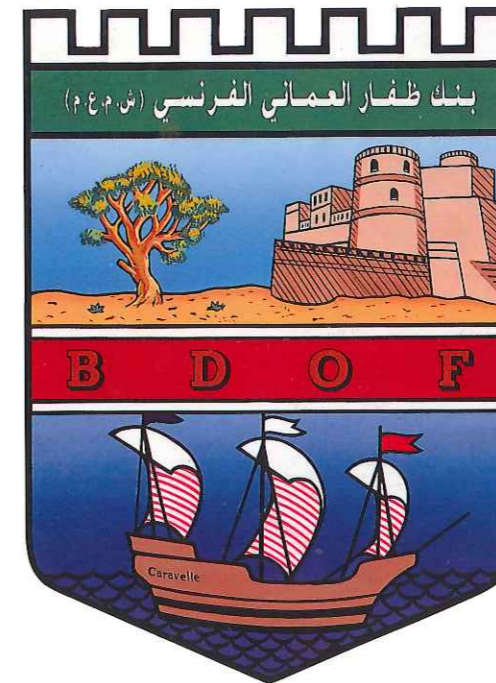


# BANK DHOFAR AL-OMANI AL-FRANSI (SAOC)



**ANNUAL REPORT 1993**



**H.M. Qaboos bin Said  
Sultan of Oman**

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*Ancient inscriptions found in recent excavations at Samburam in Dhofar.*

*"The desire to build a modern state which adopts the methods of science and technology did not force this historic country to neglect its glorious heritage. It has consistently combined this heritage with its modernisation. To this end, it has established its extensive modern infrastructure while, at the same time, it has carefully preserved the precious evidence of its past".*

**His Majesty Sultan Qaboos Bin Said**  
*in his address to the nation for the 23rd National Day.*

# Citadels of an Ancient Civilisation

Through the ages, Omani forts have laid the foundation of an eventful history. Forts located in every city have been the focal points for each passing dynasty.

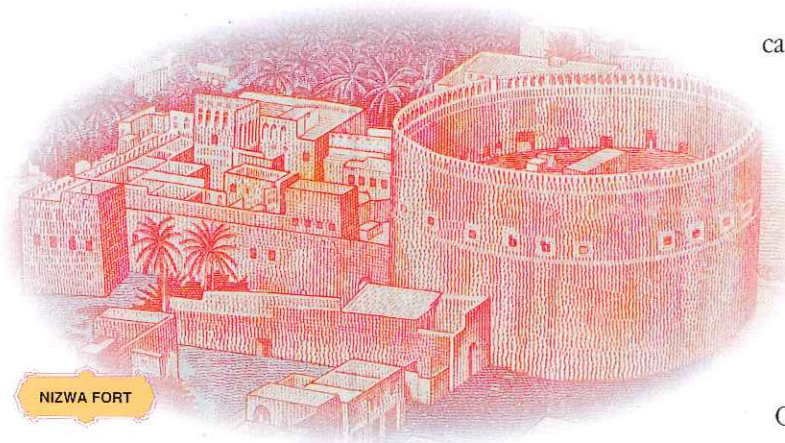
In the 9th century AD Bahla was the capital of Oman. The fort at Bahla is perhaps the oldest example of early Omani architecture. Ramparts of the 15-km. wall could be patrolled by soldiers. The castle itself is a monument of strength and durability, built with clay, straw and plaster.

Geometric designs on the plastered walls are intricately carved and date back around 300 years. An imposing 48 metre tower dominates the surrounding landscape, testimony to the power of Bahla in ancient times.

With the advent of the Portuguese in the 16th century, their presence in Oman gave rise to heavily defended coastal

forts. Among the most famous forts in the Muscat region are the edifices of Mirani and Jalali. These forts were built in the late 16th century, during the reign of King Philip II of Spain, who was also then the ruler of Portugal. The rock solid forts are enduring examples of Portuguese military architecture, using bricks and mortar. Not without reason have these forts withstood sieges and battles so resiliently!

The Ya'ruha dynasty ushered in peace and prosperity. At this time, the great fort at Jabrin was constructed. One of Oman's most beautiful and significant forts, it stands proudly even today. A magnificent tower soars skywards. Arched entrances suggest Moghul influences, but the intricately carved doors are in true Omani tradition. The Jabrin fort has seen a long and colourful history and has been a seat of Omani learning at the peak of Oman's power.



