

1. GENERAL INFORMATION

Oman International Development and Investment Company SAOG (the Parent Company) is incorporated in the Sultanate of Oman as a public joint stock company and is principally engaged in investment related activities. The Parent Company has its listing on the Muscat Securities Market.

The Parent Company's principal place of business and registered address is Ominvest Building, Central Business District, Greater Muttrah, P O Box 3886, Ruwi, Postal Code 112, Sultanate of Oman.

These consolidated interim financial statements for the three month period ended 31 March 2009 comprise the Parent Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The separate financial statements represent the financial statements of the Parent Company on a stand alone basis. The consolidated and separate financial statements are collectively referred to as "the financial statements".

2. ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2008, except as noted below.

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (ie. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (consolidated statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 'Operating segments':

The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision - maker.

3. CERTIFICATES OF DEPOSIT

Certificates of deposit held are issued by the Government of Sultanate of Oman and carry interest at the average rate of 0.13% (2008 – 0.99%).

4. DEPOSITS WITH BANKS

Deposits with banks include RO 935,000 (2008 - RO 935,000) being a capital deposit and an insurance deposit with the Central Bank of Oman in terms of regulations applicable to the banking subsidiary which earn interest at 1.5% (2008 – 1.5%) per annum. These deposits cannot be withdrawn without prior written approval of the Central Bank of Oman.

5. INVESTMENT SECURITIES

At 31 March, investment securities comprised the following:

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Financial assets at fair value through profit or loss	13,170	25,825	10,066	18,368
Available for sale investments	7,633	3,438	2,850	2,956
Held-to-maturity investments	19,848	26,270	1,000	1,000
	<u>40,651</u>	<u>55,533</u>	<u>13,916</u>	<u>22,324</u>

(a) *Financial assets at fair value through profit or loss*

(i) *Financial assets designated as at fair value through profit or loss*

At 31 March, financial assets designated as at fair value through profit or loss comprised the following:

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Quoted investments				
Local investments				
Banking sector	1,114	3,195	1,110	2,876
Investment sector	168	216	168	210
Services sector	2,633	4,811	2,567	4,096
Industrial sector	1,239	2,955	1,196	2,627
	<u>5,154</u>	<u>11,177</u>	<u>5,041</u>	<u>9,809</u>
Foreign investments				
Equity and equity related	4,173	6,942	4,173	6,942
Currency and commodity related	852	1,617	852	1,617
	<u>5,025</u>	<u>8,559</u>	<u>5,025</u>	<u>8,559</u>
Total financial assets designated at fair value through profit or loss	<u>10,179</u>	<u>19,736</u>	<u>10,066</u>	<u>18,368</u>

5. INVESTMENT SECURITIES (continued)

(a) *Financial assets at fair value through profit or loss (continued)*

(ii) *Financial assets held for trading*

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Quoted	2,888	4,740	-	-
Unquoted	103	1,349	-	-
Financial assets held for trading	2,991	6,089	-	-
Total financial assets at fair value through profit or loss	13,170	25,825	10,066	18,368

(b) *Available for sale investments*

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Local investments				
Unquoted investments	5,190	1,182	700	700
Foreign investments				
Unquoted investments	4,529	4,984	4,498	4,984
Less: Provision for impairment [note 5(g)]	(2,748)	(2,728)	(2,748)	(2,728)
Fair Value Reserve	1,781	2,256	1,750	2,256
	425	-	400	-
	2,206	2,256	2,150	2,256
Quoted investments	116	-	-	-
Fair Value Reserve	121	-	-	-
	2,443	2,256	2,150	2,256
Total available-for-sale investments	7,633	3,438	2,850	2,956

Unquoted local investments held by the Group include investment in the Financial Settlement and Guaranteed Fund of RO 152,752 (2008 – RO 147,593) which is not recoverable until the date the banking subsidiary ceases its brokerage activities or the fund is liquidated, whichever is earlier.

5. INVESTMENT SECURITIES (continued)

(c) Held-to-maturity investments

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Certificates of deposit	11,000	11,000	1,000	1,000
Oman Government Development Bonds				
- held by the banking subsidiary	8,848	15,270	-	-
	<u>19,848</u>	<u>26,270</u>	<u>1,000</u>	<u>1,000</u>

Certificates of deposits held by the Group and the Parent Company are issued by a commercial bank regulated by Central Bank of Oman and carry an interest rate of 5.25% per annum. Certificates of deposits mature within one year.

Bonds are denominated in Rial Omani and are issued by the Government of Oman. They carry interest rates varying between 4% to 5.25% (2008 4% to 5.25%) per annum. The maturity profile of the bonds, based on the remaining period to maturity from the balance sheet date, is as follows:

	2009	2008
	(RO'000)	(RO'000)
Within one year	1,000	4,050
Between one and five years	7,848	11,220
	<u>8,848</u>	<u>15,270</u>

5. INVESTMENT SECURITIES (continued)

(d) *Investment in associates*

Group

At 31 March, investment in associates represented holdings in the following companies registered in the Sultanate of Oman:

	2009		2008	
	Holding (%)	Carrying value (RO'000)	Holding (%)	Carrying value (RO'000)
Muscat Finance Company SAOG	-	-	22.85	3,053
National Finance Company SAOG	24.02	4,074	21.56	2,738
National Biscuit Industries SAOG	21.30	403	21.30	370
National Detergent Company SAOG	20.94	2,293	20.94	1,688
		<u>6,770</u>		<u>7,849</u>

All the Group's associated companies' shares are listed on the Muscat Securities Market (MSM). The market value of investments in associated companies as of the balance sheet date amounted to RO 7,499,230 (2008 - RO 11,832,832).

Parent Company

At 31 March, investment in associates represented holdings by the Parent Company in the following companies registered in the Sultanate of Oman:

	2009		2008	
	Holding (%)	Cost (RO'000)	Holding (%)	Cost (RO'000)
Muscat Finance Company SAOG	-	-	22.78	1,220
National Finance Company SAOG	23.74	2,334	21.28	1,223
National Biscuit Industries SAOG	21.00	435	21.00	435
National Detergent Company SAOG	20.94	713	20.94	713
		<u>3,482</u>		<u>3,591</u>

All the Parent Company's associated companies' shares are listed on the Muscat Securities Market (MSM). The market value of investments in associated companies as of the balance sheet date amounted to RO 7,439,341 (2008 - RO 11,756,636).

