



National Bank of Oman SAOG

National Bank of Oman SAOG

INTERIM FINANCIAL STATEMENTS

30 June 2007 (UNAUDITED)



البنك الوطني العُماني
بنك
National Bank of Oman
SAOG

PO Box 751 PC 112 Ruwi Sultanate of Oman.



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Chairman's Report – June 2007

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 six months ended 30th June 2007.

Operating Performance

The bank achieved a net profit after tax of RO 19.2 million for the period ended June 2007, which is a 46% increase over RO 13.1 million for the same period in 2006.

It was gratifying that the profit from operations showed a healthy growth with the profit for the six months growing by 20% from RO 14.5 million as at June 2006 to RO 17.3 million for the current period reflecting the continued robustness and positive outlook for the economy as well as our clear emphasis on sustainable growth.

Net interest income for the six months to June 2007 was RO 18.8 million, an increase of RO 2.2 million (13%) over the same period last year.

The momentum towards diversifying the income continued and the ratio of other operating income to total income increased further to 37.8% in the first six months of 2007 as compared to 34.3% in the first six months of 2006. Business efficiency remained an important focus as reflected in the cost to income ratio of 42.7% in June 07 which was marginally lower than the ratio achieved for the six months in 2006.

During the six month period additional loan loss provisions of RO 2.7 million were taken as compared to RO 6.4 million for the same period in 2006, a decrease of 57%. The collection efforts for impaired assets have continued to be successful with recoveries amounting to RO 7.5 million as at June 2007.

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

Business Volumes and Funding

Total Deposits have grown by RO 77 million during the six months to close at RO 893 million as at June 2007. Net advances have grown by RO 94 million to close at RO 798 million as at June 2007. The continuing upward trend is consistent with the strategy of the bank to grow quality loans and deposits.

Given the positive growth trend in business volumes and an increasing demand for longer tenor funding for the infrastructure and developmental projects the bank proposes to further diversify its funding sources by procuring funds through a syndicated loan facility at a competitive price. We expect that the entire exercise to be completed in the third quarter of 2007.

Capital

Based on the bank's net worth (BIS) of RO 181.4 million the capital adequacy ratio as at the end of the June 07 was 16.05% 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.

Rawan Al Said

Deputy Chairperson



SUMMARY OF RESULTS

	6 months ended	6 months ended
Particulars	30/06/2007	30/06/2006
(All RO'000 unless stated otherwise)		
Net Loans and advances	797,949	629,651
Deposits	893,699	688,779
Other assets	33,060	39,838
Net interest income	18,782	16,632
Net profit before tax	22,069	15,063
Earnings per share-annualized (RO)	0.420	0.288
Net Assets per share (RO)	2.073	1.812
Capital adequacy ratio *	16.05%	18.58%

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


BALANCE SHEET
At 30 June 2007 (Un-audited)

		30/06/2007	30/06/2006	<i>Audited</i> 31/12/2006
	<i>Notes</i>	RO'000	RO'000	RO'000
ASSETS				
Cash and balances with Central Banks	3	129,367	112,287	102,317
Due from banks and other money market placements	4	142,958	86,290	184,205
Loans and advances (net)	5	797,949	629,651	703,767
Financial assets at fair value through income statement		98	83	83
Investments	6	41,471	40,075	40,697
Premises and equipment	7	6,411	6,028	5,885
Deferred tax asset	11	-	3,650	1,370
Other assets	8	33,060	39,838	44,119
		1,151,314	917,902	1,082,443
LIABILITIES				
Due to banks and other money market deposits		14,841	8,496	17,256
Customers' deposits	9	893,699	688,779	816,647
Other liabilities	10	36,732	39,799	49,867
Taxation	11	2,788	1,585	1,596
		948,060	738,659	885,366
SUBORDINATED FUNDS				
Subordinated private placement	12	12,500	12,500	12,500
		12,500	12,500	12,500
SHAREHOLDERS' EQUITY				
Share capital		92,000	80,000	80,000
Share premium		34,465	34,465	34,465
Legal reserve		21,564	18,521	21,564
General reserve		4,419	4,419	4,419
Non distributable reserves		15,741	11,707	14,739
Proposed dividend		-	-	14,000
Proposed stock dividend		-	-	12,000
Retained earnings		22,565	17,631	3,390
		190,754	166,743	184,577
		1,151,314	917,902	1,082,443
COMMITMENTS AND CONTINGENT LIABILITIES	13	387,918	256,606	253,541