NIZWA FORT

# Citadels of an Ancient Civilisation

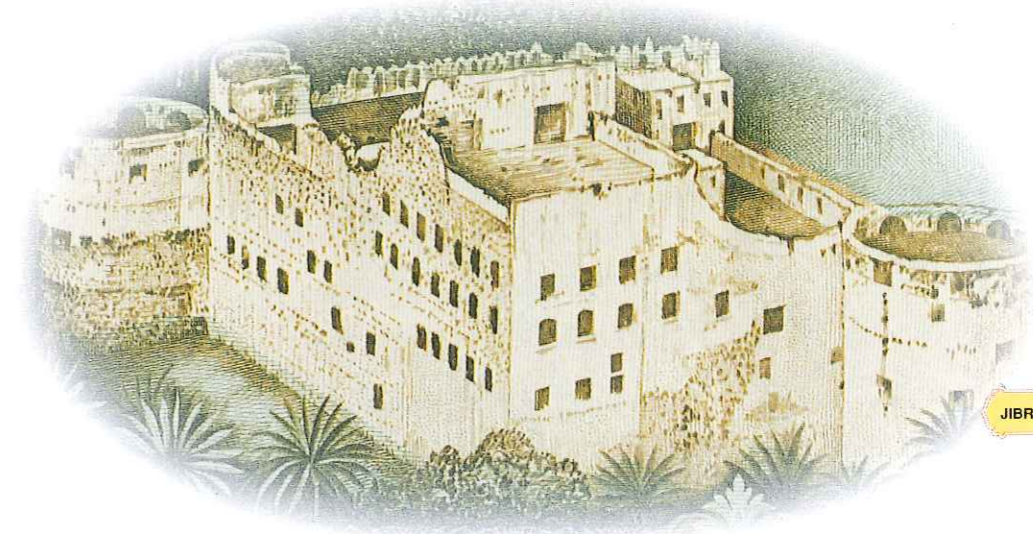
Another noteworthy fort is to be seen at Sohar, once the centre of all maritime activity in the Gulf. In the mid 18th century, Persian troops marched towards Sohar and attacked the fort. Though supplies were short, rulers of Oman successfully withstood the siege for over 9 months, forcing the Persians to finally withdraw.

More recently, the Nizwa fort has been built during the Al Bu Said dynasty. Construction took over 12 years, with carefully planned areas for warfare. The high windows enabled sentries to sight the enemy for miles around. And a 52-metre tower had dungeons for prisoners-of-war.

In the old days the forts of Oman have seen turbulent times. There were provisions for pouring hot oil or honey on the attackers, an age-old warfare tactic. Gun turrets and ammunition reflect Western influences. Presently, only one fort is actually in use by the modern army of Oman. The Bait Al Falaj, built in the 18th century, is the headquarters where old and new military traditions meet. And a heritage of pride endures.



FORT MIRANI



JIBREEN FORT

## Profile - Sultanate of Oman

Strategically situated on the Arabian Peninsula, the Sultanate of Oman's early history was that of a maritime nation which traded extensively in and beyond the Indian Ocean and was especially renowned for its copper and frankincense. Oman has a rich history and very dramatic landscape, especially in the Province of Dhofar from which the Bank takes its name and which is featured pictorially in this Annual Report.

Following the accession of His Majesty Sultan Qaboos Bin Said in 1970, Oman has prospered and now enjoys the benefits of a modern nation state with well-equipped hospitals, schools, roads and public services throughout the country. While oil remains the mainstay of the economy, natural gas is expected to make a significant contribution in due course. Further diversification of the non-oil economy is planned as is an increasing dependence on products and services originating in Oman. These are considered essential to the future well-being of Oman and to provide job opportunities to its population, which was measured at 2 million in the census taken in December 1993.



Camels graze peacefully in the lush rolling grasslands of Dhofar.

## Profile - Sultanate of Oman

ECONOMIC INDICATORS				
		1993	1992	1991
<b>Gross Domestic Product</b>	RO Mio	4,493*	4,417	3,917
Petroleum	%	38	42	42
Construction	%	4	4	4
Wholesale and Retail Trade	%	16	13	13
Producers of Govt. Services	%	17	18	17
Others	%	25	23	24
<b>Exports</b>	RO Mio	2,038	2,135	1,874
Oil	%	78	84	87
Non-oil	%	6	4	4
Re-exports	%	16	12	9
<b>Imports</b>	RO Mio	1,582	1,449	1,228
<b>Money supply(M2)</b>	RO Mio	1,315	1,274	1,236

Source: Development Council.

\* Provisional



The elegantly proportioned Sultan Qaboos Mosque, located in Salalah.

## Profile - Bank Dhofar Al-Omani Al-Fransi (SAOC)

Bank Dhofar Al-Omani Al-Fransi (SAOC) started operations on January 1, 1990 after it purchased the assets and liabilities of the Muscat Branch of Banque Paribas, whose presence in Oman dates back to 1974. On inception, Banque Paribas took a 30% stake in the Bank and signed a five year management agreement under which it provides the Bank with technical assistance and general management services.

Operating initially with two branches, the new Bank's main activities were limited to trade and project financing.

On February 9, 1992, the authorised share capital of the Bank was increased to RO 15 million, following which 90% of the shares belonged to Omani institutions and citizens and 10% to Banque Paribas.

