

# **National Bank of Oman SAOG**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 March 2013 (UNAUDITED)**



PO Box 751 PC 112 Ruwi Sultanate of Oman.

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**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**31 March 2013 (Un-audited)**

|  |              | <b>31-03-2013</b> | 31-03-2012  | <i>Audited</i><br>31-12-2012 |
|--|--------------|-------------------|-------------|------------------------------|
|  | <i>Notes</i> | <b>RO'000</b>     | RO'000      | RO'000                       |
| <b>Assets</b>  |              |                   |             |                              |
| Cash and balances with Central Banks                         | 3            | <b>356,947</b>    | 251,289     | 215,738                      |
| Due from banks and other money market placements (net)       | 4            | <b>196,480</b>    | 147,608     | 217,261                      |
| Loans, advances and financing activities for customers (net) | 5            | <b>1,971,012</b>  | 1,791,788   | 1,911,562                    |
| Non-trading financial investments                            | 6            | <b>110,408</b>    | 95,590      | 110,722                      |
| Premises and equipment                                       | 7            | <b>20,131</b>     | 20,433      | 20,498                       |
| Deferred tax asset   | 11           | <b>381</b>        | 36          | 409                          |
| Other assets   | 8            | <b>78,383</b>     | 64,562      | 61,628                       |
|  |              | <hr/>             | <hr/>       | <hr/>                        |
| <b>Total assets</b>  |              | <b>2,733,742</b>  | 2,371,306   | 2,537,818                    |
|  |              | <hr/> <hr/>       | <hr/> <hr/> | <hr/> <hr/>                  |
| <b>Liabilities</b>   |              |                   |             |                              |
| Due to banks and other money market deposits                 |              | <b>183,144</b>    | 252,231     | 210,447                      |
| Customers' deposits and unrestricted investment accounts     | 9            | <b>2,072,652</b>  | 1,720,242   | 1,886,754                    |
| Other liabilities  | 10           | <b>102,508</b>    | 69,752      | 68,778                       |
| Taxation   | 11           | <b>1,259</b>      | 1,480       | 5,687                        |
|  |              | <hr/>             | <hr/>       | <hr/>                        |
| <b>Total liabilities</b>                                     |              | <b>2,359,563</b>  | 2,043,705   | 2,171,666                    |
|  |              | <hr/>             | <hr/>       | <hr/>                        |
| <b>Subordinated debt</b>                                     |              |                   |             |                              |
| Subordinated debt  | 12           | <b>79,700</b>     | 54,700      | 61,700                       |
|  |              | <hr/>             | <hr/>       | <hr/>                        |
| <b>Equity</b>  |              |                   |             |                              |
| Share capital  |              | <b>110,803</b>    | 110,803     | 110,803                      |
| Share premium  |              | <b>34,465</b>     | 34,465      | 34,465                       |
| Legal reserve  |              | <b>39,586</b>     | 38,642      | 39,586                       |
| General reserve  |              | <b>4,419</b>      | 4,419       | 4,419                        |
| Other non-distributable reserves                             | 13           | <b>31,551</b>     | 19,267      | 30,719                       |
| Proposed cash dividend                                       |              | -                 | -           | 19,391                       |
| Retained earnings  |              | <b>73,655</b>     | 65,305      | 65,069                       |
|  |              | <hr/>             | <hr/>       | <hr/>                        |
| <b>Total equity</b>  |              | <b>294,479</b>    | 272,901     | 304,452                      |
|  |              | <hr/>             | <hr/>       | <hr/>                        |
| <b>Total liabilities, subordinated funds and equity</b>      |              | <b>2,733,742</b>  | 2,371,306   | 2,537,818                    |
|  |              | <hr/> <hr/>       | <hr/> <hr/> | <hr/> <hr/>                  |

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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**31 March 2013 (Un-audited)**

|   | Notes | <i>Three months ended 31 March</i> |               |
|---|-------|------------------------------------|---------------|
|   |       | <i>2013</i>                        | <i>2012</i>   |
|   |       | <i>RO'000</i>                      | <i>RO'000</i> |
| Interest income   | 15    | <b>27,719</b>                      | 25,418        |
| Interest expense  | 16    | <b>(10,319)</b>                    | (9,237)       |
| <b>Net interest income</b>  |       | <b>17,400</b>                      | 16,181        |
| Income from Islamic financing and Investment activities               |       | <b>5</b>                           | -             |
| Less: unrestricted investment account holders' share of profit        |       | <b>(1)</b>                         | -             |
| <b>Net Income from Islamic financing and Investment activities</b>    |       | <b>4</b>                           | -             |
| Other operating income  | 17    | <b>7,011</b>                       | 8,564         |
| <b>OPERATING INCOME</b>   |       | <b>24,415</b>                      | 24,745        |
| <b>OPERATING EXPENSES</b>   |       |                                    |               |
| Staff costs   |       | <b>(6,842)</b>                     | (6,041)       |
| Other operating expenses  | 18    | <b>(3,881)</b>                     | (3,971)       |
| Depreciation  | 7     | <b>(873)</b>                       | (942)         |
|   |       | <b>(11,596)</b>                    | (10,954)      |
| <b>PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX</b>        |       | <b>12,819</b>                      | 13,791        |
| Credit loss expense – customer's loan                                 | 5     | <b>(4,396)</b>                     | (3,631)       |
| Recoveries and releases from provision for credit losses              | 5     | <b>147</b>                         | 320           |
| Recoveries from loans and advances written off                        |       | <b>1,818</b>                       | 1,770         |
| Write-back / Impairment losses on available for sale investments      |       | <b>21</b>                          | (983)         |
| Credit loss expense - bank loans                                      |       | <b>(639)</b>                       | -             |
| Provision – others  |       | -                                  | (73)          |
| <b>TOTAL IMPAIRMENT LOSSES (NET)</b>                                  |       | <b>(3,049)</b>                     | (2,597)       |
| <b>PROFIT BEFORE TAX</b>  |       | <b>9,770</b>                       | 11,194        |
| Taxation  | 11    | <b>(1,184)</b>                     | (1,571)       |
| <b>PROFIT FOR THE PERIOD</b>  |       | <b>8,586</b>                       | 9,623         |
| <b>OTHER COMPREHENSIVE INCOME</b>                                     |       |                                    |               |
| Net movement on available for sale investments                        |       | <b>860</b>                         | 969           |
| Tax effect of net results on available for sale financial investments |       | <b>(28)</b>                        | -             |
| <b>OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD</b>          |       | <b>832</b>                         | 969           |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                      |       | <b>9,418</b>                       | 10,592        |
| Earnings per share annualized:  |       |                                    |               |
| Basic and diluted, profit for the year attributable to equity holders |       | <b>0.031</b>                       | 0.035         |