The attached explanatory notes 1 to 23 form part of the interim financial statements.

**INCOME STATEMENT****Period Ended 30 June 2007 (Un-audited)**

	<i>Notes</i>	<i>6 months ended 30/06/2007 RO'000</i>	<i>6 months ended 30/06/2006 RO'000</i>	<i>3 months ended 30/06/2007 RO'000</i>	<i>3 months ended 30/06/2006 RO'000</i>
Interest income	14	35,993	27,447	17,327	14,042
Interest expense	15	(17,211)	(10,815)	(7,936)	(5,777)
Net interest income		18,782	16,632	9,391	8,265
Other operating income	16	11,429	8,687	6,131	5,045
OPERATING INCOME		30,211	25,319	15,522	13,310
OPERATING EXPENSES					
Staff costs		(7,438)	(5,999)	(3,877)	(3,080)
Other operating expenses	17	(4,719)	(3,938)	(2,463)	(2,078)
Depreciation	7	(737)	(900)	(372)	(451)
		(12,894)	(10,837)	(6,712)	(5,609)
PROFIT FROM OPERATIONS BEFORE PROVISIONS AND RECOVERIES		17,317	14,482	8,810	7,701
Provision for credit losses	5	(2,748)	(6,383)	(1,463)	(2,542)
Recoveries/releases from provision for impairment	5	2,818	5,743	1,175	2,765
Recoveries from bad debts written off and others		4,682	1,221	2,528	788
		4,752	581	2,240	1,011
PROFIT FROM OPERATIONS AFTER PROVISIONS AND RECOVERIES		22,069	15,063	11,050	8,712
Taxation	11	(2,894)	(1,939)	(1,456)	(1,122)
NET PROFIT FOR THE PERIOD		19,175	13,124	9,594	7,590
Basic earnings per share-annualized		0.420	0.288	0.418	0.331

The attached explanatory notes 1 to 23 form part of the interim financial statements.


STATEMENT OF CASH FLOWS
Period ended 30 June 2007 (Un-audited)

	<i>6 months ended 30 June 2007 RO'000</i>	<i>6 months ended 30 June 2006 RO'000</i>
OPERATING ACTIVITIES		
Net profit after taxation	19,175	13,124
Adjustments for:		
Depreciation	737	900
Provision for credit losses (net)	(9,140)	(2,486)
(Profit) on sale of assets (net)	(34)	(38)
(Profit) on sale of investment securities	(97)	(658)
Translation differences on investments, premises, equipment & CWIP adjustment	(2)	2
Investment (income)	(2,650)	(2,111)
Operating profit before changes in operating assets and liabilities	7,989	8,733
Due from banks and other money market placements	(34,010)	3,601
Loans and advances (Gross)	(85,042)	(85,727)
Other assets	12,429	5,386
Customers' deposits	77,052	72,393
Other liabilities	(13,135)	(11,684)
Cash from operations	(34,717)	(7,298)
Taxes paid	1,192	135
Net cash from operating activities	(33,525)	(7,163)
INVESTING ACTIVITIES		
Purchase of non-trading investments	(1,675)	(17,474)
Proceeds from sale of non-trading investments	1,985	7,400
Purchase of premises and equipment	(1,266)	(539)
Proceeds from sale of premises and equipment	39	276
Interest received on Government Development Bonds and Treasury Bills	1,205	1,060
Other investment income	888	658
Dividends received from investment securities	557	392
Net cash from investing activities	1,733	(8,227)
FINANCING ACTIVITIES		
Payment of Dividends & Director's remuneration	(14,000)	(12,110)
Repayment of subordinated loans	-	(8,838)
Net cash from financing activities	(14,000)	(20,948)
INCREASE IN CASH AND CASH EQUIVALENTS	(45,792)	(36,338)
Cash and cash equivalents at the beginning of the year	250,501	215,337
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	204,709	178,999
REPRESENTING:		
Cash and balances with Central Banks	129,367	112,287
Deposits and balances with other banks and financial institutions (net)	75,342	66,712
	204,709	178,999