On February 15, 1992, the Bank finalised a Sale and Purchase Agreement with the Central Bank of Oman whereby it assumed control and then re-activated the operations of a bank which was very much larger than the Bank itself at that time. Consequently, the Bank widened its activities to retail banking throughout the Sultanate and now has six branches in the Capital Area, one each in Salalah and Sohar and four in the interior.



*The Governor's office in Dhofar is majestically set in beautiful gardens.*



*A typical Dhofar road, lined with rows and rows of coconut trees.*

# Bank Directory

## HEAD OFFICE

P. O. Box 1507, Ruwi  
Postal Code 112  
Sultanate of Oman

General Manager

Administration

Credit

Credit Control

Finance

Internal Audit

International/Treasury

Operations

Personnel

Tel (968) 790466

Fax (968) 797246

Luc Rousselet

V. Rama Rao

Mervyn Fernando

P. Srinivasan

Alan R. Middleton

Leslie Somanader

Mohd. Asghar

David Whyte

Abdul Rahman Saeed

## BRANCH OFFICES:

### Capital Area

#### MBD Area

P.O. Box 2230, Ruwi, Postal Code 112  
Tel: 797240, Fax: 798621  
Manager: Mr. Syed Ziarat Ali

#### Ruwi High Street

P. O. Box 1442, Ruwi, Postal Code 112  
Tel: 701892/701090, Fax: 701892  
Manager (Acting): Mr. Salman Mirza

#### Muttrah Sook

P. O. Box 1441, Ruwi, Postal Code 112  
Tel: 713556/714279, Fax: 713556  
Manager: Mr. Afaque Majeed

#### Muscat

P. O. Box 1613, Muttrah, Postal Code 114  
Tel: 739166/736606, Fax: 739166  
Manager: Mr. Tahseen Ahmed Siddiqui

#### Seeb Airport

P. O. Box 56, Seeb, Postal Code 111  
Tel: 510101/510102, Fax: 510468  
Manager: Mr. Khalfan Khamis Al-Wehaibi

#### Al Khuwair

P. O. Box 1507, Ruwi, Postal Code 112  
Tel: 602374, Fax: 601623  
Manager: Mr. Abdallah Said El-Bahanta

### Other

#### Salalah

P. O. Box 2334, Salalah, Postal Code 211  
Tel: 294862/3, Fax: 295291  
Manager: Mr. Shehzada Riaz

#### Nizwa

P. O. Box 83, Nizwa, Postal Code 611  
Tel: 410234, Fax: 411234  
Manager: Mr. Syed Muzafar Alam

#### Ibri

P. O. Box 28, Ibri, Postal Code 511  
Tel: 489341, Fax: 490341  
Manager: Mr. Mushtaq Ahmed

#### Rustaq

P. O. Box 25, Rustaq, Postal Code 318  
Tel: 875117, Fax: 875591  
Manager: Mr. Salim Hamad Soud Al-Dholy

#### Sohar

P. O. Box 21, Sohar, Postal Code 311  
Tel: 840228, Fax: 841229  
Manager: Mr. Abdul Hakeem Al-Ojaily

#### Sur

P. O. Box 75, Sur, Postal Code 411  
Tel: 440256, Fax: 440615  
Manager: Mr. Saulat Hameed



*The eastern parts of Dbofar abound with frankincense trees, Dbofari frankincense yields can reach 7,000 tonnes a year!*



## Board of Directors

**H.E. Ahmed Bin Saif Bin Mussallam Al-Rawahi**

*Chairman*



**H.E. Claude De Kemoullaria**

*Vice Chairman*



**H.E. Yousuf Bin Alawi Bin Abdullah**

*Director*



**H.E. Salim Bin Ofaith Bin Abdullah Al Shanfari**

*Director*



**H.E. Abdul Qhadir Salim Al-Dhabah**

*Director*



**Mr. J.P. Antia**

*Director*



**Mr. Suleiman Bin Mohd. Al-Yahyai**

*Director*



**Mr. Francis G. Caze**

*Director*



## Chairman's Report

On behalf of the Board of Directors, I am honoured to present this report and the accounts of Bank Dhofar Al-Omani Al-Fransi (SAOC) for the year ended December 31, 1993 to the shareholders.

Following the challenges which we faced in activating and establishing the national network of branches acquired in March 1992, this year we have consolidated our position and reported a significant increase in operating profits - by 59% to RO 1.112 million - in addition to which we have been able to release loan loss provisions of RO 1.471 million specific to agreements reached with various borrowers as to settlement of their indebtedness to the Bank. Discounting this windfall profit, our return on shareholders' equity remains at a modest level in response to which measures have been taken to improve further the profitability of the Bank. These measures include extending the range of products and services on offer, commissioning new computer systems which will enhance customer services and operational controls, and exercising rigorous cost controls, thus enabling the Bank to further strengthen its substantial capital resources.

Within the Bank, organisational changes have been made with the appointment of new directors and a new General Manager, together with other experienced and specialist staff.