5. INVESTMENT SECURITIES (continued)

(e) Investments in subsidiaries

At 31 March, investment in subsidiaries incorporated in the Sultanate of Oman are:

	2009		2008	
	Cost (RO'000)	Holding %	Cost (RO'000)	Holding %
<u>Group</u>				
Oman Arab Bank SAOC (Principal activity: Banking)	25,522	51.00	19,402	51.00
Oman Investment Services SAOC (Principal activity: Investments)	903	99.98	903	99.98
	<u>26,425</u>		<u>20,305</u>	
<u>Parent Company</u>				
Oman Arab Bank SAOC (Principal activity: Banking)	25,495	50.99	19,376	50.99
Oman Investment Services SAOC (Principal activity: Investments)	903	99.98	903	99.98
	<u>26,398</u>		<u>20,279</u>	

During the period, Parent Company subscribed to its share (50.99%) of the rights issue of RO 6.1 million (2008 - RO 3.6 million) by the banking subsidiary.

(f) Details of significant investments

At 31 March, the Group's investments for which either, the Group's holding represents 10% or more of the issuer's share capital, or, the Group's holding exceeds 10% of the market value of the Group's investment portfolio, are detailed as follows:

Quoted securities

	Holding %	Number of shares	Fair value (RO'000)	Carrying value (RO'000)
<u>Group</u>				
National Biscuit Industries Ltd SAOG	29.22	292,197	847	633
National Finance Co. SAOG	24.02	30,288,975	4,392	4,074
National Detergent Co. SAOG	20.94	3,561,700	2,490	2,293
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			<u>7,729</u>	<u>7,000</u>

At 31 March, the Parent Company's investments for which either, the Parent Company's holding represents 10% or more of the issuer's share capital, or, the Parent Company's holding exceeds 10% of the market value of the Parent Company's investment portfolio, are detailed as follows:

5. INVESTMENT SECURITIES (continued)

(f) Details of significant investments (continued)

	<u>Holding</u> %	<u>Number of</u> <u>shares</u>	<u>Fair</u> <u>value</u> (RO'000)	<u>Carrying</u> <u>value</u> (RO'000)
<u>Parent Company</u>				
National Biscuit Industries Ltd SAOG	28.92	289,197	839	665
National Finance Co. SAOG	23.74	29,935,951	4,341	2,334
National Detergent Co. SAOG	20.94	3,561,700	2,489	713
Oman National Dairy Products Co. Ltd SAOG	19.65	482,726	-	-
			<u>7,669</u>	<u>3,712</u>

Unquoted securities

	<u>Holding</u> %	<u>Number of</u> <u>shares</u>	<u>Carrying</u> <u>value</u> (RO'000)
<u>Group</u>			
<i>Subsidiaries</i>			
Oman Arab Bank SAOC	51.00	38,250,000	55,376
Oman Investment Services SAOC	99.98	999,800	621
<i>Others</i>			
Al Shamal Plastics LLC	21.44	200,000	27
Modern Steel Mills LLC	19.48	584,400	251
Gulf Acrylic Industries LLC	17.64	100,000	111
Muscat Depository & Securities Registration Company SAOC	12.13	121,294	124
			<u>56,510</u>

Parent Company

Subsidiaries

Oman Arab Bank SAOC	50.99	38,242,500	25,495
Oman Investment Services SAOC	99.98	999,800	903
<i>Others</i>			
Al Shamal Plastics LLC	16.08	150,000	-
Modern Steel Mills LLC	19.48	584,400	251
Gulf Acrylic Industries LLC	13.23	75,000	75
Muscat Depository & Securities Registration Company SAOC	12.13	121,294	124
			<u>26,848</u>

5. INVESTMENT SECURITIES (continued)

(g) Movement in provision for impairment of investments

	Group and Parent Company Unquoted foreign investments	
	2009 (RO'000)	2008 (RO'000)
Balance at 1 January	2,841	2,728
Written off during the period	(93)	-
Balance at 31 March	<u>2,748</u>	<u>2,728</u>

6. LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers extended by the banking subsidiary were as follows:

	2009 (RO'000)	2008 (RO'000)
Commercial loans	308,851	225,854
Overdrafts	90,979	83,749
Personal loans	174,824	134,988
Credit cards	<u>3,636</u>	<u>3,366</u>
Gross loans and advances	578,290	447,957
Less: allowance for loan impairment and reserved interest	(15,440)	(17,880)
Net loans and advances	<u>562,850</u>	<u>430,077</u>

(b) Allowance for loan impairment and reserved interest

The movement in the allowance for loan impairment and reserved interest was as follows:

	Allowance for loan impairment (RO 000)	Reserved interest (RO 000)	Total (RO 000)
2009			
Balance at 1 January	11,988	2,994	14,982
Provided during the period	330	418	748
Amounts written off during the period	(35)	(3)	(38)
Amounts released/recovered	<u>(152)</u>	<u>(100)</u>	<u>(252)</u>
Balance at 31 March	<u>12,131</u>	<u>3,309</u>	<u>15,440</u>

6. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Allowance for loan impairment and reserved interest (continued)

	Allowance for loan impairment	Reserved interest	Total
	(RO 000)	(RO 000)	(RO 000)
2008			
Balance at 1 January	13,734	6,040	19,774
Provided during the period	502	117	619
Amounts written off during the period	(331)	(51)	(382)
Amounts released/recovered	(1,755)	(376)	(2,131)
Balance at 31 March	<u>12,150</u>	<u>5,730</u>	<u>17,880</u>

- (c) The Central Bank of Oman regulations require that the allowance for impaired loan account should be the higher of the provision determined in accordance with IAS 39 and Central Bank of Oman guidelines. Loans and advances on which interest has been reserved and/or has not been accrued amounted to RO 9,362,588 (2008 - RO 14,121,915).

At 31 March 2009, out of the total loan impairment provision, RO 7,145,700 (2008 - RO 5,555,185) has been made for the potential loss against risk inherent on performing portion of the loans and advances on a collective portfolio basis.

- (d) All loans and advances were made to customers within the Sultanate of Oman. The concentration of loans and advances by sector is as follows:

	2009 (RO'000)	2008 (RO'000)
Personal and consumer loans	178,460	138,354
Wholesale and retail trade	69,736	28,056
Construction	68,345	57,518
Services	65,804	36,013
Manufacturing	59,326	80,794
Mining and quarrying	38,901	23,182
Import trade	22,434	11,287
Financial institutions	13,639	7,749
Transportation	11,372	5,720
Utilities	9,396	7,288
Agriculture and allied activities	9,083	6,728
Government	767	2,216
Export trade	209	594
Others	30,818	42,458
	<u>578,290</u>	<u>447,957</u>

7. BANK BORROWINGS

- (a) At 31 March, bank borrowings are as follows :

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Loans and overdrafts	<u>5,350</u>	<u>10,469</u>	<u>5,350</u>	<u>10,969</u>

Bank borrowings bear interest at rates between 3.67% and 7% per annum (2008 – between 3.36% and 5.54%).

Borrowings from Oman Arab Bank SAOC, the Group's banking subsidiary, amounting to RO - million (2008 – RO 0.5 million) have been set off against loans and advances to customers in the Group statement of financial position.