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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**31 March 2013 (Un-audited)**

|  | Notes | Three months ended 31 |           |
|--|-------|-----------------------|-----------|
|  |       | 2013                  | 2012      |
|  |       | RO'000                | RO'000    |
| <b>Profit before taxation</b>  |       | <b>9,770</b>          | 11,194    |
| Adjustments for:   |       |                       |           |
| Depreciation   | 7     | 873                   | 942       |
| Provision for credit losses (net)  |       | 4,600                 | 3,882     |
| Write-back / Impairment losses on available for sale investments           |       | (21)                  | 983       |
| Profit on sale of equipment (net)  |       | -                     | (30)      |
| Profit on sale of investments  |       | (202)                 | (135)     |
| Investment income  |       | (1,015)               | (1,254)   |
| <b>Operating profit before changes in operating assets and liabilities</b> |       | <b>14,005</b>         | 15,582    |
| Increase in due from and other money market deposits                       |       | (98,772)              | (1,180)   |
| Increase in due to and other money market placements                       |       | (9,625)               | 5,390     |
| Increase in loans and advances to customers                                |       | (63,411)              | (124,892) |
| Increase in other assets   |       | (16,755)              | (3,592)   |
| Increase in customer deposits  |       | 185,898               | 120,418   |
| Increase in other liabilities  |       | 33,730                | 4,820     |
| <b>Cash from operations</b>  |       | <b>45,070</b>         | 16,546    |
| Tax paid   |       | (5,578)               | (4,881)   |
| <b>Net cash from operating activities</b>                                  |       | <b>39,492</b>         | 11,665    |
| <b>Investing activities</b>  |       |                       |           |
| Purchase of investments  |       | (434)                 | (1,476)   |
| Proceeds from sale of investments  |       | 1,588                 | 1,025     |
| Purchase of premises and equipment   | 7     | (530)                 | (874)     |
| Disposal of premises and equipment   |       | -                     | 34        |
| Translation difference in premises & equipment & Tax                       |       | 233                   | -         |
| Interest on Govt Development Bond and T-Bills                              |       | 616                   | 571       |
| Dividend income  | 17    | 399                   | 683       |
| <b>Net cash from (used in) investing activities</b>                        |       | <b>1,872</b>          | (37)      |
| <b>Financing activities</b>  |       |                       |           |
| Payment of dividend  |       | (19,391)              | (18,918)  |
| Proceeds from Subordinated debt  |       | 18,000                | -         |
| <b>Net cash used in financing activities</b>                               |       | <b>(1,391)</b>        | (18,918)  |
| <b>Increase / (Decrease) in cash and cash equivalents</b>                  |       | <b>39,973</b>         | (7,290)   |
| Cash and cash equivalents at the beginning of the period                   |       | 279,178               | 274,923   |
| <b>Cash and cash equivalents at the end of the period</b>                  |       | <b>319,151</b>        | 267,633   |
| <b>Representing:</b>   |       |                       |           |
| Cash and balances with Central Bank  | 3     | 356,447               | 250,789   |
| Deposits and balances with other banks and financial institutions (net)    |       | (37,296)              | 16,844    |
|  |       | <b>319,151</b>        | 267,633   |

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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**Period ended 31 March 2013 (Un-audited)**

| <i>(RO'000)</i>                           | <i>Share capital</i> | <i>Share premium</i> | <i>Legal reserve *</i> | <i>General reserve</i> | <i>Other non distributable reserves</i> | <i>Proposed cash dividend</i> | <i>Proposed stock dividend</i> | <i>Retained earnings</i> | <i>Total</i>   |
|---|----------------------|----------------------|------------------------|------------------------|---|-------------------------------|--------------------------------|--------------------------|----------------|
| Balance at 1 January 2012                 | 108,100              | 34,465               | 38,642                 | 4,419                  | 18,298                                  | 18,918                        | 2,703                          | 55,682                   | 281,227        |
| Total comprehensive income for the period | -                    | -                    | -                      | -                      | 969                                     | -                             | -                              | 9,623                    | 10,592         |
| Dividend paid during the period           | -                    | -                    | -                      | -                      | -                                       | (18,918)                      | -                              | -                        | (18,918)       |
| Issue of Shares                           | 2,703                | -                    | -                      | -                      | -                                       | -                             | (2,703)                        | -                        | -              |
| <b>Balance at 31 March 2012</b>           | <b>110,803</b>       | <b>34,465</b>        | <b>38,642</b>          | <b>4,419</b>           | <b>19,267</b>                           | <b>-</b>                      | <b>-</b>                       | <b>65,305</b>            | <b>272,901</b> |
| Balance at 1 April 2012                   | 110,803              | 34,465               | 38,642                 | 4,419                  | 19,267                                  | -                             | -                              | 65,305                   | 272,901        |
| Total comprehensive income for the period | -                    | -                    | -                      | -                      | 512                                     | -                             | -                              | 31,039                   | 31,551         |
| Transfer to subordinated funds reserve    | -                    | -                    | -                      | -                      | 10,940                                  | -                             | -                              | (10,940)                 | -              |
| Transfer to legal reserve                 | -                    | -                    | 944                    | -                      | -                                       | -                             | -                              | (944)                    | -              |
| Transfer to proposed cash dividend        | -                    | -                    | -                      | -                      | -                                       | 19,391                        | -                              | (19,391)                 | -              |
| <b>Balance at 31 December 2012</b>        | <b>110,803</b>       | <b>34,465</b>        | <b>39,586</b>          | <b>4,419</b>           | <b>30,719</b>                           | <b>19,391</b>                 | <b>-</b>                       | <b>65,069</b>            | <b>304,452</b> |
| Balance at 1 January 2013                 | <b>110,803</b>       | <b>34,465</b>        | <b>39,586</b>          | <b>4,419</b>           | <b>30,719</b>                           | <b>19,391</b>                 | <b>-</b>                       | <b>65,069</b>            | <b>304,452</b> |
| Total comprehensive income for the period | -                    | -                    | -                      | -                      | 832                                     | -                             | -                              | 8,586                    | 9,418          |
| Dividend paid during the period           | -                    | -                    | -                      | -                      | -                                       | (19,391)                      | -                              | -                        | (19,391)       |
| <b>Balance at 31 March 2013</b>           | <b>110,803</b>       | <b>34,465</b>        | <b>39,586</b>          | <b>4,419</b>           | <b>31,551</b>                           | <b>-</b>                      | <b>-</b>                       | <b>73,655</b>            | <b>294,479</b> |

\*Transfers to legal reserve are made on an annual basis.