In furtherance of our commitment to the key issue of Omani personnel representation within the Bank, one third of our branches are now managed by Omanis. In addition, we are funding educational scholarships to enable promising young Omanis to study abroad prior to their being employed in the Bank. This initiative is indicative of our wholehearted commitment to the training and development of the Bank's staff and their assumption in due course of positions of responsibility.

In general terms, interest margins have been enhanced even as rates have declined. This has been achieved by reducing the cost of deposits while focusing on the expansion of our consumer loan portfolio and extending our involvement in trade finance, treasury and loan syndication activities.

The achievements of 1993 reflect favourably on the contribution of both our staff and the directors, as well as on their continuing commitment to the Bank's vigorous participation in the economic and social development of the Sultanate of Oman. Such achievements would not have been realised or forthcoming without the unstinting support of the Bank's shareholders.

The Board wishes to express its appreciation of the wise leadership and generous support extended by His Majesty Sultan Qaboos Bin Said and the Government, not to mention the invaluable guidance and counsel provided by the Central Bank of Oman. The Board is also appreciative of the confidence shown in the Bank by its correspondents and customers.

While His Majesty has been the inspiration of the modern infrastructure and prosperity enjoyed by the citizens of Oman today, he has been mindful of the need to preserve our glorious past by declaring 1994 to be the 'Year of Heritage'. Accordingly, within this Annual Report, 'Citadels of an Ancient Civilisation' depicts the country's acknowledgement of His Majesty's exhortation to preserve our heritage. This is further exemplified by the fact that the fort sketches featured in the Annual Report are to be found on currency notes issued by the Central Bank of Oman.

**Chairman**  
April 1994

# Management Review

## Financial highlights of 1993 (expressed in RO'000)

	1993	1992	1991
<b>For the year:</b>			
Net interest income	2,611	2,001	1,129
Other operating income	1,350	1,014	552
Operating profit	1,112	697	749
<b>At year-end:</b>			
Total assets	96,123	96,921	46,797
Liquid assets	31,574	30,103	16,431
Loan and advances	60,621	62,954	28,981
Customer deposits	72,629	78,589	36,282
Shareholders' equity	15,366	15,187	5,141
Share capital	15,000	15,000	5,000
Full service branches	12	13	2
Number of employees	234	231	47

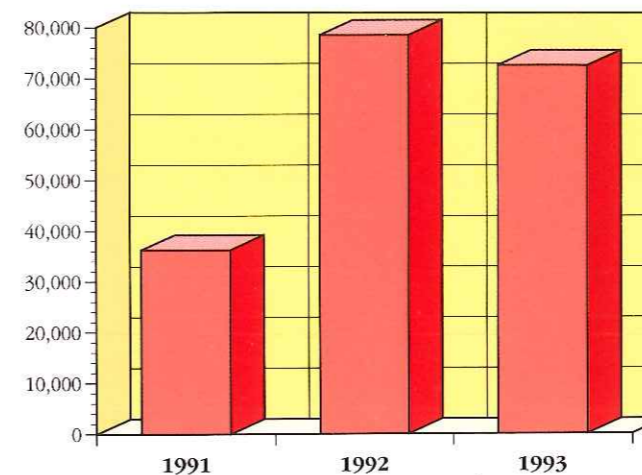
With the commitment and support of our shareholders, the Bank maintains a strong capital base with shareholders' equity representing 16% of total assets as of December 31, 1993 and a BIS Risk Assets ratio of 25%

This fourth year of operations has seen a significant decline in interest rates, both locally and internationally. In shedding high cost deposits and managing available funds effectively, the Bank's net interest margin improved from 33% in 1992 to 42%. A significant improvement was also forthcoming in terms of other operating income, being derived primarily from foreign exchange earnings, as well as fees and commissions specific to our involvement in trade finance and loan syndication activities. Given the expansion of our branch network as from March 1992 and the need to engage specialist staff, expenditure on overheads increased by 22% in 1993.

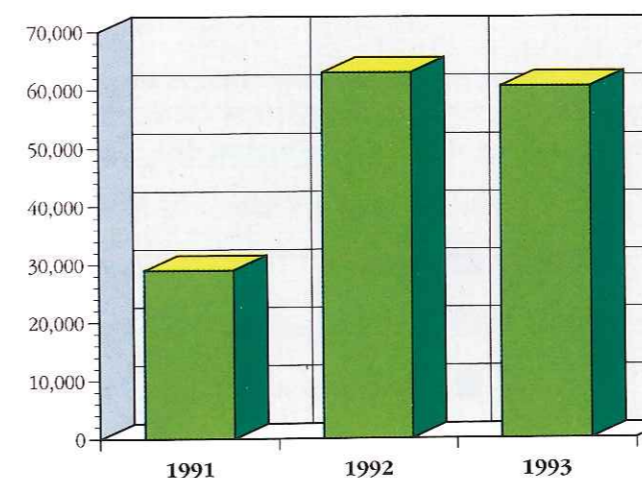
Our ability to meet customer needs has been enhanced with the re-organisation of our branch network including the successful establishment of a branch in Al-Khuwair and the appointment of 4 Omanis as Branch Managers. Our focus has been on corporate clients, to whom a wide range of facilities and services are available, as well as on personal clients in the form of consumer loans.