- (b) The maturity profile of amounts due to banks are as follows:

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Due within:				
One year	<u>5,350</u>	<u>10,469</u>	<u>5,350</u>	<u>10,969</u>

8. SHARE CAPITAL

- (a) The authorised share capital of the Parent Company is 300,000,000 (2008 – 300,000,000) shares of 100 baisa each. 200,000,000 (2008 – 180,000,000) shares of 100 baisa each have been issued and fully paid.
- (b) Bonus shares of 20,000,000 shares were issued at 100 baisa per share during the period after approval at the Annual General Meeting held on 31 March 2009 by transferring RO 2,000,000 from retained profits to share capital.
- (c) Shareholders of the Parent Company who own 10% or more of the Company's shares, whether in their name or through a nominee account, and the number of shares they hold are as follows:

	2009		2008	
	Holding %	Shares	Holding %	Shares
Al Hilal Investment Co. LLC	20.09	36,157,764	20.09	36,157,764
Civil Service Employees Pension Fund	12.52	22,532,303	12.32	22,173,049
	<u>32.61</u>	<u>58,690,067</u>	<u>32.41</u>	<u>58,330,813</u>

9. INTEREST INCOME

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Loans and advances to customers	9,155	7,502	-	-
Placements with banks and other money market	193	503	-	7
Certificates of deposit	78	691	-	-
Oman Government Development Bonds	123	170	-	-
	<u>9,549</u>	<u>8,866</u>	<u>-</u>	<u>7</u>

10. INTEREST EXPENSE

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Parent Company:				
Bank borrowings	76	123	100	144
Banking subsidiary:				
Time deposits	1,586	1,997	-	-
Call accounts	213	222	-	-
Bank borrowings	3	16	-	-
Saving accounts	143	79	-	-
	<u>2,021</u>	<u>2,437</u>	<u>100</u>	<u>144</u>

11. INVESTMENT INCOME

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
(Loss)/profit on sale of local investments	(806)	1,078	(484)	342
Dividend income from local investments	416	434	10,807	5,859
Profit on sale of unquoted foreign investments	3	28	3	28
Change in fair value of foreign investments	63	(743)	63	(743)
Change in fair value of local investments	(317)	161	(216)	586
Income from certificates of deposit	13	13	13	13
	<u>(628)</u>	<u>971</u>	<u>10,186</u>	<u>6,085</u>

12. COMMISSION AND OTHER INCOME

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Fees and commission	3,040	2,653	20	34
Foreign exchange	1,012	923	-	-
Other income	233	325	20	24
	<u>4,285</u>	<u>3,901</u>	<u>40</u>	<u>58</u>

13. OTHER OPERATING EXPENSES

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Staff cost	3,332	2,854	293	116
Other operating expenses	1,435	1,252	66	129
Depreciation	393	360	18	11
Directors' sitting fees and remuneration				
Parent company	11	14	11	14
Banking subsidiary	7	13	-	-
	<u>5,178</u>	<u>4,493</u>	<u>388</u>	<u>270</u>

14. CASH AND SHORT TERM FUNDS

Cash and short term funds included in the statement of cash flow comprise the following:

	Group		Parent Company	
	2009	2008	2009	2008
	(RO'000)	(RO'000)	(RO'000)	(RO'000)
Balances with banks and money at call	38,179	71,062	422	3,733
Deposits with banks (note 4)	23,943	20,605	-	-
Certificates of deposit	59,000	191,000	-	-
Bank borrowings	(5,350)	(10,469)	(5,350)	(10,969)
Due to banks (included under current Deposit and other accounts)	(11,744)	(16,626)	-	-
	<u>104,028</u>	<u>255,572</u>	<u>(4,928)</u>	<u>(7,236)</u>

15. DIVIDENDS PER SHARE

At the Annual General Meeting, held on Tuesday, 31 March 2009 (2008 – Saturday, 29 March 2008), a cash dividend in respect of year ended 31 December 2008 of RO 0.010 per share (2008 – RO 0.030 per share) amounting to a total of RO 1,800,000 (2008 – RO 4,500,000) and a stock dividend of RO 0.011 per share (2008 – RO 0.020) amounting RO 2,000,000 (2008 – RO 3,000,000) has been approved. Following this, the dividend is accounted for in shareholders' changes in equity as an appropriation of retained profits in the period.

Banking subsidiary

Dividends relating to the banking subsidiary for the year ended 31 December 2008 were approved at the Annual General Meeting held in Feb 2009 and the amount relating to non-controlling interest amounted to RO 9,800,000. Dividends relating to the banking subsidiary for the year 2007 were approved at the Annual General Meeting held in March 2008 and the amount relating to non-controlling interests was RO 4,704,000.

16. CONTINGENT LIABILITIES

At 31 March 2009, the Group had contingent liabilities as follows:

	<u>2009</u> (RO'000)	<u>2008</u> (RO'000)
Parent Company:		
Guarantees	111	204
Banking subsidiary:		
Letters of credit	144,062	310,549
Guarantees	498,879	340,685
Other commitments	14,192	15,883
	<u>657,244</u>	<u>667,321</u>

Letters of credit and guarantees amounting to RO 490,107,043 (2008 – RO 485,508,770) and relating to banking subsidiary were counter guaranteed by other banks.

17. SEGMENTAL INFORMATION

The Group is organised into two main business segments:

- 1) Banking Segment – incorporating corporate, retail and treasury/investment banking activities carried out by the Group's banking subsidiary; and
- 2) Investment Segment – incorporating investment activities for both short-term and long-term purposes.

Transactions between the business segments are on normal commercial terms and conditions and are entered into between the banking subsidiary and the rest of the Group. Such transactions are eliminated on consolidation.

	Banking Segment (RO'000)	Investment Segment (RO'000)	Consolidation adjustments (RO'000)	Total (RO'000)
2009				
Revenue	13,640	9,948	(10,198)	13,390
Expense	(6,802)	(475)	-	(7,277)
Operating profit	<u>6,838</u>	<u>9,473</u>	<u>(10,198)</u>	<u>6,113</u>
Depreciation	<u>375</u>	<u>18</u>	<u>-</u>	<u>393</u>
Impairment charges (net)	<u>78</u>	<u>-</u>	<u>-</u>	<u>78</u>
Total Assets	<u>725,579</u>	<u>52,279</u>	<u>(26,398)</u>	<u>751,460</u>
Total Liabilities	<u>616,637</u>	<u>8,487</u>	<u>-</u>	<u>625,124</u>
2008				
Revenue	13,093	6,043	(5,145)	13,991
Expense	(4,919)	(373)	-	(5,292)
Operating profit	<u>8,174</u>	<u>5,670</u>	<u>(5,145)</u>	<u>8,699</u>
Depreciation	<u>349</u>	<u>11</u>	<u>-</u>	<u>360</u>
Impairment release (net)	<u>(1,629)</u>	<u>-</u>	<u>-</u>	<u>(1,629)</u>
Total Assets	<u>760,715</u>	<u>54,851</u>	<u>(20,279)</u>	<u>795,287</u>
Total Liabilities	<u>665,891</u>	<u>16,598</u>	<u>-</u>	<u>682,489</u>