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

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT 31 March 2013 (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 retail, wholesale banking, investment banking services and Islamic banking within the Sultanate of Oman with overseas branches in the United Arab Emirates and Egypt. The bank operates in Oman under a banking license 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 has a primary listing on the Muscat Stock Exchange.

The bank employed 1,338 employees as of 31 March 2013 (31 March 2012 – 1,373 employees and 31 December 2012 – 1,352)

### 2 SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements of the bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2012. The bank has adopted IFRS 13 w.e.f 1.1.13. Minimum disclosure relating to fair value is accordingly given in note no 22 of the condensed interim financial statements.

The condensed interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three months ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

The condensed interim financial statements are prepared in Rial Omani, rounded to the nearest thousands, except as indicated. 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 interim condensed 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, investments classified as financial assets carried at fair value through profit and loss and available for sale at fair value.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2013 (Unaudited)**

**3 CASH AND BALANCES WITH CENTRAL BANKS**

|   | <i>31/03/2013</i> | <i>31/03/2012</i> | <i>31/12/2012</i> |
|---|-------------------|-------------------|-------------------|
|   | <i>RO'000</i>     | <i>RO'000</i>     | <i>RO'000</i>     |
| Cash  | <b>32,769</b>     | 24,332            | 31,175            |
| Treasury bills with Central Banks           | <b>1,978</b>      | 6,287             | 3,555             |
| Certificate of deposit with Central Banks   | <b>140,000</b>    | 85,000            | 25,000            |
| Other balances with Central Banks           | <b>181,700</b>    | 135,170           | 155,508           |
|   | <hr/>             | <hr/>             | <hr/>             |
| <b>Cash and cash equivalents</b>            | <b>356,447</b>    | 250,789           | 215,238           |
| Capital deposit with Central Bank of Oman   | <b>500</b>        | 500               | 500               |
|   | <hr/>             | <hr/>             | <hr/>             |
| <b>Cash and balances with Central Banks</b> | <b>356,947</b>    | 251,289           | 215,738           |
|   | <hr/> <hr/>       | <hr/> <hr/>       | <hr/> <hr/>       |

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

**4 DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS (NET)**

|  | <i>31/03/2013</i> | <i>31/03/2012</i> | <i>31/12/2012</i> |
|--|-------------------|-------------------|-------------------|
|  | <i>RO'000</i>     | <i>RO'000</i>     | <i>RO'000</i>     |
| Loans and advances to banks                          | <b>70,455</b>     | 24,999            | 81,865            |
| Placement with banks                                 | <b>109,774</b>    | 116,445           | 113,853           |
| Demand balances                                      | <b>23,480</b>     | 12,754            | 28,133            |
|  | <hr/>             | <hr/>             | <hr/>             |
| Due from banks and other money market placement      | <b>203,709</b>    | 154,198           | 223,851           |
| Less: allowance for credit losses (refer note below) | <b>(7,161)</b>    | (6,522)           | (6,522)           |
| Less: reserved interest                              | <b>(68)</b>       | (68)              | (68)              |
|  | <hr/>             | <hr/>             | <hr/>             |
| Net due from banks and other money market placement  | <b>196,480</b>    | 147,608           | 217,261           |
|  | <hr/> <hr/>       | <hr/> <hr/>       | <hr/> <hr/>       |

As at 31 March 2013, the allowances for credit losses include a limited inter-bank exposure of RO 6.6 million against two regional large groups. The bank has recorded a provision of 100% against the same. In addition to this, the bank holds collective provisions on the loans and advances to banks.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2013 (Unaudited)**

**5 LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS (NET)**

|   | <i>31/03/2013</i><br><i>RO'000</i> | <i>31/03/2012</i><br><i>RO'000</i> | <i>31/12/2012</i><br><i>RO'000</i> |
|---|------------------------------------|------------------------------------|------------------------------------|
| Corporate loans   | <b>1,013,375</b>                   | 965,108                            | 983,194                            |
| Personal loans  | <b>986,575</b>                     | 837,960                            | 963,568                            |
| Overdrafts  | <b>48,154</b>                      | 55,512                             | 39,630                             |
| Islamic financing activities                            | <b>1,699</b>                       | -                                  | -                                  |
|   | <hr/>                              | <hr/>                              | <hr/>                              |
| Gross loans and advances                                | <b>2,049,803</b>                   | 1,858,580                          | 1,986,392                          |
| Less: Allowance for credit losses and reserved interest | <b>(78,791)</b>                    | (66,792)                           | (74,830)                           |
|   | <hr/>                              | <hr/>                              | <hr/>                              |
| Net loans and advances                                  | <b>1,971,012</b>                   | 1,791,788                          | 1,911,562                          |
|   | <hr/> <hr/>                        | <hr/> <hr/>                        | <hr/> <hr/>                        |

Gross loans and advances include RO 50.1 million due from related parties at 31 March 2013 (31 March 2012 – RO 40.7 million, 31 December 2012 – RO 53.7 million).