# Management Review (Continued)

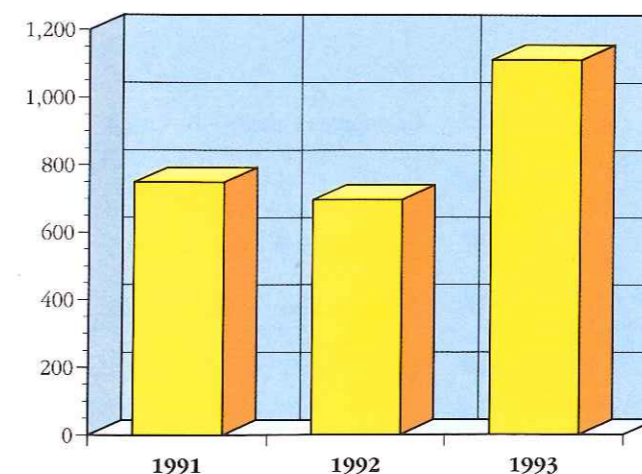
## Deposits



## Loans and advances

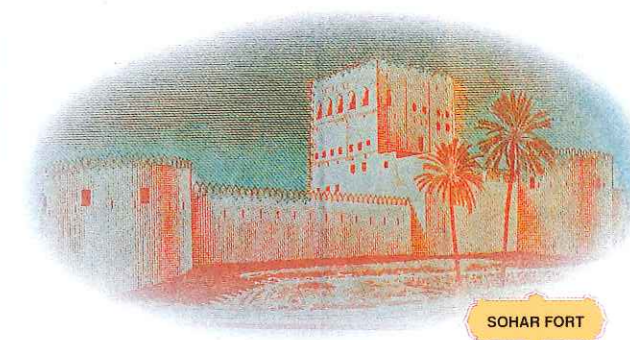


## Operating profit



Loan syndications have continued to feature strongly in terms of our contribution to the development of the economy. The Bank has arranged and managed facilities of US\$ 34 million for a refinery conversion and upgrade programme and US\$ 11.5 million for a specialist drilling contract, as well as participated in other syndications which will develop the natural resources and infrastructure of the Sultanate.

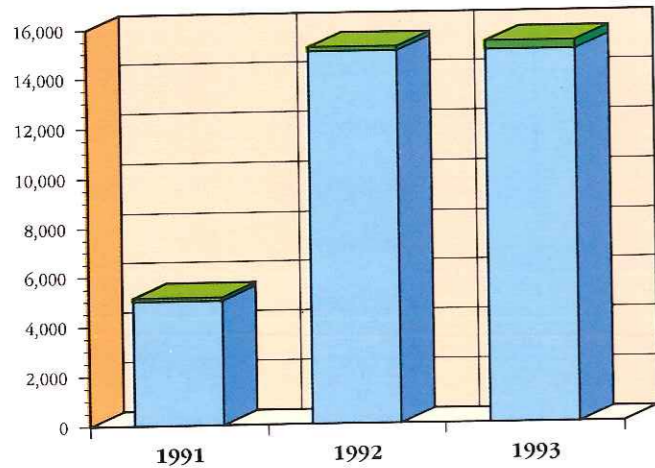
Throughout 1993, progress was made in the pursuit of debtors who had been unable or unwilling to meet their obligations which, in effect, were a legacy of the Bank's expansion in March 1992. Consequently, it was possible to release excess provisions of R 1.471 million to income (as explained in the Chairman's Report).



SOHAR FORT

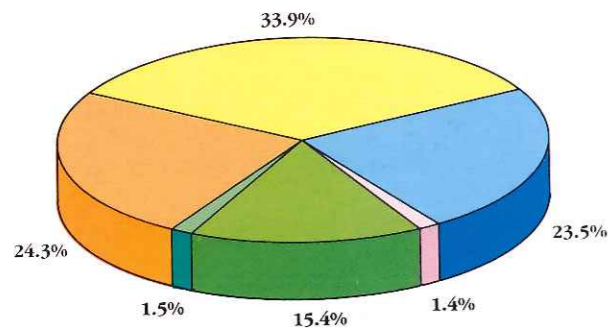
# Management Review (Continued)

## Shareholders' equity



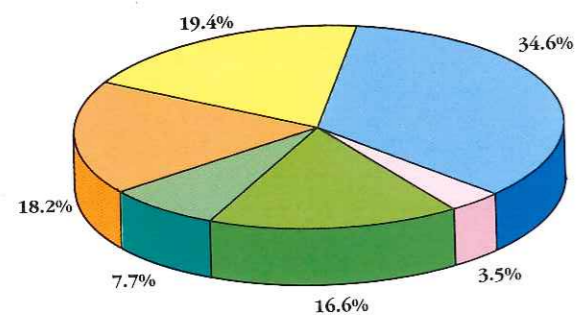
- Share Capital
- Reserves/Unappropriated Profits