The attached explanatory notes 1 to 23 form part of the interim financial statements.

STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2007 (Un-audited)

(RO'000)	Share capital	Proposed Stock Dividend	Share premium reserve	Legal reserve	General Reserve	Non distributable reserve*	Other non-distributable reserves		Change in fair value of Investments Available for Sale	Proposed Dividends and Directors Remuneration	Retained earnings	Total
							Revaluation reserve	Subordinated fund reserve				
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	-	-	-	-	-	-	-	-	(2,154)	-	-	(2,154)
Transfer from Subordinated Funds Reserve	-	-	-	-	4,419	-	-	(4,419)	-	-	-	-
Dividends and directors remuneration paid	-	-	-	-	-	-	-	-	-	(12,110)	-	(12,110)
Reversal of previous year revaluation reserve	-	-	-	-	-	-	(117)	-	-	-	-	(117)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	13,124	13,124
Balance at 30 June 2006	80,000	-	34,465	18,521	4,419	6,182	2,811	5,000	(2,286)	-	17,631	166,743
Balance at 1 July 2006	80,000	-	34,465	18,521	4,419	6,182	2,811	5,000	(2,286)	-	17,631	166,743
Change in fair value of Investment available for sale	-	-	-	-	-	-	-	-	532	-	-	532
Transfer to Subordinated funds reserve	-	-	-	-	-	-	-	2,500	-	-	(2,500)	-
Net profit for the period	-	-	-	-	-	-	-	-	-	-	17,302	17,302
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	-	-	-	-	-	-	-	-	1,002	-	-	1,002
Transfer from proposed stock dividends	12,000	(12,000)	-	-	-	-	-	-	-	-	-	-
Dividend paid during the year	-	-	-	-	-	-	-	-	-	(14,000)	-	(14,000)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	19,175	19,175
Balance as at 30 June 2007	92,000	-	34,465	21,564	4,419	6,182	2,811	7,500	(752)	-	22,565	190,754

* 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 23 form part of the interim financial statements.



NOTES TO THE FINANCIAL STATEMENTS

At 30 June 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 1,055 employees as of 30 June 2007 (30 June 2006 - 1,080 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 a 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.

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 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 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 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 30 June 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, depreciation method 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.

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 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 using the effective interest rate method. 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 30 June 2007 (Un-audited)

3 CASH AND BALANCES WITH CENTRAL BANKS

	30/06/2007	30/06/2006	31/12/2006
	RO'000	RO'000	RO'000
Cash	13,627	13,333	16,489
Treasury bills with Central Banks	9,800	33,844	21,584
Certificate of Deposit with Central Banks	39,958	18,000	30,000
Insurance Deposit with Central Bank of Oman	764	764	764
Capital Deposit with Central Bank of Oman	500	500	500
Other balances with Central Banks	64,718	45,846	32,980
	129,367	112,287	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 13th 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

	30/06/2007	30/06/2006	31/12/2006
	RO'000	RO'000	RO'000
Net loans and advances to banks	64,730	27,667	28,925
Due from Banks - money market placement	73,465	55,396	147,025
Other balances	4,763	3,227	8,255
Net due from banks and other money market placement	142,958	86,290	184,205

5 LOANS AND ADVANCES

	30/06/2007	30/06/2006	31/12/2006
	RO'000	RO'000	RO'000
Corporate loans	489,195	383,232	426,395
Personal loans	346,195	299,020	322,172
Overdrafts	37,766	39,330	39,547
Gross loans and advances	873,156	721,582	788,114
Less: Provisions for impairment	(75,207)	(91,931)	(84,347)
Net loans and advances	797,949	629,651	703,767

Gross loans and advances include RO 28.25 million due from related parties at 30 June 2007 (30 June 2006 - RO 33.17 million/ 31 December 2006 - RO 26.51 million).