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

| <b>Allowance for credit losses</b>                      | <i>3 months</i>   | <i>3 months</i>   | <i>12 months</i>  |
|---|-------------------|-------------------|-------------------|
|   | <i>ended</i>      | <i>ended</i>      | <i>ended</i>      |
|   | <i>31/03/2013</i> | <i>31/03/2012</i> | <i>31/12/2012</i> |
|   | <i>RO'000</i>     | <i>RO'000</i>     | <i>RO'000</i>     |
| Balance at beginning of period / year                   | <b>58,001</b>     | 49,457            | 49,457            |
| Provided during the period / year                       | <b>4,396</b>      | 3,631             | 16,941            |
| Recovered/ released during the period / year            | <b>(64)</b>       | (255)             | (3,139)           |
| Written off during the period / year                    | <b>(1,453)</b>    | (526)             | (5,169)           |
| Translation difference                                  | <b>(143)</b>      | 9                 | (89)              |
|   | <hr/>             | <hr/>             | <hr/>             |
| Balance at end of period / year                         | <b>60,737</b>     | 52,316            | 58,001            |
|   | <hr/> <hr/>       | <hr/> <hr/>       | <hr/> <hr/>       |
| <b>Reserved interest</b>                                | <i>3 months</i>   | <i>3 months</i>   | <i>12 months</i>  |
|   | <i>ended</i>      | <i>ended</i>      | <i>ended</i>      |
|   | <i>31/03/2013</i> | <i>31/03/2012</i> | <i>31/12/2012</i> |
|   | <i>RO'000</i>     | <i>RO'000</i>     | <i>RO'000</i>     |
| Balance at beginning of period / year                   | <b>16,829</b>     | 13,453            | 13,453            |
| Reserved during the period / year                       | <b>1,531</b>      | 1,197             | 5,466             |
| Recovered/ released during the period / year            | <b>(83)</b>       | (65)              | (341)             |
| Recovered/released during the period to interest income | <b>(29)</b>       | (34)              | (195)             |
| Written off during the period / year                    | <b>(187)</b>      | (75)              | (1,548)           |
| Translation difference                                  | <b>(7)</b>        | -                 | (6)               |
|   | <hr/>             | <hr/>             | <hr/>             |
| Balance at end of period / year                         | <b>18,054</b>     | 14,476            | 16,829            |
|   | <hr/> <hr/>       | <hr/> <hr/>       | <hr/> <hr/>       |

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

As of 31 March 2013 loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 82.4 million, (31 March 2012 – RO 66.1 million and 31 December 2012 – RO 79.0 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2013 (Unaudited)**

**6 NON TRADING FINANCIAL INVESTMENTS**

**Available for sale investments**

|                                    | <i>Carrying<br/>value<br/>31/03/2013<br/>RO'000</i> | <i>Cost<br/>31/03/2013<br/>RO'000</i> | <i>Carrying<br/>value<br/>31/03/2012<br/>RO'000</i> | <i>Cost<br/>31/03/2012<br/>RO'000</i> | <i>Carrying<br/>value<br/>31/12/2012<br/>RO'000</i> | <i>Cost<br/>31/12/2012<br/>RO'000</i> |
|------------------------------------|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|
| <b>Quoted investments- Oman</b>    |   |                                       |   |                                       |   |                                       |
| Banking and investment sector      | 516   | 526                                   | 1,390   | 1,464                                 | 741   | 758                                   |
| Industry sector                    | 1,105   | 905                                   | 1,254   | 1,515                                 | 1,162   | 973                                   |
| Service sector                     | 8,114   | 7,122                                 | 7,783   | 9,164                                 | 8,365   | 7,983                                 |
| Government Development Bonds       | 85,948  | 85,948                                | 74,213  | 74,213                                | 86,170  | 86,170                                |
|                                    | <u>95,683</u>                                       | <u>94,501</u>                         | <u>84,640</u>                                       | <u>86,356</u>                         | <u>96,438</u>                                       | <u>95,884</u>                         |
| <b>Quoted investments- Foreign</b> |   |                                       |   |                                       |   |                                       |
| Banking and investment sector      | 67  | 67                                    | -   | -                                     | -   | -                                     |
| Government Development Bonds       | 3,369   | 3,401                                 | 3,613   | 3,824                                 | 3,593   | 3,656                                 |
|                                    | <u>3,436</u>  | <u>3,468</u>                          | <u>3,613</u>  | <u>3,824</u>                          | <u>3,593</u>  | <u>3,656</u>                          |
| <b>Unquoted investments</b>        |   |                                       |   |                                       |   |                                       |
| Banking and investment sector      | 7,509   | 7,515                                 | 7,068   | 7,386                                 | 6,920   | 7,386                                 |
| Industry sector                    | 3,483   | 3,483                                 | -   | -                                     | 3,483   | 3,483                                 |
| Service sector                     | 297   | 297                                   | 269   | 269                                   | 288   | 288                                   |
|                                    | <u>11,289</u>                                       | <u>11,295</u>                         | <u>7,337</u>  | <u>7,655</u>                          | <u>10,691</u>                                       | <u>11,157</u>                         |
| <b>Total available for sale</b>    | <u><b>110,408</b></u>                               | <u><b>109,264</b></u>                 | <u><b>95,590</b></u>                                | <u><b>97,835</b></u>                  | <u><b>110,722</b></u>                               | <u><b>110,697</b></u>                 |

**Details of significant investments**

Details of investments exceeding 10% of the carrying value of the bank's investment AFS portfolio are as follows:

|                                   | <i>Bank's portfolio<br/>%</i> | <i>Carrying<br/>value<br/>RO'000</i> | <i>Cost<br/>RO'000</i> |
|-----------------------------------|-------------------------------|--------------------------------------|------------------------|
| <b><u>31 March 2013</u></b>       |                               |                                      |                        |
| Government Development Bonds-Oman | <u>77.8</u>                   | <u>85,948</u>                        | <u>85,948</u>          |
| <b><u>31 March 2012</u></b>       |                               |                                      |                        |
| Government Development Bonds-Oman | <u>77.6</u>                   | <u>74,213</u>                        | <u>74,213</u>          |
| <b><u>31 December 2012</u></b>    |                               |                                      |                        |
| Government Development Bonds-Oman | <u>77.8</u>                   | <u>86,170</u>                        | <u>86,170</u>          |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2013 (Unaudited)**