## Loans and advances December 31, 1993



Consumer Credit	33.9
Trade	23.5
Financial Services	1.4
Construction	15.4
Government	1.5
Others	24.3

## Loans and advances December 31, 1992



Consumer Credit	19.4
Trade	34.6
Financial Services	3.5
Construction	16.6
Government	7.7
Others	18.2

We have continued to make progress in 1993 and, with the strong support and guidance of the Board of Directors, we are confident that this momentum will be maintained in 1994 as we expand our activities and, also, begin to realise the benefits of our substantial investment in both computer systems and the Omanisation programme.

# Report of the Auditors



**Peat Marwick**

**بيت مارويك**

Chartered Accountants

محاسبون قانونيون

**Peat Marwick Mitchell & Co.**

4th Floor, BBME Building,  
Muttrah Business District  
P.O. Box 641 Ruwi - Postal Code 112  
Sultanate of Oman  
Telephones : (968) 709181 - 709183  
Telefax : (968) 700839

بيت مارويك ميشيل وشركاهم

الدور الرابع مبنى بي. بي. ام إي  
حي مطرح التجاري  
ص.ب. : ٦٤١ روي - الرمز البريدي ١١٢  
سلطنة عمان  
هاتف : ٧٠٩١٨١ - ٧٠٩١٨٣ (٩٦٨)  
تليفاكس : ٧٠٠٨٣٩ (٩٦٨)

## Report of the auditors to the Members of Bank Dhofar Al-Omani Al-Fransi (SAOC)

We have audited the financial statements on pages 16 to 26 in accordance with International Standards on Auditing.

In our opinion, the financial statements present fairly the financial position of Bank Dhofar Al-Omani Al-Fransi (SAOC) at December 31, 1993 and the result of its operations for the year then ended in accordance with International Accounting Standards and comply with the Commercial Companies Law 1974.

*Peat Marwick Mitchell & Co.*

**PEAT MARWICK MITCHELL & CO.**

3 May 1994



Member firm of  
Klynveld Peat Marwick Goerdeler

س.ب. رقم : ١/٣٠٩٣٦/٦  
C.R. No. : 1/30936/6

# Balance Sheet

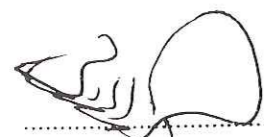
December 31, 1993

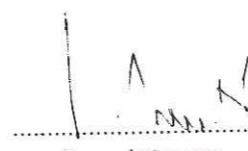
1993 US\$	1992 US\$	Assets	Notes	1993 RO	1992 RO
1,632,306	2,049,965	✓ Cash	14	627,810	788,448
46,800,000	41,860,000	Treasury bills	14	✓ 18,000,000 (5)	16,100,000
33,660,419	34,358,514	Due from banks	4 & 14	✓ 12,946,315 (6)	13,214,813
157,613,303	163,681,937	Loans and advances	5 & 14	✓ 60,620,501 (4)	62,954,591
7,176,000	8,085,415	Investment securities	6 & 14	2,760,000 (15)	3,109,775
1,724,804	945,966	Fixed assets	7	663,386	363,833
1,312,466	1,012,449	Other assets	8	504,794 (6)	389,403
<u>249,919,298</u>	<u>251,994,246</u>	<b>Total assets</b>		<u>96,122,806</u>	<u>96,920,863</u>
		<b>Liabilities</b>			
188,836,024	204,331,018	Deposits and other accounts	9 & 14	72,629,240 (7)	78,588,853
10,678,801	1,054,942	Due to banks	14	4,107,231 (8)	405,747
3,900,000	877,500	Proposed dividend		1,500,000	337,500 (11)
6,551,618	6,243,713	Other liabilities	10	2,519,853 (9)	2,401,428
<u>209,966,443</u>	<u>212,507,173</u>	<b>Total liabilities</b>		<u>80,756,324</u>	<u>81,733,528</u>
		<b>Shareholders' equity</b>			
39,000,000	39,000,000	Share capital	11	15,000,000	15,000,000
775,050	309,117	Legal reserve	12	298,096	118,891
102,965	102,965	General reserve	12	39,602	39,602
74,840	74,991	Profit and loss account		28,784	28,842
<u>39,952,855</u>	<u>39,487,073</u>	<b>Total shareholders' equity</b>		<u>15,366,482</u>	<u>15,187,335</u>
<u>249,919,298</u>	<u>251,994,246</u>	<b>Total liabilities and shareholders' equity</b>		<u>96,122,806</u>	<u>96,920,863</u>
<u>162,214,000</u>	<u>92,024,401</u>	<b>Contingent liabilities</b>	13	<u>62,390,000</u>	<u>35,394,000</u>

The notes on pages 19 to 26 form part of these financial statements.

