addition, with the approval of the Board reasonable out of pocket expenses incurred in connection with the provision of the Management Services such as travel, boarding and lodging will be reimbursed.

For the period ended 31 March 2007, management fees of RO 147,000 have been accrued for.

#### b) Other related party transactions

In the ordinary course of business the bank conducts transactions with certain of its directors, shareholders, senior management and companies in which they have a significant interest. These transactions are conducted on an arms length basis and are approved by the bank's management.

No provision has been recognised in respect of the loans given to related parties (2006:nil).

The loans issued to related parties during the period of RO 6.87 million (March 2006: RO 3.95 million/Dec 2006: 25.67 million) are repayable or repaid as per the contract with them and have an average interest rate of 5.47% during the period ended 31 March 2007. The loans and advances to the related parties are generally collateralized by cash deposits, Bank Guarantees, shares in MSM and commercial charge over fixed assets or based on the business model of the borrower.

The aggregate amount of balances and the income and expenses generated with such related parties is as follows:

	31/03/2007 RO'000 *	31/03/2006 RO'000 **	31/12/2006 RO'000
<b>Loans</b>			
Loans outstanding at beginning of year	26,512	27,636	27,636
Loans issued during the period	6,870	3,953	25,672
Transferred out during the period	(6,793)	-	(1)
Loans repayment during the period	-	(3,114)	(26,795)
Loans outstanding at the end of period	26,589	28,475	26,512
Interest income earned	363	277	1,012
<b>Deposits</b>			
Deposits at 1 January	7,176	7,624	7,624
Deposits received during the period	1,401	8,179	5,506
Transferred out during the period	-	-	(81)
Deposits repaid during the period	(734)	(1,483)	(5,873)
Deposits at the end of period	7,843	14,320	7,176
Interest expense on deposits	66	56	264



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

**20 RELATED PARTY TRANSACTIONS (continued)**

	<i>31/03/2007*</i> <i>RO'000</i>	<i>31/03/2006**</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Other income earned	23	7	57
Contingent liabilities	12,090	15,711	14,217
Risk Indemnities	18,816	-	18,816
Standby Revolving Credit Facility	26,950	9,625	26,950
Other expense	83	41	526

Senior Management compensation:

	<i>31/03/2007</i> <i>RO'000</i>	<i>31/03/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Salaries and other short term benefits			
-Fixed	248	126	799
-Discretionary	227	133	165
Total	475	259	964

Related parties transactions disclosures include:

\* This includes related parties who resigned in April 2006 based on specification in the Corporate Governance Code issued by CMA by decision 11/2002 dated 3<sup>rd</sup> June 2002. This requires related parties of an ex-director to be disclosed for a period of twelve months after his resignation.

\*\*Related parties who resigned in May 2004 based on specification in the Corporate Governance Code issued by CMA by decision 11/2002 dated 3<sup>rd</sup> June 2002. This requires related parties of an ex-director to be disclosed for a period of twelve months after his resignation.

**21 SHAREHOLDERS**

Shareholders of the bank who own 10% or more of the bank's shares, whether in their name, or through a nominee account, and the number of shares held are as follows:

	<i>31/03/2007</i> <i>Shares '000</i>	<i>31/03/2006</i> <i>Shares '000</i>	<i>31/12/2006</i> <i>Shares '000</i>
The Commercial Bank of Qatar (CBQ)	32,065	27,882	27,882
Suhail Bahwan Group (Holdings) LLC	13,565	11,795	11,795

The Bank had no preferred shareholders as of 31 March 2007 (31 March 2006– Nil/31 December 2006 – Nil).

## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 22 SEGMENT REPORTING

Segment information is as follows:

<i>3 months ended 31 March 2007</i>	<i>Oman RO'000</i>	<i>UAE RO'000</i>	<i>Egypt RO'000</i>	<i>Total RO'000</i>
Segment revenue	18,904	1,547	3,514	23,965
Segment expenses	(12,665)	(972)	(747)	(14,384)
<b>Segment result</b>	<b>6,239</b>	<b>575</b>	<b>2,767</b>	<b>9,581</b>
<i>3 months ended 31 March 2006</i>	<i>Oman RO'000</i>	<i>UAE RO'000</i>	<i>Egypt RO'000</i>	<i>Total RO'000</i>
Segment revenue	14,075	1,468	1,504	17,047
Segment expenses	(9,558)	(1,369)	(586)	(11,513)
Segment result	4,517	99	918	5,534



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

### 23 DERIVATIVES

31 March 2007	<i>Notional amounts by term maturity</i>					
	<i>Positive Fair value</i>	<i>Negative Fair value</i>	<i>Notional amount total</i>	<i>Within 3 months</i>	<i>3 – 12 months</i>	<i>Above 1 Year</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>Derivatives</i>						
Interest rate swaps	-	(90)	20,662	-	8,662	12,000
Credit Default Swaps	-	(39)	13,475	-	-	13,475
Forward foreign exchange purchase contracts	2	(30)	46,279	30,384	15,895	-
Forward foreign exchange sales contracts	47	(114)	46,279	30,313	15,966	-
Interest Rate Caps	-	-	1,304	60	180	1,064
Total	49	(273)	127,999	60,757	40,703	26,539
31 March 2006	<i>Notional amounts by term maturity</i>					
	<i>Positive Fair value</i>	<i>Negative Fair value</i>	<i>Notional amount total</i>	<i>Within 3 months</i>	<i>3 – 12 months</i>	<i>Above 1 year</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>Derivatives</i>						
Interest rate swaps	-	(115)	24,747	2,621	180	21,946
Forward foreign exchange purchase contracts	26	(7)	63,260	50,602	12,658	-
Forward foreign exchange sales contracts	9	(37)	63,260	50,602	12,658	-
Interest Rate Caps	-	-	2,160	696	120	1,344
Total	35	(159)	153,427	104,521	25,616	23,290



## NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2007 (Un-audited)

**23 DERIVATIVES (continued)**

<i>31 December 2006</i>	<i>Positive Fair value RO'000</i>	<i>Negative Fair value RO'000</i>	<i>Notional amount total RO'000</i>	<i>Notional amounts by term maturity</i>		
				<i>Within 3 months RO'000</i>	<i>3 – 12 months RO'000</i>	<i>Above 1 year RO'000</i>
<i>Derivatives</i>						
Interest rate swaps	-	(91)	20,662	-	8,662	12,000
Forward foreign exchange purchase contracts	83	(16)	31,961	23,558	8,403	-
Forward foreign exchange sales contracts	47	(161)	31,961	23,557	8,404	-
Interest Rate Caps	-	-	1,364	70	180	1,114
	<u>130</u>	<u>(268)</u>	<u>85,948</u>	<u>47,185</u>	<u>25,649</u>	<u>13,114</u>

**24 COMPARATIVE FIGURES**

The corresponding figures for Mar 2006 included for comparative purposes have been reclassified wherever appropriate.