**7 PREMISES AND EQUIPMENT**

|  | <i>Freehold<br/>Land,<br/>buildings and<br/>leasehold<br/>improvements<br/>RO'000</i> | <i>Motor<br/>vehicles,<br/>furniture and<br/>equipment<br/>RO'000</i> | <i>Capital<br/>work in<br/>progress<br/>RO'000</i> | <i>Total<br/>RO'000</i> |
|--|---|---|--|-------------------------|
| <b>Reconciliation of carrying amount:</b>                            |   |   |  |                         |
| Balance at 1 January 2013, net<br>of accumulated depreciation        | 12,696  | 5,443   | 2,359  | 20,498                  |
| Addition   | 31  | 247   | 252  | 530                     |
| Disposal   | -   | -   | -  | -                       |
| Transfer   | 135   | 192   | (327)  | -                       |
| Translation difference   | (23)  | (1)   | -  | (24)                    |
| Depreciation   | (259)   | (614)   | -  | (873)                   |
|  | <u>12,580</u>   | <u>5,267</u>  | <u>2,284</u>                                       | <u>20,131</u>           |
| <b>Balance at 31 March 2013, net of<br/>accumulated depreciation</b> | <b><u>12,580</u></b>  | <b><u>5,267</u></b>   | <b><u>2,284</u></b>                                | <b><u>20,131</u></b>    |
| At cost / valuation  | 25,686  | 24,828  | 2,284  | 52,798                  |
| Accumulated depreciation   | (13,106)  | (19,561)  | -  | (32,667)                |
|  | <u>12,580</u>   | <u>5,267</u>  | <u>2,284</u>                                       | <u>20,131</u>           |
| <b>Net carrying value at 31 March 13</b>                             | <b><u>12,580</u></b>  | <b><u>5,267</u></b>   | <b><u>2,284</u></b>                                | <b><u>20,131</u></b>    |
| Net carrying value at 31 March 2012                                  | <u>12,741</u>   | <u>6,192</u>  | <u>1,500</u>                                       | <u>20,433</u>           |
| Net carrying value at 31 December 2012                               | <u>12,696</u>   | <u>5,443</u>  | <u>2,359</u>                                       | <u>20,498</u>           |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2013 (Unaudited)**

**8 OTHER ASSETS**

|   | <b>31/03/2013</b> | 31/03/2012        | 31/12/2012        |
|---|-------------------|-------------------|-------------------|
|   | <b>RO'000</b>     | RO'000            | RO'000            |
| Interest receivable and others                    | <b>33,081</b>     | 23,333            | 22,710            |
| Positive fair value of derivatives (note 23)      | <b>9,951</b>      | 9,858             | 11,070            |
| Customers' indebtedness for acceptances (note 10) | <b>35,351</b>     | 31,371            | 27,848            |
|   | <b>78,383</b>     | 64,562            | 61,628            |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| Amount receivable from BCCI                       | <b>1,791</b>      | 3,458             | 1,791             |
| Less provision for amount receivable from BCCI    | <b>(1,791)</b>    | (3,458)           | (1,791)           |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| Net due from BCCI                                 | <u>          </u> | <u>          </u> | <u>          </u> |

**9 CUSTOMERS' DEPOSITS AND UNRESTRICTED INVESTMENT ACCOUNTS**

|                         | <b>31/03/2013</b> | 31/03/2012        | 31/12/2012        |
|-------------------------|-------------------|-------------------|-------------------|
|                         | <b>RO'000</b>     | RO'000            | RO'000            |
| Current accounts        | <b>512,261</b>    | 435,122           | 385,964           |
| Savings accounts        | <b>503,600</b>    | 431,731           | 482,944           |
| Certificate of deposits | <b>5,000</b>      | 41,300            | 5,000             |
| Term deposits           | <b>1,050,987</b>  | 812,089           | 1,012,846         |
| Islamic deposits        | <b>804</b>        | -                 | -                 |
|                         | <b>2,072,652</b>  | 1,720,242         | 1,886,754         |
|                         | <u>          </u> | <u>          </u> | <u>          </u> |

**10 OTHER LIABILITIES**

|  | <b>31/03/2013</b> | 31/03/2012        | 31/12/2012        |
|--|-------------------|-------------------|-------------------|
|  | <b>RO'000</b>     | RO'000            | RO'000            |
| Interest payable and other accruals          | <b>57,557</b>     | 28,500            | 29,763            |
| Negative fair value of derivatives (note 23) | <b>9,600</b>      | 9,881             | 11,167            |
| Liabilities under acceptances (note 8)       | <b>35,351</b>     | 31,371            | 27,848            |
|  | <b>102,508</b>    | 69,752            | 68,778            |
|  | <u>          </u> | <u>          </u> | <u>          </u> |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2013 (Unaudited)**

**11 TAXATION**

|  | <b>31/03/2013</b> | 31/03/2012 | 31/12/2012 |
|--|-------------------|------------|------------|
|  | <b>RO'000</b>     | RO'000     | RO'000     |
| <b>Statement of comprehensive income</b> |                   |            |            |
| Current period/year                      | <b>1,184</b>      | 1,125      | 5,953      |
| Deferred tax adjustment                  | -                 | 446        | 65         |
|  | <b>1,184</b>      | 1,571      | 6,018      |

**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 2007)

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

|                         | <b>31/03/2013</b> | 31/03/2012 | 31/12/2012 |
|-------------------------|-------------------|------------|------------|
|                         | <b>RO'000</b>     | RO'000     | RO'000     |
| Accounting profit       | <b>9,770</b>      | 11,194     | 46,680     |
| Tax applicable rate     | <b>1,169</b>      | 1,340      | 5,598      |
| Non-deductible expenses | <b>43</b>         | 181        | 294        |
| Tax exempt revenues     | <b>(73)</b>       | (111)      | (330)      |
| Others                  | <b>45</b>         | 161        | 456        |
|                         | <b>1,184</b>      | 1,571      | 6,018      |

The bank's liabilities for taxation in the Sultanate of Oman has been assessed up to the year ended 31 December 2007.