The report of the auditors is set forth on page 15.

The financial statements were approved by the Board of Directors on April 25, 1994.

  
Chairman

  
General Manager

# Profit and Loss Account

Year ended December 31, 1993

1993 US\$	1992 US\$	Income	Notes	1993 RO	1992 RO
16,234,494	15,831,879	Interest income		6,244,036	6,089,184
9,446,627	10,629,305	Interest expense		3,633,318	4,088,194
6,787,867	5,202,574	Net interest income		2,610,718	2,000,990
3,510,458	2,636,027	Other operating income	15	1,350,176	1,013,856
<u>10,298,325</u>	<u>7,838,601</u>	<b>Total income</b>	(1) ✓	<u>3,960,894</u>	<u>3,014,846</u>
		<b>Expenses</b>			
28,085	34,271	Commission		10,802	13,181
6,802,645	5,591,248	Staff and administration costs	16	2,616,402	2,150,480
245,736	110,950	Management fee	2	94,514	42,673
331,739	289,175	Depreciation	7	127,592	111,221
<u>7,408,205</u>	<u>6,025,644</u>	<b>Total expenses</b>	(2) ✓	<u>2,849,310</u>	<u>2,317,555</u>
2,890,120	1,812,957	<b>Operating profit for the year</b>		1,111,584	697,291
1,601,465	(686,247)	Credit (provision) for loans and advances	5 (3) ✓	615,948	(263,941)
-	(130,000)	Provision for contingent liabilities		-	(50,000)
4,491,585	996,710	<b>Net profit for the year</b>	(3) ✓	1,727,532	383,350
74,989	161,710	Unappropriated profits brought forward		28,842	62,196
<u>4,566,574</u>	<u>1,158,420</u>	<b>Profit available for appropriation</b>		<u>1,756,374</u>	<u>445,546</u>
		Proposed appropriations:			
465,933	102,965	Legal reserve	12	179,205	39,602
-	102,965	General reserve	12	-	39,602
125,801	-	Directors' remuneration		48,385	-
3,900,000	877,500	Dividend		1,500,000	337,500
4,491,734	1,083,430			1,727,590	416,704
<u>74,840</u>	<u>74,991</u>	<b>Unappropriated profits carried forward</b>		<u>28,784</u>	<u>28,842</u>

The notes on pages 19 to 26 form part of these financial statements.

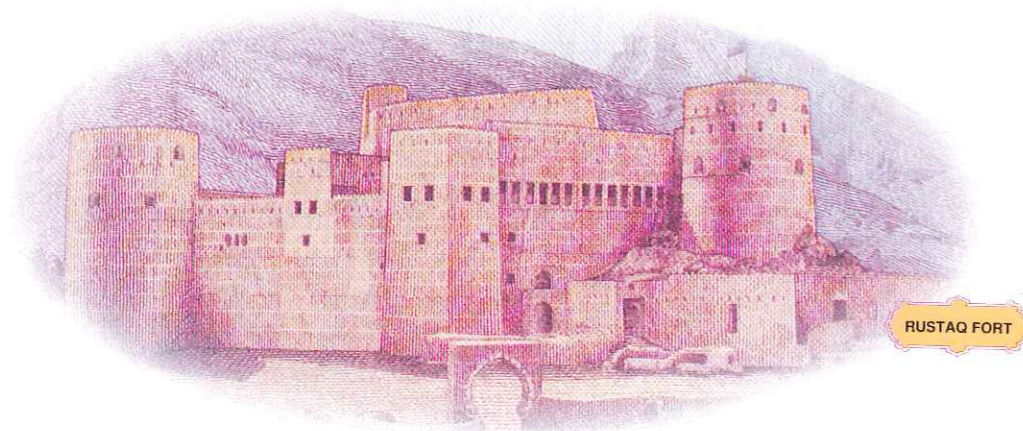
The report of the auditors is set forth on page 15.