17. RELATED PARTY TRANSACTIONS

- (a) These represent transactions with related parties defined in International Accounting Standard 24 – Related Party Disclosures. Pricing policies and the terms of the transactions are approved by the Parent Company's and subsidiaries' respective Boards of Directors.
- (b) Transactions and balances with related parties of the Parent Company or holders of 10% or more of the Parent Company's shares or their family members, included in the income statement, balance sheet and off-balance sheet are as follows:

	<u>Total</u> RO'000	<u>Major</u> <u>shareholders</u> RO'000	<u>Directors</u> RO'000	<u>Associates</u> RO'000	<u>Non-controlling</u> <u>interests</u> RO'000
<u>2009</u>					
Group					
Statement of income					
Interest and commission income	130	5	6	3	116
Interest expense	46	-	-	-	46
Directors' sitting fees and remuneration	18	-	11	-	7
Statement of financial position					
Loans and advances	31,767	307	371	5,225	25,864
Current, deposit and other accounts	2,796	-	511	212	2,073
Off balance sheet					
Letters of credit, guarantees and Acceptances	195,630	-	-	-	195,630
Parent Company					
Statement of income					
Directors' sitting fees	11	-	11	-	-

17. RELATED PARTY TRANSACTIONS (continued)

	<u>Total</u>	<u>Major</u>	<u>Directors</u>	<u>Associates</u>	<u>Non-controlling</u>
	<u>RO'000</u>	<u>shareholders</u>	<u>RO'000</u>	<u>RO'000</u>	<u>interests</u>
		<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>
<u>2008</u>					
Group					
Statement of Income					
Interest and commission income	151	1	3	45	102
Interest expense	35	-	-	-	35
Directors' sitting fees and remuneration	27	-	14	-	13
Statement of financial position					
Loans and advances	20,443	-	431	9,408	10,604
Current, deposit and other accounts	16,541	-	77	1,476	14,988
Off balance sheet					
Letters of credit, guarantees and Acceptances	174,903	-	-	409	174,494
Parent Company					
Statement of income					
Directors' sitting fees	14	-	14	-	-

- (c) The banking subsidiary has a management agreement with Arab Bank plc, Jordan, which owns 49% of the banking subsidiary's share capital. In accordance with the terms of the management agreement, Arab Bank plc provides banking related technical assistance and other management services, including secondment of managerial staff. The annual management fee is US\$ 75,000 (2007 - US\$ 75,000), equivalent to RO 28,850 (2008 – RO 28,850).

18. COMPARATIVE FIGURES

Certain of the prior comparative amounts have been reclassified to conform with the presentation adopted in the current period.

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OMAN INVESTMENT SERVICES SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

1 Legal status and principal activities

Oman Investment Services SAOC (the Company) is registered as a closed joint stock company incorporated in the Sultanate of Oman. The Company commenced commercial operations on 14 January 1989 and is a subsidiary of Oman International Development and Investment Company SAOG (the Parent Company).

The Company is primarily engaged in investment related activities.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Commercial Companies Law of 1974, as amended, and the disclosure requirements of the Capital Market Authority.

2.2 Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation to fair value of investments securities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

2.3 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and receivables and prepayments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

2.4.1 Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated by management at fair value through profit or loss at inception. Financial assets held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short-term.

Regular-way purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value. Transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise.

2.4.2 Available-for-sale investments

Available-for-sale financial assets are non derivatives that are either designated in this category or not classified in any of other categories. Available-for-sale financial assets are initially recognised at fair value including transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair



OMAN INVESTMENT SERVICES SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

2.4.2 Available-for-sale investments (continued)

value of available-for-sale financial assets are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value changes recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Fair value of unquoted investments cannot be determined without extensive, subjective, judgemental and possibly speculative estimates by the Group. Such investments are measured at cost less estimated impairment losses.

2.4.3 Receivables and prepayments

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition origination. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'general and administrative costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

2.5 Impairment and uncollectability of financial assets, receivables and prepayments

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or group of assets 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, is recognised in the statement of income.

A financial asset or a group of financial assets is impaired and an impairment loss is incurred if, and only if, there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the disappearance of an active market for that financial asset because of financial difficulties;

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.



OMAN INVESTMENT SERVICES SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

2.6 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.7 Taxation

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

The tax returns of the Company for the years 2003 to 2008 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The Board of Directors consider that additional tax, if any, in respect of the open assessment years will not be material to the financial position of the Company at 31 March 2009.

2.8 Employees' end of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the balance sheet date, having regard to the requirements of the Oman Labour Law 2003 as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the balance sheet date.

Contributions to the Omani Government Social Security Scheme under Royal Decree No. 72/91 for Omani employees in accordance with the Omani Social Insurance Law 1991, are recognised as an expense in the statement of income as incurred.

2.9 Revenue recognition

Investment income includes gains and losses arising from disposals and changes in fair value of trading and financial assets at fair value through profit or loss. Dividend income is recognised when the right to receive payment is established. Commission and fees are credited to income at the time of effecting the transaction.

2.10 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and accordingly are treated as off-balance sheet items in these financial statements.

2.11 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 Company commits to purchase or sell the asset. Regular way purchases 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.



OMAN INVESTMENT SERVICES SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

3 Investment income

Investment income comprises the following:

	2009 RO	2008 RO
Realised (loss)/gain on sale of investments	(108,750)	43,277
Unrealised (loss)/gain on investments	(10,537)	111,451
Dividend income	<u>11,577</u>	<u>28,578</u>
	<u>(107,710)</u>	<u>183,306</u>

4 Employee costs

	2009 RO	2008 RO
Salaries, allowances and other expenses	10,460	12,152
Social security costs	95	260
Employee terminal benefits	<u>300</u>	<u>269</u>
	<u>10,855</u>	<u>12,681</u>

5 Administrative and general expenses

	2009 RO	2008 RO
Stock market and statutory fees	495	619
Communication costs	163	130
Audit fees	690	600
Other expenses	<u>16</u>	<u>81</u>
	<u>1,364</u>	<u>1,430</u>

6 Taxation

- (a) The tax returns of the Company for the years 2003 to 2008 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The Board of Directors consider that additional tax, if any, in respect of the open assessment years will not be material to the financial position of the Company at 31 March 2009.



