

## Board of Director's Report

I am privileged to share with you the results achieved by your Bank during the first quarter of 2009.

Your Bank has shown robust growth over the same period last year. Notably, Net Interest Income has increased from OMR 1.4 million to OMR 4.2 million, a three-fold increase. Operating Income has increased from OMR 2.6 million to OMR 4.6 million, an increase of 75%. Operating Profit increased from OMR 356,000 to OMR 575,000, or by 62%.

This Bank has made provisions for impairments of investments in stocks listed on the Muscat Securities Market, in line with the Central Bank of Oman's guidelines. These provisions are necessary and are in line with a conservative accounting approach of the bank. The provisions are also important to safeguard the overall health of the Banking sector in Oman.

In spite of the higher provisioning, the Net Loss of the Bank has improved from OMR 943,000 to OMR 776,000, an improvement of 18%.

Oman, under the wise leadership of His Majesty Sultan Qaboos Bin Said, has remained relatively immune from the ongoing global financial meltdown. This Bank is taking steps to ensure that the impact of these conditions remains minimal and that it can continue to efficiently partner with Omani business and the common man, and be the bank of choice.

Growth in client base, number of savings accounts and balances, fixed deposits and loans has been strong, diversified and very encouraging. Bank Sohar's market share in both private sector lending and private sector deposits has been consistently improving, to reach 7.1% and 6.6% respectively, as at the end of February 2009. However, customer satisfaction and reliability remain the core goals of your Bank's employees, and this is currently being delivered through various channels such as SMS Banking, Credit Cards, ATMs and the Call Centre.

The Bank's staff strength is now 416, and continues to recruit and provide challenging career opportunities to Omani graduates. The Omanization ratio as at the end of the first quarter of 2009 stood at 84%.

Bank Sohar continues to fulfill its commitment to social responsibility by supporting and sponsoring various social events and activities. The bank has again sponsored the Muscat Festival, and being involved with the Association for the Welfare of Handicapped Children and the Paediatric Oncology Service. The employees of the Bank have participated in various charitable events and even helped clean up the Darsait and Seeb beaches.

On behalf of the Board and staff of Bank Sohar, I would like to thank the Central Bank of Oman and the Capital Market Authority for their astute regulation and guidance. Above all, I would like to express my humble gratitude and pay tribute to His Majesty Sultan Qaboos Bin Said for his wise and discerning leadership that has firmly set Oman on the path of progress and sustainable development.

**Salim Said Hamed Al Fannah Al Aرامي**  
Chairman

## UNAUDITED STATEMENT OF FINANCIAL POSITION

As at 31 March 2009

31 December 2008 USD'000	31 March 2009 USD'000		31 March 2009 RO'000	31 December 2008 RO'000
<b>ASSETS</b>				
243,927	239,278	Cash and balances with Central Bank	92,122	93,912
179,782	83,577	Due from Banks and other money market placements	32,177	69,216
1,647,442	1,768,073	Loans and advances (net)	680,708	634,265
66,982	68,442	Available-for-sale investments	26,350	25,788
35,662	35,408	Property, equipment and fixture	13,632	13,730
15,584	20,405	Other assets	7,856	6,000
<u>2,189,379</u>	<u>2,215,183</u>		<u>852,845</u>	<u>842,911</u>
=====	=====		=====	=====
<b>LIABILITIES</b>				
234,374	215,556	Due to Banks and other money market deposits	82,989	90,234
234,026	234,026	Certificates of deposit	90,100	90,100
1,423,151	1,456,475	Customers' deposits	560,743	547,913
18,182	18,182	Deferred income	7,000	7,000
29,031	40,596	Other liabilities	15,629	11,177
<u>1,938,764</u>	<u>1,964,835</u>		<u>756,461</u>	<u>746,424</u>
=====	=====		=====	=====
<b>SHAREHOLDERS' EQUITY</b>				
259,740	259,740	Share capital	100,000	100,000
4,496	4,496	Legal reserve	1,731	1,731
(1,283)	465	Fair value losses	179	(494)
(12,338)	(14,353)	Accumulated losses	(5,526)	(4,750)
<u>250,615</u>	<u>250,348</u>		<u>96,384</u>	<u>96,487</u>
=====	=====		=====	=====
2,189,379	2,215,183		852,845	842,911
=====	=====		=====	=====
250,615	250,348	<b>Net assets per share (in baizas)</b>	<b>96,384</b>	<b>96,487</b>
=====	=====		=====	=====
176,810	191,639	<b>CONTINGENT LIABILITIES</b>	<b>73,781</b>	<b>68,072</b>
433,797	436,919	<b>COMMITMENTS</b>	<b>168,214</b>	<b>167,012</b>

The financial statements were approved and authorized for issue by the Board of Directors on 13 April 2009 and signed on their behalf by:

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Chairman

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Deputy Chairman

## UNAUDITED INCOME STATEMENT

Period ended 31 March 2009

31 March 2008 USD'000	31 March 2009 USD'000		31 March 2009 RO'000	31 March 2008 RO'000
16,561	30,582	Interest income	11,774	6,376
(12,868)	(19,478)	Interest expense	(7,499)	(4,954)
<u>3,693</u>	<u>11,104</u>	<b>Net interest income</b>	<b>4,275</b>	<b>1,422</b>
3,236	997	Other operating income	384	1,246
<u>6,929</u>	<u>12,101</u>	<b>OPERATING INCOME</b>	<b>4,659</b>	<b>2,668</b>
=====	=====		=====	=====
<b>OPERATING EXPENSES</b>				
(3,138)	(6,584)	Staff costs	(2,535)	(1,208)
(2,431)	(3,060)	Other operating expenses	(1,178)	(936)
(436)	(964)	Depreciation	(371)	(168)
<u>(6,005)</u>	<u>(10,608)</u>		<u>(4,084)</u>	<u>(2,312)</u>
=====	=====		=====	=====
924	1,493	<b>OPERATING PROFIT</b>	<b>575</b>	<b>356</b>
-	(652)	Impairment on investments	(251)	-
(3,374)	(3,135)	Impairment for credit losses	(1,207)	(1,299)
<u>(2,450)</u>	<u>(2,294)</u>	<b>(LOSS) FROM OPERATIONS AFTER PROVISIONS</b>	<b>(883)</b>	<b>(943)</b>
=====	=====		=====	=====
-	279	Deferred tax income	107	-
<u>(2,450)</u>	<u>(2,015)</u>	<b>NET (LOSS) FOR THE PERIOD</b>	<b>(776)</b>	<b>(943)</b>
=====	=====		=====	=====
(2,450)	(2,015)	Basic (loss) per share for the period - in baizas	(0.776)	(0.943)
=====	=====		=====	=====
(9,854)	(8,172)	(Loss) per share for the period (annualised) - in baizas	(3.147)	(3.793)
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**Bank Sohar**  
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