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 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>30/06/2007</i> <i>RO'000</i>	<i>30/06/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
0 - 6 months	175,780	121,756	141,678
6 - 12 months	50,670	58,743	55,679
1 - 3 years	74,070	49,397	57,650
3 - 5 years	85,087	72,960	75,352
More than 5 years	487,549	418,726	457,755
	<u>873,156</u>	<u>721,582</u>	<u>788,114</u>

The average effective interest rate on gross loans and advances as at 30 June 2007, was 7.02% (30 June 2006 - 7.07% - 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>6 months ended</i> <i>30/06/2007</i> <i>RO'000</i>	<i>6 months ended</i> <i>30/06/2006</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	2,748	6,383	10,642
Recovered/ released during the period	(2,284)	(4,394)	(11,808)
Written off during the period	(8,797)	(4,958)	(7,622)
Translation difference	42	(5)	120
Balance at end of period	<u>58,181</u>	<u>72,166</u>	<u>66,472</u>

Reserved interest

	<i>6 months ended</i> <i>30/06/2007</i> <i>RO'000</i>	<i>6 months ended</i> <i>30/06/2006</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	2,238	2,828	5,366
Recovered/ released during the period	(534)	(1,349)	(2,396)
Recovered/released during the period to interest income	(210)	(357)	(460)
Written off during the period	(2,343)	(635)	(3,913)
Balance at end of period	<u>17,026</u>	<u>19,765</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 30 June 2007 loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 84.2 million (30 June 2006 - RO 93.9 million/31 December 2006 - RO 88.8 million).

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 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 30 June 2007 (30 June 2006 – Nil/31 December 2006 – Nil).

Non-trading investments

a) Available for sale

	<i>Carrying/ Fair value 30/06/2007 RO'000</i>	<i>Cost 30/06/2007 RO'000</i>	<i>Carrying/ Fair value 30/06/2006 RO'000</i>	<i>Cost 30/06/2006 RO'000</i>	<i>Carrying/ Fair value 31/12/2006 RO'000</i>	<i>Cost 31/12/2006 RO'000</i>
Quoted investments- Oman						
Banking and Investment Sector	3,120	4,041	3,008	3,794	3,083	4,302
Industry Sector	5,861	5,508	3,981	4,712	5,751	5,965
Services Sector	3,461	3,788	1,928	2,130	1,959	2,116
	<u>12,442</u>	<u>13,337</u>	<u>8,917</u>	<u>10,636</u>	<u>10,793</u>	<u>12,383</u>
Quoted investments- Foreign						
Banking and Investment Sector	3,331	3,147	6,236	6,687	3,219	3,146
Service Sector	120	154	647	760	102	155
	<u>3,451</u>	<u>3,301</u>	<u>6,883</u>	<u>7,447</u>	<u>3,321</u>	<u>3,301</u>
Unquoted investments						
Banking and Investment Sector	9,535	9,458	1,540	1,540	9,362	9,381
Industry Sector	-	-	-	663	-	-
Service Sector	22	22	22	22	22	22
	<u>9,557</u>	<u>9,480</u>	<u>1,562</u>	<u>2,225</u>	<u>9,384</u>	<u>9,403</u>
Total available for sale	<u><u>25,450</u></u>	<u><u>26,118</u></u>	<u><u>17,362</u></u>	<u><u>20,308</u></u>	<u><u>23,498</u></u>	<u><u>25,087</u></u>