OMAN INVESTMENT SERVICES SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

7 Property, plant and equipment

	Furniture and fixtures RO
Cost	
1 January 2009	<u>3,308</u>
Depreciation	
1 January 2009	2,324
Charge for the period	<u>127</u>
31 March 2009	<u>2,451</u>
Net book value	
31 March 2009	<u><u>857</u></u>

	Furniture and fixtures RO
Cost	
1 January 2008	2,759
Additions	<u>-</u>
31 March 2008	<u>2,759</u>
Depreciation	
1 January 2008	1,720
Charge for the period	<u>135</u>
31 March 2008	<u>1,855</u>
Net book value	
31 March 2008	<u><u>904</u></u>



OMAN INVESTMENT SERVICES SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

8 Investment securities

8.1 Financial assets at fair value through profit or loss

	Fair value 2009 RO	Carrying amount 2009 RO	Fair value 2008 RO	Carrying amount 2008 RO
Quoted investments				
Banking and investment sector	55,938	55,938	393,105	393,105
Industrial sector	51,570	51,570	93,110	93,110
Services sector	60,873	60,873	939,870	939,870
Total quoted investments	<u>168,381</u>	<u>168,381</u>	<u>1,426,085</u>	<u>1,426,085</u>

Quoted investments are securities listed on the Muscat Securities Market.

8.2 Available for sale investments

	2009 RO	2008 RO
Unquoted investments		
Banking and investment sector	<u>26,872</u>	<u>25,672</u>

The total investment securities as at 31 March were as follows:

	2009 RO	2008 RO
Total financial assets	<u>195,253</u>	<u>1,451,757</u>
At 1 January	761,280	1,536,698
Purchases	1,200	700
Sales proceeds	(447,940)	(240,370)
Realised (loss)/gain on sales	(108,750)	43,277
Fair value gains (net)	<u>(10,537)</u>	<u>111,452</u>
At 31 March	<u>195,253</u>	<u>1,451,757</u>

9 Receivables and prepayments

	2009 RO	2008 RO
Prepayments and advances	2,844	1,058
Other receivables	<u>9,335</u>	<u>26,217</u>
	<u>12,179</u>	<u>27,275</u>

10 Cash and bank balances

	2009 RO	2008 RO
Cash in hand	8	74
Call accounts	5,245	5,375
Current accounts	<u>435,572</u>	<u>5,821</u>
	<u>440,825</u>	<u>11,270</u>



OMAN INVESTMENT SERVICES SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

11 Share capital

The Company's authorised, issued and fully paid-up share capital at 31 March 2009 comprises 1,000,000 (2008 - 1,000,000) ordinary shares of RO 1 each.

12 Legal reserve

Article 106 of the Commercial Companies Law 1974 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve equals one-third of the company's issued share capital.

13 End of service benefits

	2009 RO	2008 RO
At 1 January	17,462	16,384
Charge for the year	<u>300</u>	<u>269</u>
At 31 March	<u>17,762</u>	<u>16,653</u>

14 Payables and accruals

	2009 RO	2008 RO
Accruals	1,045	9,284
Client payables	<u>670</u>	<u>892</u>
	<u>1,715</u>	<u>10,176</u>

15 Related party transactions

The Company is controlled by Oman International Development and Investment Company SAOG (the Parent Company), which owns 100% of the company's shares.

The Company has entered into transactions with entities over which certain Directors are able to exercise significant influence in the ordinary course of business. Such related parties provide services to the Company, and the Company provides them with services. The Parent Company provided the Company with office space during the period in respect of which no rent has been charged to the company and management services. Further, at 31 March 2009 the Company has bank balances of approximately RO 436,000 (2008 - RO 5,800) with a related party.

- (a) In addition, the Company entered into the following transactions in the ordinary course of business with the Parent Company and other parties in which certain Directors and senior management have an interest:

	2009 RO	2008 RO
Parent Company		
Office and administration costs	1,225	45
Dividend paid	<u>-</u>	<u>250,000</u>



OMAN INVESTMENT SERVICES SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

15 Related party transactions (continued)

(b) The period end balances arising from the purchase of services are as under:

	2009 RO	2008 RO
Payable to:		
Parent company	<u>1,183</u>	<u>308</u>

16 Fiduciary activities

	2009 RO	2008 RO
Investments syndicated by the Company and registered in its name, held beneficially for and on behalf of:		
Parent Company	-	9,146
Other investors	<u>-</u>	<u>20,120</u>
	<u>-</u>	<u>29,266</u>

17 Basic earnings per share

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period, calculated as follows:

	2009	2008
(Loss)/Profit for the period (RO)	<u>(114,031)</u>	<u>179,360</u>
Weighted average number of shares outstanding	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (RO)	<u>(0.114)</u>	<u>0.179</u>

18 Net assets value per share

The calculation of net assets value per share is based on net assets at the end of the period and the number of ordinary shares outstanding at the period end and is as follows:

	2009	2008
Net assets (RO)	<u>620,787</u>	<u>1,464,069</u>
Number of shares outstanding	<u>1,000,000</u>	<u>1,000,000</u>
Net assets per share (RO)	<u>0.621</u>	<u>1.464</u>

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**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

1 Legal status and principal activities

Oman Arab Bank SAOC (the Bank) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock company. It is principally engaged in commercial and investment banking activities through a network of branches in the Sultanate of Oman. The registered head office of the Bank is at Muttrah Business District, PO Box 2010, Ruwi, Postal Code 112, Sultanate of Oman.

The Bank has a management agreement with Arab Bank Plc Jordan, which owns 49% of the Bank's share capital. In accordance with the terms of the management agreement, Arab Bank Plc Jordan provides banking related technical assistance and other management services, including the secondment of managerial staff. The bank employed 788 staff as at 31 March 2009 (31 March 2008: 701)

2 PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Commercial Companies Law of 1974, as amended and the disclosure requirements of the Central Bank of Oman.

Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment securities, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts.

Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available for sale, held-to-maturity investments and loans and advances. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial securities held for trading which are acquired principally for the purpose of selling in the short-term and instruments so designated by management upon inception. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Unrealised gains or losses arising from changes in fair value are included in the income statement in the period in which they arise. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Available for sale investments are that non-derivative financial assets that are either designated in this category or not classified in any other categories of investment.

Available for sale investments

Available for sale financial assets are initially recognised at fair value including transaction costs. Subsequently these assets are carried at fair value. The changes in fair value are recognised in equity. When assets classified as available for sale are sold or impaired, the accumulated fair value changes recognised in equity are included in the income statement as gains and losses from investments

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. Held to maturity investments are carried at amortised cost using the effective interest method.



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Loans and advances

Loans and receivables are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market. They arise when the Bank provides money directly to a debtor with no intention of trading the receivable. Loans and receivables are recognised when cash is advanced to customers and are carried at amortised cost using the effective interest method.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market bid price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated based on discounted cash flow and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counter-parties.

Derecognition

Financial assets are derecognised when the right to receive cash from the financial asset has expired or when the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the liability is extinguished.

Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the Bank, or national or local economic conditions that correlate with defaults on the assets in the Bank; or
- Any other guidelines issued by the Central Bank of Oman.



NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(b) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

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.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only 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.

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 purchases 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.



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are initially recorded at cost and are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down to their recoverable amount. Depreciation is calculated so as to write off the cost of property and equipment, other than freehold land and capital work in progress, using the straight-line basis over the estimated useful lives, as follows:

Freehold property	25 years
Leasehold property	25 years or period of lease if less
Equipment, furniture and fixtures	5 years
Motor vehicles	5 years

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expense is incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Employee Terminal Benefits

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the balance sheet date, having regard to the requirements of the Oman Labour Law 2003. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the balance sheet date. These accruals are included in liabilities.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law 1991, are recognised as an expense in the income statement as incurred.

Taxation

Income tax on the profit or loss for the year 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 the 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.



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured and presented in Rial Omani being the currency of the primary economic environment in which the Bank operates.

(b) Transactions and balances

Transactions in foreign currencies are translated into Rial Omani and recorded at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Rial Omani at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Rial Omani at the foreign exchange rate ruling at the date of the transaction.

Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for custody services that are continuously provided over an extended period of time.

Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and non-restricted balances with the Central Bank of Oman, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, amounts due to other banks and short-term government securities.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Financial guarantees contracts

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the beneficiary for a loss incurred because the debtor fails to make payments when due, in accordance with the terms of the debt. Such guarantees are given to banks, financial institutions or other entities on behalf of the customers.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was issued. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of initial measurement, less amortization calculated to recognize in the income statement the fee income earned on the straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the income statement.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Risk management policies

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

The Bank manages its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

For details of the composition of the loans and advances portfolio refer Note 6.



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Risk management policies (continued)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest/mark-up rate risk as a result of mismatches or gaps in the amount of interest/mark-up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced. The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to strategic goals set in terms of the overall strategy. In addition the Bank holds certain liquid assets as part of its liquidity risk management strategy.

Currency risk

Currency risk arises where the value of financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the Bank enters into ready, spot and forward transactions in the inter bank market.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and foreign currencies assets and liabilities. The net open position is managed within the acceptable limits by buying and selling foreign currencies at spot rates when considered appropriate segregation of duties exist between the front and back office functions while compliance with the net open position is independently monitored on an ongoing basis.

Fair value of financial assets and liabilities

The estimate of fair values of the financial instruments is based on information available to management as at 31 March 2008. Whilst management has used its best judgment in estimating the fair value of the financial instruments, there are inherent weaknesses in any estimation technique. The estimates involve matters of judgment and cannot be determined with precision. The bases adopted in deriving the fair values are as follows:

Treasury bills, Certificate of Deposit and current account balances due to and from banks

The carrying amount of treasury bills, certificate of deposit and current account balances due to and from banks was considered to be a reasonable estimate of fair value due to their short-term nature.



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Risk management policies (continued)

Loans and advances

The estimated fair value of loans whose interest rates are materially different from the prevailing market interest rates are determined by discounting the contracted cash flows using market interest rates currently charged to similar loans. The fair value of non-performing loans approximates to the book value adjusted for provision for loan impairment. For the remainder, the fair value has been taken at book value as the prevailing interest rates offered on similar loans are not materially different from the actual loan rates.

Investments

Quoted market prices, when available are used as the measure for fair value. However, when the quoted market prices do not exist, fair values presented are estimates derived using the net present value or other valuation techniques.

Customers' deposits

The fair value of demand, call, and savings deposits is the amount payable on demand at the reporting date, which equals the carrying value of those liabilities. The estimated fair values of fixed rates deposits are determined by discounting the contractual cash flows using the market interest rates currently offered for similar deposits.

Directors' remuneration

The Directors' remuneration is governed as set out in the Memorandum of Association of the Bank, the Commercial Companies Law, regulations issued by the Capital Market Authority and regulations issued by the Central Bank of Oman.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders provided that such fees shall not exceed RO 200,000. The sitting fees for each director shall not exceed RO 10,000 in one year.

Comparative figures

Certain previous year figures have been adjusted to conform to changes in presentation in the current year.



OMAN ARAB BANK SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

3 Cash and balances with Central Bank of Oman

	31-Mar-09 RO 000	31-Mar-08 RO 000
Cash	12,679	11,810
Balances with Central Bank of Oman		
-Clearing account and other balances	20,932	54,676
-Insurance deposit	435	435
-Capital deposit	500	500
	<u>34,546</u>	<u>67,421</u>

The capital deposit and the insurance deposit cannot be withdrawn without the approval of the Central Bank of Oman. Balances with Central Bank of Oman are non-interest bearing except for the capital deposit, which earns interest at 1.5% per annum (2008 – 1.5% per annum).

4 Certificates of deposit

Certificates of deposit are issued by the Government of Sultanate of Oman and carry interest at the average rate of 0.13% as at 31 March 2009 (31 March 2008 – 0.99%).

5 Due from banks

	31-Mar-09 RO 000	31-Mar-08 RO 000
Money market placements	23,943	20,775
Current accounts	4,066	3,083
	<u>28,009</u>	<u>23,858</u>

6 Loans and advances

	31-Mar-09 RO 000	31-Mar-08 RO 000
Commercial loans	308,851	226,354
Overdrafts	90,979	83,749
Personal loans	174,824	134,988
Credit cards	3,636	3,366
	<u>578,290</u>	<u>448,457</u>
Less: Allowance for doubtful debts and reserved interest	(15,440)	(17,880)
	<u>562,850</u>	<u>430,577</u>



NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009

(a) *Allowance for loan impairment and reserved interest*

The movements in the provision for loan impairment and reserved interest were as follows:

	31-Mar-09		
	Allowance for loan impairment RO 000	Reserved interest RO 000	Total RO 000
Balance at beginning of the period	11,988	2,994	14,982
Provided during the period	330	418	748
Amounts written off during the period	(35)	(3)	(39)
Amounts recovered during the period	(152)	(100)	(253)
Balance at end of the period	12,131	3,309	15,440

	31-Mar-08		
	Allowance for loan impairment RO 000	Reserved interest RO 000	Total RO 000
Balance at beginning of the period	13,734	6,040	19,774
Provided during the period	502	117	619
Amounts written off during the period	(331)	(51)	(382)
Amounts recovered during the period	(1,755)	(376)	(2,131)
Balance at end of the period	12,150	5,730	17,880

The Central Bank of Oman regulations require that the allowance for impaired loan account should be the higher of the provision determined in accordance with IAS 39 and Central Bank of Oman guidelines. Loans and advances on which interest has been reserved and/or has not been accrued amounted to RO 9,362,588 (31 March 2008: RO 14,121,915). Total allowance for the potential loss on the performing loans as at 31 March 2009 is RO 7,145,700 (31 March 2008 5,555,185).