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 2011.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2013 (Unaudited)**

**11 TAXATION (continued)**

|  | <b>31/03/2013</b>          | 31/03/2012          | 31/12/2012          |
|--|----------------------------|---------------------|---------------------|
|  | <b>RO'000</b>              | RO'000              | RO'000              |
| <b>Tax liability</b>   |                            |                     |                     |
| <i>Current period/year</i>   |                            |                     |                     |
| Income tax and other taxes   | <b>1,184</b>               | 1,125               | 5,953               |
| <i>Prior period/year</i>   |                            |                     |                     |
| Income tax and other taxes   | <b>75</b>                  | 355                 | (266)               |
|  | <u><b>1,259</b></u>        | <u>1,480</u>        | <u>5,687</u>        |
|  | <u><u><b>1,259</b></u></u> | <u><u>1,480</u></u> | <u><u>5,687</u></u> |
| <b>Recognised deferred tax assets and liabilities</b>                  |                            |                     |                     |
|  | <b>31/03/2013</b>          | 31/03/2012          | 31/12/2012          |
|  | <b>RO'000</b>              | RO'000              | RO'000              |
| Deferred tax assets and liabilities are attributable to the following: |                            |                     |                     |
| Timing differences provisions  | <b>381</b>                 | -                   | 381                 |
| Available for sale investments   | -                          | 36                  | 28                  |
|  | <u><b>381</b></u>          | <u>36</u>           | <u>409</u>          |
|  | <u><u><b>381</b></u></u>   | <u><u>36</u></u>    | <u><u>409</u></u>   |
| <b>De-recognized deferred tax assets</b>                               |                            |                     |                     |
|  | <b>31/03/2013</b>          | 31/03/2012          | 31/12/2012          |
|  | <b>RO'000</b>              | RO'000              | RO'000              |
| Timing differences provisions  | -                          | (446)               | 65                  |
|  | <u>-</u>                   | <u>(446)</u>        | <u>65</u>           |
|  | <u><u>-</u></u>            | <u><u>(446)</u></u> | <u><u>65</u></u>    |

Deferred tax is calculated at 12% (2012 – 12%).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2013 (Unaudited)**

**12 SUBORDINATED DEBT**

|                                 | <b>31/03/2013</b> | 31/03/2012 | 31/12/2012 |
|---------------------------------|-------------------|------------|------------|
|                                 | <b>RO'000</b>     | RO'000     | RO'000     |
| At 1 January                    | <b>61,700</b>     | 54,700     | 54,700     |
| Received during the period/year | <b>18,000</b>     | -          | 7,000      |
|                                 | <b>79,700</b>     | 54,700     | 61,700     |

The outstanding subordinated debt will mature on various dates between 2014 and 2019.

**13 OTHER NON-DISTRIBUTABLE RESERVES**

|  | <i>Available for<br/>sale reserve</i> | <i>Revaluation<br/>reserve</i> | <i>Subordinated<br/>loan reserve</i> | <i>Total</i>   |
|--|---------------------------------------|--------------------------------|--------------------------------------|----------------|
|  | <b>RO '000</b>                        | <b>RO '000</b>                 | <b>RO '000</b>                       | <b>RO '000</b> |
| At 1 January 2013  | 1,153                                 | 3,766                          | 25,800                               | 30,719         |
| Net movement on available for sale<br>investments                        | 860                                   |                                |                                      | 860            |
| Tax effect of net results on available for sale<br>financial investments | (28)                                  |                                |                                      | (28)           |
| <b>At 31 March 2013</b>  | <b>1,985</b>                          | <b>3,766</b>                   | <b>25,800</b>                        | <b>31,551</b>  |
| At 31 March 2012   | 641                                   | 3,766                          | 14,860                               | 19,267         |

- (i) The revaluation reserve represents the surplus on revaluation of building and is not available for distribution until the related assets have been disposed of or used.
- (ii) The subordinated debt reserve represents an annual transfer towards subordinated debt which is due to mature within the next five years period (note 12). The reserve is available for transfer back to retained earnings upon maturity of the subordinated debt.

**14 CONTINGENT LIABILITIES AND COMMITMENTS**

|                               | <b>31/03/2013</b> | 31/03/2012 | 31/12/2012 |
|-------------------------------|-------------------|------------|------------|
|                               | <b>RO'000</b>     | RO'000     | RO'000     |
| Guarantees                    | <b>457,754</b>    | 425,487    | 456,721    |
| Documentary letters of credit | <b>68,129</b>     | 74,396     | 59,902     |
| Undrawn commitment to lend    | <b>141,966</b>    | 110,167    | 149,626    |
|                               | <b>667,849</b>    | 610,050    | 666,249    |

Contingent liabilities include RO 0.1 million (31 March 2012 – RO 0.1 million and 31 December 2012 – RO 0.1 million) relating to non-performing loans.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT

### 31 March 2013 (Unaudited)

#### 15 INTEREST INCOME

Interest bearing assets earned interest at an overall rate of 5.00% for the three months period ended 31 March 2013 (31 March 2012 – 5.23% and 31 December 2012 – 5.07%).

#### 16 INTEREST EXPENSE

For the three months period ended 31 March 2013, the average overall cost of funds was 1.92% (31 March 2012- 2.00% and 31 December 2012 – 1.98%).

#### 17 OTHER OPERATING INCOME

|  | <i>3 months<br/>ended<br/>31/03/2013<br/>RO'000</i> | <i>3 months<br/>ended<br/>31/03/2012<br/>RO'000</i> |
|--|---|---|
| Net gains from foreign exchange dealings | 918   | 848   |
| Fees and commissions                     | 2,736   | 2,470   |
| Net income from sale of investments      | 202   | 135   |
| Income from bonds                        | 616   | 571   |
| Dividend income                          | 399   | 683   |
| Service charges                          | 2,086   | 3,732   |
| Miscellaneous income                     | 54  | 125   |
|  | <u>7,011</u>  | <u>8,564</u>  |

#### 18 OTHER OPERATING EXPENSES

|                                       | <i>3 months<br/>ended<br/>31/03/2013<br/>RO'000</i> | <i>3 months<br/>ended<br/>31/03/2012<br/>RO'000</i> |
|---------------------------------------|---|---|
| Establishment costs                   | 1,111   | 1,195   |
| Operating and administration expenses | 2,770   | 2,776   |
|                                       | <u>3,881</u>  | <u>3,971</u>  |

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT 31 March 2013 (Unaudited)