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007 (Un-audited)

6 INVESTMENTS (continued)

b) Held to maturity

	<i>30/06/2007 RO'000</i>	<i>30/06/2006 RO'000</i>	<i>31/12/2006 RO'000</i>
Government Development Bonds	16,021	22,713	17,199
Total Held to maturity	16,021	22,713	17,199
Total non trading investments – carrying value	41,471	40,075	40,697

Details of significant investments

Details of investments exceeding 10% of the carrying/fair value of the investment portfolio as at 30 June 2007 are as follows:

	<i>Bank's portfolio %</i>	<i>Number of Securities</i>	<i>Fair Value/ Carrying Value RO'000</i>	<i>Cost RO'000</i>
<u>30 June 2007</u>				
<i>Unquoted</i>				
Gulf Commercial Bank Al Khaliji	26.40%	12,100,000	6,721	6,721
<u>30 June 2006</u>				
<i>Quoted</i>				
Emerging Growth Note	10.27%	5,000	1,783	1,887
<u>31 December 2006</u>				
<i>Unquoted</i>				
Gulf Commercial Bank Al Khaliji	28.60%	12,100,000	6,721	6,721

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 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>
Reconciliation of carrying amount:				
Balance at 1 January 2007, net of Accumulated depreciation	3,386	2,229	270	5,885
Additions	13	666	587	1,266
Revaluation	-	-	-	-
Disposals	(1)	(4)	-	(5)
Transfers	-	85	(85)	-
Translation difference	2	-	-	2
Depreciation	(209)	(528)	-	(737)
Balance at 30 June 2007, net of accumulated depreciation	3,191	2,448	772	6,411
At cost	11,539	14,077	772	26,388
Accumulated depreciation	(8,348)	(11,629)	-	(19,977)
Net carrying value at 30 June 2007	3,191	2,448	772	6,411
Net carrying value at 30 June 2006	3,567	2,349	112	6,028
Net carrying value at 31 December 2006	3,386	2,229	270	5,885



NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007 (Un-audited)

8 OTHER ASSETS

	<i>30/06/2007</i> <i>RO'000</i>	<i>30/06/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Interest receivable	3,619	1,946	2,913
Prepayments and deposits	1,753	1,225	1,164
Net due from BCCI (refer below)	3,240	3,690	3,540
Collateral pending sale	662	723	985
Positive fair value of derivatives (note 22)	270	275	130
Customers' indebtedness for acceptances (refer note 2)	19,695	26,454	31,924
Others	3,821	5,525	3,463
	<u>33,060</u>	<u>39,838</u>	<u>44,119</u>
Due from BCCI net of provision for impairment	35,496	35,946	35,796
Interim amounts received from BCCI liquidators	(32,256)	(32,256)	(32,256)
	<u>3,240</u>	<u>3,690</u>	<u>3,540</u>

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 %
	<u>32,256</u>	<u>82.82 %</u>



NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007 (Un-audited)

9 CUSTOMERS' DEPOSITS

	<i>30/06/2007</i> <i>RO'000</i>	<i>30/06/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Current accounts	184,466	127,164	130,459
Savings accounts	198,191	160,253	169,956
Certificate of deposits	35,172	15,685	15,686
Term deposits	475,870	385,677	500,546
	<u>893,699</u>	<u>688,779</u>	<u>816,647</u>

The maturity profile of customers' deposits is as follows:

	<i>30/06/2007</i> <i>RO'000</i>	<i>30/06/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
0 - 6 month	421,251	311,640	400,050
6 - 12 month	136,694	94,846	130,161
1 - 3 years	107,995	99,207	88,703
3 - 5 years	67,058	49,817	49,971
More than 5 years	160,701	133,269	147,762
	<u>893,699</u>	<u>688,779</u>	<u>816,647</u>

The average effective interest rate of deposits as at 30 June 2007 was 3.59% (30 June 2006 – 3.41%/ 31 December 2006 – 3.49%).