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

(b) *Concentration of loans and advances*

Loans and advances were granted to customers within the Sultanate of Oman. The concentration of gross loans and advances by industry sector is as follows:

	31-Mar-09	31-Mar-08
	RO 000	RO 000
Personal loans including credit cards	178,460	138,354
Manufacturing	59,326	80,794
Construction	68,345	57,518
Services	65,804	36,013
Wholesale and retail trade	69,736	28,056
Mining and quarrying	38,901	23,182
Import trade	22,434	11,287
Transportation	11,372	5,720
Financial Institutions	13,639	8,249
Utilities	9,396	7,288
Agriculture and allied activities	9,083	6,728
Government	767	2,216
Export trade	209	594
Others	<u>30,818</u>	<u>42,458</u>
	<u>578,290</u>	<u>448,457</u>



OMAN ARAB BANK SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

7 Investment securities

	31-Mar-09 RO' 000	31-Mar-08 RO' 000
Financial assets available for sale		
-quoted	237	-
-unquoted	<u>4,080</u>	-
	<u>4,317</u>	
Financial assets designated as at fair value through profit or loss		
- quoted	70	178
- unquoted	<u>465</u>	<u>482</u>
	<u>535</u>	<u>660</u>
Financial assets held for trading		
- quoted	3,033	4,913
- unquoted	<u>103</u>	<u>1,349</u>
	<u>3,137</u>	<u>6,262</u>
Investments held- to- maturity		
Certificates of Deposit	10,000	10,000
Oman Government Development Bonds	<u>8,848</u>	<u>15,270</u>
	<u>18,848</u>	<u>25,270</u>
Total investment securities	<u><u>26,837</u></u>	<u><u>32,192</u></u>

All the bonds are denominated in Rial Omani and are issued by the Government of Oman. They carry interest rates varying between 4% and 5.25% (2008– 4% to 5.25%) per annum. The maturity profile of the bonds, based on the remaining maturity from the balance sheet date, is as follows:

	31-Mar-09 RO'000	31-Mar-08 RO'000
Within one year	1,000	4,050
1 to 5 years	<u>7,845</u>	<u>11,220</u>
	<u>8,845</u>	<u>15,270</u>

	Financial assets available for sale	Financial assets designated as at fair value through profit or loss RO' 000	Financial assets held for trading RO' 000	Investments held to maturity RO' 000	Total RO' 000
At 1 January 2009	254	593	2,863	25,224	28,934
Additions	4,000	-	1,402	-	5,402
Disposals(sale and redemption)	-	-	(1,096)	(6,376)	(7,471)
Gain / (loss) from changes in fair value	<u>63</u>	<u>(58)</u>	<u>(32)</u>	<u>-</u>	<u>(27)</u>
At 31 March 2009	<u>4,317</u>	<u>535</u>	<u>3,137</u>	<u>18,848</u>	<u>26,837</u>

The sector-wise analysis of investments available for sale and investments at fair value through profit or loss is as follows:

	31-Mar-09 RO 000	31-Mar-08 RO 000
Services	2,105	3,331
Industrial	1,113	2,204
Financial services	215	1,150
Investment fund units	<u>4,556</u>	<u>237</u>
	<u>7,989</u>	<u>6,922</u>



NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009

8 Property and equipment

	Land and buildings RO 000	Computer equipment RO 000	Furniture and fixture RO 000	Motor Vehicles RO 000	Total RO 000
Cost					
At 1 January 2009	6,521	8,588	3,795	509	19,413
Additions	-	225	258	12	495
Disposals	-	-	(25)	-	(25)
At 31 Mar 2009	6,521	8,813	4,028	521	19,883
Depreciation					
At 1 January 2009	2,303	5,387	3,413	125	11,228
Charge for the period	45	214	103	13	375
Disposals	-	-	(25)	-	(25)
At 31 Mar 2009	2,348	5,601	3,491	138	11,578
Net book value					
At 31 Mar 2009	4,173	3,212	537	383	8,305
At 31 Mar 2008	4,353	3,122	120	311	7,906

9 Other assets

	31-Mar-09 RO 000	31-Mar-08 RO 000
Interest receivable	2,936	2,834
Clearing cheques	-	2,588
Prepayments	1,886	1,436
Others	1,205	1,408
	6,027	8,266

10 Due to banks

	31-Mar-09 RO 000	31-Mar-08 RO 000
Money market acceptances	-	4,928
Current accounts	11,744	11,698
	11,744	16,626



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

11 Customers' deposits

	31-Mar-09	31-Mar-08
	RO 000	RO 000
Demand and call accounts	261,873	302,418
Term deposits	221,125	224,304
Savings accounts	97,107	96,808
	580,105	623,530

The concentration of customers' deposits by government and private sector is as follows:

	31-Mar-09	31-Mar-08
	RO 000	RO 000
Private	492,809	528,594
Government	87,296	94,936
	580,105	623,530

12 Other liabilities

	31-Mar-09	31-Mar-08
	RO 000	RO 000
Clearing cheques	10,260	-
Interest payable	3,282	2,503
Acceptances and certified cheques	3,059	5,764
Staff related provisions	2,655	2,467
Balances in investment customers accounts	1,545	2,524
Interest and commission received in advance	1,667	1,890
Accrued expenses and others	1,872	1,841
Subscriptions for IPO	2	10,011
	24,342	27,000

The charges and amounts paid in respect of employee terminal benefits were RO 110,303 (31 March 2008: RO 231,094) and RO Nil (31 March 2008: RO 1,475).

13 Taxation

The Bank is liable for income tax in accordance with the income tax laws of the Sultanate of Oman. The tax has been provided at 12%, the rate applicable to the Bank. The Bank is exempt from tax for the period from 16 April 1994 to 31 July 2000. The assessments for the years up to 2005 are complete. The bank has adequate provisions for the tax liability, if any.



OMAN ARAB BANK SAOC

NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2009

14 Share capital

The authorised and issued share capital comprises 75,000,000 fully paid shares of RO 1 each. On 18th March 2009 the Bank has increased the share capital to RO 75 million by rights issue of RO 12 million and by transfer of RO 3 million from retained earnings to share capital. The shareholders at the balance sheet date were as follows:

	Country Of in- corporation	31-Mar-09		31-Mar-08	
		Share holding %	RO 000	Share holding %	RO 000
Oman International Development & Investment Co. SAOG	Oman	50.99	38,242	50.99	19,376
Arab Bank Plc	Jordan	49.00	36,750	49.00	18,620
Oman Investment Services SAOC	Oman	0.01	8	0.01	4
		<u>100.00</u>	<u>75,000</u>	<u>100.00</u>	<u>38,000</u>

15 Legal reserve

According to the Omani Commercial Companies Law of 1974, the Bank is required to transfer 10% of the profit for the year to legal reserve until the accumulated balance of this reserve equals at least one third of the Bank's Paid up share capital. The legal reserve is not available for distribution.