### 19 RELATED PARTY TRANSACTIONS

#### **Other related parties transactions:**

In the ordinary course of business, the Bank conducts transactions with certain of its Directors and/or shareholders and companies over which they have significant interest. The aggregate amounts of balances with such related parties are as follows

|   | 31/03/2013                             |                         |                        | 31/03/2012                             |                         |                        |
|---|--|-------------------------|------------------------|--|-------------------------|------------------------|
|   | <i>Principal shareholder</i><br>RO'000 | <i>Others</i><br>RO'000 | <i>Total</i><br>RO'000 | <i>Principal shareholder</i><br>RO'000 | <i>Others</i><br>RO'000 | <i>Total</i><br>RO'000 |
| Loans and advances                          | -                                      | 50,145                  | 50,145                 | -                                      | 40,734                  | 40,734                 |
| Customers' deposits                         | -                                      | 13,984                  | 13,984                 | -                                      | 11,499                  | 11,499                 |
| Due from banks                              | 30                                     | -                       | 30                     | 40                                     | -                       | 40                     |
| Due to banks                                | 65                                     | 13,475                  | 13,540                 | 23,183                                 | 11,550                  | 34,733                 |
| Subordinated debt                           | -                                      | 5,500                   | 5,500                  | -                                      | 2,500                   | 2,500                  |
| Letter of credit, guarantees and acceptance | 27                                     | 1,835                   | 1,862                  | -                                      | 5,824                   | 5,824                  |
| Standby revolving credit facility           | 77,000                                 | -                       | 77,000                 | 77,000                                 | -                       | 77,000                 |
| Risk indemnities received                   | 859                                    | 3,333                   | 4,192                  | -                                      | 6,000                   | 6,000                  |

The statement of comprehensive income includes the following amounts in relation to transactions with related parties:

|                   | 31/03/2013                             |                         |                        | 31/03/2012                             |                         |                        |
|-------------------|--|-------------------------|------------------------|--|-------------------------|------------------------|
|                   | <i>Principal shareholder</i><br>RO'000 | <i>Others</i><br>RO'000 | <i>Total</i><br>RO'000 | <i>Principal shareholder</i><br>RO'000 | <i>Others</i><br>RO'000 | <i>Total</i><br>RO'000 |
| Interest income   | 6                                      | 412                     | 418                    | 1                                      | 374                     | 375                    |
| Commission income | -                                      | 8                       | 8                      | -                                      | 6                       | 6                      |
| Interest expense  | 82                                     | 100                     | 181                    | 85                                     | 76                      | 161                    |
| Other expenses    | -                                      | 365                     | 365                    | 45                                     | 378                     | 423                    |

Senior management compensation:

|  | 3 months ended<br>31/03/2013 | 3 months ended<br>31/03/2012 |
|--|------------------------------|------------------------------|
|  | RO'000                       | RO'000                       |
| Salaries and other short term benefits |                              |                              |
| - Fixed                                | 569                          | 458                          |
| - Discretionary                        | 824                          | 450                          |
|  | <b>1,393</b>                 | <b>908</b>                   |

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT

31 March 2013 (Unaudited)

### 20 SHAREHOLDERS

As of 31 March 2013, the 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>Number of shares '000</i> | <i>% Holding</i> |
|------------------------------------|------------------------------|------------------|
| The Commercial Bank of Qatar (CBQ) | 386,699                      | 34.9             |
| Suhail Bahwan Group (Holdings) LLC | 163,370                      | 14.7             |

The bank had no preferred shareholders as of 31 March 2013 (31 March 2012 – nil and 31 December 2012 – nil).

### 21 SEGMENT REPORTING

For management purposes, the bank is organised into operating segments based on business units and are as follows:

- Retail banking offers various products and facilities to individual customers to meet everyday banking needs.
- Corporate banking delivers a variety of products and services to corporate customers that include lending, accepting deposits, trade finance and foreign exchange.
- Investment banking offers investment products such as asset management, corporate advisory and brokerage services to retail customers as well as high net worth individuals and institutional clients.
- Treasury provides a full range of treasury products and services including money market and foreign exchange to the clients in addition to managing liquidity and market risk.
- International banking offers services such as issuance of guarantee, risk participation, syndications, etc.
- Islamic banking offers Shari'a compliant Islamic products and services.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. The costs incurred by the central functions are managed on a group basis and are not allocated to operating segments.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2013 (unaudited)**

**21 SEGMENT REPORTING (Continued)**

Segment information is as follows:

| <i>3 months ended</i>   | <i>Retail banking</i> | <i>Corporate banking</i> | <i>Investment banking</i> | <i>Treasury and international banking</i> | <i>Head office</i> | <i>Islamic Banking</i> | <i>Total</i>     |
|-------------------------|-----------------------|--------------------------|---------------------------|---|--------------------|------------------------|------------------|
| <i>31-Mar-13</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>RO'000</i>    |
| <b>Operating income</b> | <b>12,532</b>         | <b>8,152</b>             | <b>789</b>                | <b>1,569</b>                              | <b>1,358</b>       | <b>15</b>              | <b>24,415</b>    |
| <b>Net Profit</b>       | <b>6,272</b>          | <b>6,311</b>             | <b>614</b>                | <b>766</b>                                | <b>(5,258)</b>     | <b>(119)</b>           | <b>8,586</b>     |
| <b>Total assets</b>     | <b>956,747</b>        | <b>1,039,783</b>         | <b>21,091</b>             | <b>138,769</b>                            | <b>566,114</b>     | <b>11,238</b>          | <b>2,733,742</b> |

  

| <i>3 months ended</i>   | <i>Retail banking</i> | <i>Corporate banking</i> | <i>Investment banking</i> | <i>Treasury and international banking</i> | <i>Head office</i> | <i>Islamic Banking</i> | <i>Total</i>     |
|-------------------------|-----------------------|--------------------------|---------------------------|---|--------------------|------------------------|------------------|
| <i>31-Mar-12</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>RO'000</i>    |
| <b>Operating income</b> | <b>13,254</b>         | <b>7,887</b>             | <b>876</b>                | <b>1,392</b>                              | <b>1,336</b>       | <b>-</b>               | <b>24,745</b>    |
| <b>Net Profit</b>       | <b>7,834</b>          | <b>6,164</b>             | <b>(196)</b>              | <b>1,248</b>                              | <b>(5,427)</b>     | <b>-</b>               | <b>9,623</b>     |
| <b>Total assets</b>     | <b>812,665</b>        | <b>995,295</b>           | <b>17,764</b>             | <b>92,828</b>                             | <b>452,754</b>     | <b>-</b>               | <b>2,371,306</b> |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**  
**31 March 2013 (unaudited)**

**22 FAIR VALUE OF FINANCIAL INSTRUMENTS**

It is the bank's intention to hold loans and advances granted to customers to maturity. As a result the fair value of performing loans is arrived at using the discounted cash flow analysis based on a discount rate equal to the prevailing market rates of interest for loans having similar terms and conditions. The bank considers that the fair value of financial instruments at 31 March 2013 and 31 December 2012 are not significantly different to their carrying value at each of those dates.