10 OTHER LIABILITIES

	<i>30/06/2007</i> <i>RO'000</i>	<i>30/06/2006</i> <i>RO'000</i>	<i>31/12/2006</i> <i>RO'000</i>
Interest payable	7,169	4,629	6,042
Other accruals & provisions	9,323	8,152	11,633
Negative fair value of derivatives (note 22)	545	564	268
Liabilities under acceptances (note 2)	19,695	26,454	31,924
	<u>36,732</u>	<u>39,799</u>	<u>49,867</u>

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007 (Un-audited)

11 TAXATION

	30/06/2007 RO'000	30/06/2006 RO'000	31/12/2006 RO'000
Current tax expense (income)			
Current liability	1,524	223	277
Adjustment for prior year	-	-	-
	<u>1,524</u>	<u>223</u>	<u>277</u>
Deferred tax expense	<u>1,370</u>	<u>1,716</u>	<u>3,996</u>
	<u><u>2,894</u></u>	<u><u>1,939</u></u>	<u><u>4,273</u></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:

	30/06/2007 RO'000	30/06/2006 RO'000	31/12/2006 RO'000
Accounting profit	<u>22,069</u>	<u>15,063</u>	<u>34,699</u>
Tax applicable rate	2,648	1,808	4,164
Non-deductible expenses	-	120	-
Tax exempt revenues	(82)	(224)	(241)
Others	<u>328</u>	<u>235</u>	<u>350</u>
	<u><u>2,894</u></u>	<u><u>1,939</u></u>	<u><u>4,273</u></u>

The Bank's liabilities for taxation in the Sultanate of Oman has been assessed up to the year ended 31 December 2002. Management has filed an appeal with the tax authorities against the assessment orders received for years 2001 and 2002 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 30 June 2007.

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 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.

	30/06/2007 RO'000	30/06/2006 RO'000	31/12/2006 RO'000
Tax liability			
<i>Current year</i>			
Income tax	1,467	210	223
Other taxes	(14)	13	42
	<u>1,453</u>	<u>223</u>	<u>265</u>
<i>Prior year</i>			
Income tax	87	87	87
Other taxes	1,248	1,275	1,244
	<u>1,335</u>	<u>1,362</u>	<u>1,331</u>
	<u>2,788</u>	<u>1,585</u>	<u>1,596</u>

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30/06/2007 RO'000	30/06/2006 RO'000	31/12/2006 RO'000
Premises and equipment	-	(48)	(56)
Provisions	-	-	(23)
Tax value of loss carry forwards	-	(3,602)	(1,291)
	<u>-</u>	<u>(3,650)</u>	<u>(1,370)</u>

De-recognized deferred tax assets

	30/06/2007 RO'000	30/06/2006 RO'000	31/12/2006 RO'000
Deductible temporary differences (net)	(79)	175	206
Tax losses	(1,291)	(1,891)	(4,202)
	<u>(1,370)</u>	<u>(1,716)</u>	<u>(3,996)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

At 30 June 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 30 June 2007 (Asset) liability RO'000
Premises and equipment	(56)	56	-
Provisions	(23)	23	-
Tax losses	(1,291)	1,291	-
	<u>(1,370)</u>	<u>1,370</u>	<u>-</u>

12 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.

13 COMMITMENTS AND CONTINGENT LIABILITIES

	30/06/2007 RO'000	30/06/2006 RO'000	31/12/2006 RO'000
Guarantees	243,409	196,817	191,543
Documentary letters of credit	144,509	59,789	61,998
	<u>387,918</u>	<u>256,606</u>	<u>253,541</u>

Guarantees include RO 0.4 million (30 June 2006 – RO 6.0 million/31 December 2006 – RO 6.3 million) relating to non-performing loans.

14 INTEREST INCOME

Interest bearing assets other than investments earned interest at an overall effective annual rate of 7.54% for the six months period ended 30 June 2007 (30 June 2006 – 7.80% / 31 December 2006 – 7.69%).