16 Interest income

	3 months ended	
	31-Mar-09 RO 000	31-Mar-08 RO 000
Loans and advances	9,179	7,516
Placements with banks	193	503
Interest from Certificate of Deposits	78	691
Interest from Government Development Bonds	123	170
	<u>9,573</u>	<u>8,880</u>

Interest bearing assets earned interest at an average rate of 5.85% for the three months ended 31 March 2009 (31 March 2008: 5.35%)



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

17 Interest expense

	3 months ended	
	31-Mar-09	31-Mar-08
	RO 000	RO 000
Time deposits	1,586	1,997
Call accounts	213	222
Bank borrowings	3	16
Savings accounts	143	79
	<u>1,945</u>	<u>2,314</u>

For the three months ended 31 March 2009, the average cost of funds was 1.31% (31 March 2008: 1.56%)

18 Investment income

	3 months ended	
	31-Mar-09	31-Mar-08
	RO' 000	RO' 000
Income from investments at fair value through profit or loss		
(Loss)/Profit on sale of investments	(213)	693
Dividend income	138	220
Changes in fair value	(90)	(536)
Total investment income	<u>(165)</u>	<u>377</u>

19 Other operating income

	3 months ended	
	31-Mar-09	31-Mar-08
	RO 000	RO 000
Fees & Commissions	3,040	2,581
Exchange income	1,012	954
Other income	204	340
	<u>4,256</u>	<u>3,875</u>



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

20 Related party transactions

The Bank accepts deposits from its directors and other related concerns including its affiliate banks. Similarly, the Bank provides loans and advances, and other banking services to these parties. These transactions are entered into in the normal course of the Bank's business, on an arm's length basis at open market prices. All loans and advances to related parties are performing advances and are free of any provision for possible credit losses. At 31 March, balances with directors and other related parties were as follows:

	Mar-09		Mar-08	
	RO' 000		RO' 000	
	Major	Others	Major	Others
	Shareholders		Shareholders	
Loans and advances	-	15,243	500	17,426
Customers' deposits	378	4,747	3,248	15,325
Due from banks	25,863	-	3,017	-
Due to banks	2,073	-	1,186	-
Letters of credit, guarantees and acceptances	195,630	4,284	172,988	1,915

The Income Statement includes the following amounts in relation to the transactions with related parties:

Interest & commission income	116	68	93	125
Interest expense	46	-	3	32

Key management compensation

	Mar-09	Mar-08
	RO'000	RO'000
Salaries and other short-term benefits	141	118
End of service benefits	31	33

21 (a) Commitments and Contingent Liabilities

The Bank is a party to financial instrument with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit, financial guarantees to third parties, commitments to extend credit and others. The Bank's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract value or the notional amount of the instrument. However, generally the credit risk on these transactions is lower than the contract value or the notional amount. In addition, some commitments to extend credit can be cancelled or revoked at any time at the banks option.

The risk involved is essentially the same as the credit risk involved in extending loan facilities and therefore these transactions are subject to the same credit organisation, portfolio maintenance and collateral requirements for customers applying for loans and advances. The outstanding contract value or the notional amount of these instruments at 31 March was as follows:



**NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009**

21 (a) Commitments and Contingent Liabilities (continued)

	31-Mar-09	31-Mar-08
	RO 000	RO 000
Letters of credit	144,062	310,549
Guarantees	498,879	340,685
Acceptances	14,192	15,883
	<u>657,133</u>	<u>667,117</u>

Letters of credit and guarantees amounting to RO 490,107,043 (31 March 2008: RO 485,508,770) were counter guaranteed by other banks.

(b) Forward foreign exchange contracts

At the balance sheet date, there were outstanding forward foreign exchange contracts, all maturing within one year, on behalf of customers for the sale and purchase of foreign currencies. The contract values are summarised below:

	31-Mar-09	31-Mar-08
	RO 000	RO 000
Sales	46,741	48,862
Purchases	<u>(46,808)</u>	<u>(48,916)</u>
	<u>(67)</u>	<u>(54)</u>

(C) Assets pledged as Security

At the balance sheet date, the bank has not pledged any of its assets as security. (31 March 2007 no assets pledged).

22 Basic Earnings per share

	31-Mar-09	31-Mar-08
Profit for the period (RO 000)	6,053	7,220
Weighted average number of shares in issue	<u>71,835,616</u>	<u>57,049,180</u>
Basic Earnings per share (Annualized)	<u>RO 0.342</u>	<u>RO 0.488</u>

The par value of each share is RO 1. The basic earnings per share is the annualised profit for the period divided by the weighted average number of shares outstanding.



NOTES TO THE UN-AUDITED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2009

23 Capital adequacy

The principal objective of the Central Bank of Oman's (CBO) capital adequacy requirement is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a bank's balance sheet, in particular credit risk. CBO's risk based capital adequacy framework is consistent with the international standards of the Bank of International Settlement (BIS).

CBO requires the banks' registered in the Sultanate of Oman to maintain the capital adequacy a minimum of 10% based on guidelines of the Basel II accord from January 2007 onwards. The ratio calculated in accordance with the CBO and BIS capital adequacy guidelines as per Basle II accord is as follows. :

	31-Mar-09	31-Mar-08
Capital	RO 000	RO 000
Tier 1	102,239	85,680
Tier 2	<u>7,196</u>	<u>5,351</u>
Total capital base	<u>109,435</u>	<u>91,031</u>
Risk weighted assets		
Credit risk	722,542	551,600
Market risk	27,891	26,062
Operation risk	<u>71,431</u>	<u>61,027</u>
Total risk weighted assets	<u>821,864</u>	<u>638,689</u>
Capital adequacy ratio	<u>13.32%</u>	<u>14.25%</u>

24 Segmental Information

The bank operates in only one geographical location, the Sultanate of Oman. The bank's operating revenues arise primarily from three business segments-corporate, retail and treasury/investment banking.

The following table shows the distribution of the bank's net operating income and total assets by business segments.

	Corporate	Retail	Treasury/ Investment banking	Unallocated	Total
	RO 000	RO 000	RO 000	RO 000	RO 000
At 31 Mar 2009					
Net operating income	<u>4,687</u>	<u>5,639</u>	<u>1,393</u>	-	<u>11,719</u>
Segmental assets	<u>389,062</u>	<u>173,789</u>	<u>148,392</u>	<u>14,332</u>	<u>725,575</u>
At 31 Mar 2008					
Net operating income	<u>3,530</u>	<u>4,040</u>	<u>3,248</u>	-	<u>10,818</u>
Segmental assets	<u>296,447</u>	<u>134,131</u>	<u>314,471</u>	<u>16,171</u>	<u>761,220</u>