**Fair value of financial instruments**

The bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

|   | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i>   |
|---|----------------|----------------|----------------|----------------|
| <i>31 March 2013</i>                          | <i>RO'000</i>  | <i>RO'000</i>  | <i>RO'000</i>  | <i>RO'000</i>  |
| <b>Financial assets</b>                       |                |                |                |                |
| <b>Investments - available for sale:</b>      |                |                |                |                |
| Government development bonds                  | 89,317         | -              | -              | 89,317         |
| Quoted equities                               | 9,802          | -              | -              | 9,802          |
| Other unquoted equities                       | -              | 11,289         | -              | 11,289         |
| <b>Total</b>                                  | <b>99,119</b>  | <b>11,289</b>  | <b>-</b>       | <b>110,408</b> |
| <b>Derivative financial instruments:</b>      |                |                |                |                |
| Purchase contracts                            | -              | 71,023         | -              | 71,023         |
| Sale contracts                                | -              | 71,023         | -              | 71,023         |
| Interest rate swaps                           | -              | 152,198        | -              | 152,198        |
| Currency options                              | -              | 60,864         | -              | 60,864         |
| Commodity hedging                             | -              | 60,094         | -              | 60,094         |
| <b>Total</b>                                  | <b>-</b>       | <b>415,202</b> | <b>-</b>       | <b>415,202</b> |
| <b>Total financial assets</b>                 | <b>99,119</b>  | <b>426,491</b> | <b>-</b>       | <b>525,610</b> |
| Total financial assets<br>at 31 December 2012 | 100,031        | 378,925        | -              | 478,956        |

Other unquoted equities are valued based on information provided by fund managers, investee financial information, with regards to sovereign bonds and current purchase prices. Derivative financial instruments are valued based on counter-party valuations, quoted forward rates and yield curves.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT

31 March 2013 (Unaudited)

### 23 DERIVATIVES

| 31 March 2013                               | Positive<br>fair value<br>(Note 8)<br>RO'000 | Negative<br>fair value<br>(Note 10)<br>RO'000 | Notional<br>amount<br>total<br>RO'000 | Notional amounts by term to maturity |                            |                           |
|---|--|---|---------------------------------------|--------------------------------------|----------------------------|---------------------------|
|   |  |   |                                       | Within<br>3 months<br>RO'000         | 3 – 12<br>months<br>RO'000 | Above 1<br>Year<br>RO'000 |
| <i>Derivatives</i>                          |  |   |                                       |                                      |                            |                           |
| Interest rate swaps                         | 8,386  | (8,386)                                       | 152,198                               | 2,125                                | 11,435                     | 138,638                   |
| Forward foreign exchange purchase contracts | 30   | (96)  | 71,023                                | 50,949                               | 20,074                     | -                         |
| Forward foreign exchange sales contracts    | 434  | (17)  | 71,023                                | 51,282                               | 19,741                     | -                         |
| Currency options                            | 895  | (895)   | 60,864                                | 30,551                               | 30,313                     | -                         |
| Commodity hedging                           | 206  | (206)   | 60,094                                | 27,698                               | 32,396                     | -                         |
| Total                                       | 9,951  | (9,600)                                       | 415,202                               | 162,605                              | 113,959                    | 138,638                   |

| 31 March 2012                               | Positive<br>fair value<br>(Note 8)<br>RO'000 | Negative<br>fair value<br>(Note 10)<br>RO'000 | Notional<br>amount<br>total<br>RO'000 | Notional amounts by term to maturity |                            |                           |
|---|--|---|---------------------------------------|--------------------------------------|----------------------------|---------------------------|
|   |  |   |                                       | Within<br>3 months<br>RO'000         | 3 – 12<br>months<br>RO'000 | Above 1<br>year<br>RO'000 |
| <i>Derivatives</i>                          |  |   |                                       |                                      |                            |                           |
| Interest rate swaps                         | 8,365  | (8,365)                                       | 146,442                               | 1,213                                | 8,166                      | 137,063                   |
| Forward foreign exchange purchase contracts | 57   | (192)   | 69,261                                | 59,658                               | 9,603                      | -                         |
| Forward foreign exchange sales contracts    | 202  | (90)  | 69,261                                | 59,663                               | 9,598                      | -                         |
| Interest rate caps                          | -  | -   | 82                                    | 82                                   | -                          | -                         |
| Currency options                            | 987  | (987)   | 89,225                                | 51,327                               | 37,898                     | -                         |
| Commodity hedging                           | 247  | (247)   | 30,024                                | 16,138                               | 13,886                     | -                         |
| Total                                       | 9,858  | (9,881)                                       | 404,295                               | 188,081                              | 79,151                     | 137,063                   |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT**

**31 March 2013 (Unaudited)**

**23 DERIVATIVES (continued)**

| <i>31 December 2012</i>                     | <i>Positive<br/>fair value<br/>(Note 8)<br/>RO'000</i> | <i>Negative<br/>fair value<br/>(Note 10)<br/>RO'000</i> | <i>Notional<br/>amount<br/>total<br/>RO'000</i> | <i>Notional amounts by term to maturity</i> |                                     |                                    |
|---|--|---|---|---|-------------------------------------|------------------------------------|
|   |  |   |   | <i>Within<br/>3 months<br/>RO'000</i>       | <i>3 – 12<br/>months<br/>RO'000</i> | <i>Above 1<br/>year<br/>RO'000</i> |
| <i>Derivatives</i>                          |  |   |   |   |                                     |                                    |
| Interest rate swaps                         | 9,753  | (9,753)   | 138,276   | 4,762                                       | 6,901                               | 126,613                            |
| Forward foreign exchange purchase contracts | 64   | (361)   | 66,657  | 48,716                                      | 17,941                              | -                                  |
| Forward foreign exchange sales contracts    | 370  | (170)   | 66,657  | 48,649                                      | 18,008                              | -                                  |
| Currency options                            | 325  | (325)   | 45,483  | 33,253                                      | 12,230                              | -                                  |
| Commodity hedging                           | 558  | (558)   | 51,161  | 30,980                                      | 20,181                              | -                                  |
|   | 11,070   | (11,167)  | 368,234   | 166,360                                     | 75,261                              | 126,613                            |
|   | 11,070   | (11,167)  | 368,234   | 166,360                                     | 75,261                              | 126,613                            |