15 INTEREST EXPENSE

For the six months period ended 30 June 2007 the average overall effective annual cost of funds was 3.63% (30 June 2006 – 3.39 %/ 31 December 2006 – 3.48%).

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007 (Un-audited)

16 OTHER OPERATING INCOME

	<i>6 months ended 30/06/2007 RO'000</i>	<i>6 months ended 30/06/2006 RO'000</i>
Net gains from foreign exchange dealings	1,142	895
Fees and commissions	2,894	1,770
Profit (loss) on sale of investments	97	658
Income from Treasury bills, Government Development Bonds and Certificates of Deposit	1,205	1,060
Dividend income	557	392
Service charges	4,742	3,450
Miscellaneous income	792	462
	<u>11,429</u>	<u>8,687</u>

17 OTHER OPERATING EXPENSES

	<i>6 months ended 30/06/2007 RO'000</i>	<i>6 months ended 30/06/2007 RO'000</i>
Establishment costs	1,051	989
Operating and administration expenses	3,368	2,649
BCCI Provision	300	300
	<u>4,719</u>	<u>3,938</u>

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007 (Un-audited)

18 ASSETS LIABILITY MISMATCH

The asset liability mismatch can be analyzed as follows:

30 June 2007

Maturities	Assets RO'000	Equity, subordinated funds and liabilities RO'000	Mismatch RO'000
0 - 6 month	449,355	463,427	(14,072)
6 - 12 month	65,980	137,712	(71,732)
1 - 3 years	100,486	129,403	(28,917)
3 - 5 years	87,026	67,606	19,420
More than 5 years	448,467	353,166	95,301
	<u>1,151,314</u>	<u>1,151,314</u>	<u>-</u>

30 June 2006

Maturities	Assets RO'000	Equity, subordinated funds and liabilities RO'000	Mismatch RO'000
0 - 6 month	356,972	350,521	6,451
6 - 12 month	45,425	97,168	(51,743)
1 - 3 years	73,658	113,548	(39,890)
3 - 5 years	75,730	50,011	25,719
More than 5 years	366,117	306,654	59,463
	<u>917,902</u>	<u>917,902</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 adjusted as per Central Bank of Oman guidelines. However the bank does not expect its deposits retention to deteriorate significantly in the immediate future.



NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007 (Un-audited)

19 RELATED PARTY TRANSACTIONSa) Management Service Agreement with CBQ

Based on the approval received from the Shareholders in the Extraordinary General Meeting held on 25th 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 30 June 2007, management fees of RO 270,000 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 8.0 million (June 2006: RO 40.8 million/Dec 2006: RO 25.7 million) are repayable or repaid as per the contract with them. The loans and advances to the related parties are generally collateralized by cash deposits, bank guarantees, shares listed on the MSM, 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:

	30/06/2007 RO'000 *	30/06/2006 RO'000 **	31/12/2006 RO'000
Loans			
Loans outstanding at 1 January	26,512	27,636	27,636
Loans issued during the period	7,994	40,838	25,672
Transferred out during the period	-	-	(1)
Loans repayment during the period	(6,256)	(35,305)	(26,795)
Loans outstanding at the end of period	28,250	33,169	26,512
Interest income earned	770	419	1,012
Deposits			
Deposits at 1 January	7,176	7,624	7,624
Deposits received during the period	2,108	11,779	5,506
Transferred out during the period	-	-	(81)
Deposits repaid during the period	(1,032)	(11,203)	(5,873)
Deposits at the end of period	8,252	8,200	7,176
Interest expense on deposits	136	122	264

**NOTES TO THE FINANCIAL STATEMENTS**

At 30 June 2007 (Un-audited)

19 RELATED PARTY TRANSACTIONS (continued)

	<i>30/06/2007 RO'000</i>	<i>30/06/2006 RO'000</i>	<i>31/12/2006 RO'000</i>
Other income earned	55	46	57
Contingent liabilities	11,238	14,574	14,217
Risk indemnities	28,215	7,815	18,816
Standby revolving credit facility	26,950	9,625	26,950
Other expenses	105	115	526

Senior Management compensation:

	<i>30/06/2007 RO'000</i>	<i>30/06/2006 RO'000</i>	<i>31/12/2006 RO'000</i>
Salaries and other short term benefits			
-Fixed	509	266	799
-Discretionary	241	131	165
Total	750	397	964

20 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>30/06/2007 Shares '000</i>	<i>30/06/2006 Shares '000</i>	<i>31/12/2006 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 30 June 2007 (30 June 2006– Nil/31 December 2006 – Nil).

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007 (Un-audited)

21 SEGMENT REPORTING

Segment information is as follows:

<i>6 months ended 30 June 2007</i>	<i>Oman RO'000</i>	<i>UAE RO'000</i>	<i>Egypt RO'000</i>	<i>Total RO'000</i>
Segment revenue	39,201	3,349	4,872	47,422
Segment expenses	(23,857)	(2,451)	(3,797)	(30,105)
Profit from operations before provisions, recoveries and share of head office expenses	<u>15,344</u>	<u>898</u>	<u>1,075</u>	<u>17,317</u>
Net Profit for the period	<u>13,750</u>	<u>689</u>	<u>4,736</u>	<u>19,175</u>
<i>6 months ended 30 June 2006</i>	<i>Oman RO'000</i>	<i>UAE RO'000</i>	<i>Egypt RO'000</i>	<i>Total RO'000</i>
Segment revenue	30,284	2,839	3,011	36,134
Segment expenses	(17,380)	(1,685)	(2,587)	(21,652)
Profit from operations before provisions, recoveries and share of head office expenses	<u>12,904</u>	<u>1,154</u>	<u>424</u>	<u>14,482</u>
Net Profit for the period	<u>11,056</u>	<u>298</u>	<u>1,770</u>	<u>13,124</u>



NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007 (Un-audited)

22 DERIVATIVES

30 June 2007	Positive Fair value RO'000	Negative Fair value RO'000	Notional amount total RO'000	Notional amounts by term maturity		
				Within 3 months RO'000	3 – 12 months RO'000	Above 1 Year RO'000
<i>Derivatives</i>						
Interest rate swaps	-	(90)	20,662	8,662	-	12,000
Credit default swaps	-	(65)	15,400	-	-	15,400
Forward foreign exchange purchase contracts	33	(233)	63,159	43,857	19,302	-
Forward foreign exchange sales contracts	237	(157)	63,159	43,747	19,412	-
Interest rate caps	-	-	1,244	80	180	984
Total	270	(545)	163,624	96,346	38,894	28,384
30 June 2006	Positive Fair value RO'000	Negative Fair value RO'000	Notional amount total RO'000	Notional amounts by term maturity		
				Within 3 months RO'000	3 – 12 months RO'000	Above 1 year RO'000
<i>Derivatives</i>						
Interest rate swaps	-	(179)	23,441	1,375	180	21,886
Forward foreign exchange purchase contracts	195	(55)	42,090	34,441	7,649	-
Forward foreign exchange sales contracts	80	(330)	42,090	34,441	7,649	-
Interest rate caps	-	-	1,484	80	180	1,224
Total	275	(564)	109,105	70,337	15,658	23,110



NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007 (Un-audited)

22 DERIVATIVES (continued)

<i>31 December 2006</i>	<i>Notional amounts by term maturity</i>					
	<i>Positive Fair value RO'000</i>	<i>Negative Fair value RO'000</i>	<i>Notional amount total RO'000</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>

23 COMPARATIVE FIGURES

The corresponding figures for June 2006 included for comparative purposes have been reclassified wherever appropriate. In addition, corresponding figures for earnings per share and net assets per share have been restated based upon the increased number of shares of 92 million (previously 80 million shares).