# Statement of Changes in Financial Position

Year ended December 31, 1993

1993 US\$	1992 US\$		1993 RO	1992 RO
4,491,583	996,710	<b>Source of funds</b>		
		Net profit for the year	1,727,532	383,350
		Items not involving the movement of funds:		
(1,601,465)	686,247	Loans and advances	(615,948)	263,941
16,609	42,372	Investment securities	6,388	16,297
331,739	289,180	Fixed assets	127,592	111,223
<u>3,238,466</u>	<u>2,014,509</u>	<b>Funds generated from operations</b>	<u>1,245,564</u>	<u>774,811</u>
		<b>Funds from other sources</b>		
-	26,000,000	Issue of shares	-	10,000,000
892,806	-	Investment securities	343,387	-
<u>4,131,272</u>	<u>28,104,509</u>		<u>1,588,951</u>	<u>10,774,811</u>
		<b>Application of funds</b>		
(1,110,577)	(963,622)	Fixed assets (net)	(427,145)	(370,624)
(877,500)	(1,040,000)	Dividend	(337,500)	(400,000)
-	(5,290,571)	Investment securities	-	(2,034,835)
<u>2,143,195</u>	<u>20,720,316</u>	<b>Increase in net banking assets</b>	<u>824,306</u>	<u>7,969,352</u>
		<b>Components of increase in net banking assets</b>		
(10,739,612)	15,579,486	Cash and deposits with banks	(4,130,620)	5,992,110
4,940,000	28,860,000	Treasury bills	1,900,000	11,100,000
(7,370,082)	89,538,654	Loans, advances and other assets	(2,834,647)	34,437,944
15,312,889	(113,257,825)	Deposits and other liabilities	5,889,573	(43,560,702)
<u>2,143,195</u>	<u>20,720,315</u>		<u>824,306</u>	<u>7,969,352</u>

The notes on pages 19 to 26 form part of these financial statements.  
The report of the auditors is set forth on page 15.



# Notes to the Financial Statements

December 31, 1993

## 1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Dhofar Al-Omani Al-Fransi (SAOC) ("the Bank") is incorporated in the Sultanate of Oman as a closed joint stock company and is principally engaged in corporate and retail banking activities.

On March 2, 1992, the Bank purchased certain disclosed assets and liabilities from the Administrator of a bank previously operating in the Sultanate. These assets and liabilities were incorporated in these financial statements at their fair value as determined by management at the date of purchase. The excess of acquired liabilities over assets amounted to RO 15,000,000 which has been received from the Administrator.

The Bank has been granted an exemption from taxation for a period of five years through December 31, 1994. Accordingly, no provision for taxation has been made in these financial statements.

## 2. MANAGEMENT AGREEMENT

Under the terms of a Management Agreement dated January 1, 1990, between the Bank and Banque Paribas of France, owner of 10% of the Bank's share capital, the latter provides technical aid, assistance and general management services to the Bank.

Under the Management Agreement, which is for a term of five years through December 31, 1994, Banque Paribas is entitled to fixed management fees of RO 30,000 per annum as well as 4% of the net profits after appropriations to reserves amounting to RO 64,514 (1992 : RO 12,673).

## 3. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies, which comply with International Accounting Standards, have been consistently applied in dealing with items that are considered material in relation to the Bank's financial statements.

### (a) Basis of accounting

These financial statements have been prepared under the historical cost accounting convention.

Certain comparative figures have been restated to conform with the current year's presentation.

### (b) Revenue recognition

Interest income and expense are recognised on the accruals basis.

Interest on loans and advances which management consider doubtful is suspended and recognition in the profit and loss account is deferred until such time as the interest has been received.

Fees and commissions are recognised over the period of the transaction to which they relate.

### (c) Provisions for loans and advances

Loans and advances are stated net of provisions for potential loan losses and reserved interest.

The Bank establishes specific provisions for identified loans and advances for which recoverability is considered doubtful and a general provision for the inherent risk in the portfolio.

Loans and advances are written off only when there is no prospect of recovery.

### (d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation except for freehold land which is stated at cost. Depreciation is calculated so as to write off the cost of fixed assets, other than freehold land, by equal instalments over their estimated economic useful lives as follows:

	Years
Furniture and equipment	3-7
Motor vehicles	4
Computer equipment	5

### (e) Investment securities

Long-term investment securities are stated at cost less any permanent diminution in the value of the investments, where applicable. Short-term quoted securities are stated at the lower of cost or market value.

Interest and dividends from investments are accrued once notification of entitlement is received. Gains and losses on trading and market value adjustments are recognised in the profit and loss account.

# Notes to the Financial Statements

December 31, 1993 (Continued)

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (f) Staff terminal benefits

The provision for staff terminal benefits is accrued in accordance with the terms of employment of the Bank's staff at the balance sheet date, having regard to the requirements of the Labour Law 1973 and the Social Security Law 1991.

### (g) Foreign currencies

Transactions denominated in foreign currencies are translated into Rials Omani and recorded at rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Rials Omani at exchange rates ruling on the balance sheet date. Realised and unrealised exchange gains and losses have been dealt with in the profit and loss account.

## 4. DUE FROM BANKS

	1993 RO'000	1992 RO'000
Due from Central Bank of Oman	829	1,025
Due from other banks	12,117	12,190
	<u>12,946</u>	<u>13,215</u>

## 5. LOANS AND ADVANCES

	1993 RO'000	1992 RO'000
Overdrafts	30,147	36,515
Loans	43,753	32,543
Loans against trust receipts	1,730	6,678
Bills discounted	1,958	2,979
Others	186	213
<b>Gross loans and advances (see below)</b>	<u>77,774</u>	<u>78,928</u>

### Less: Provision for loans and advances (specific and general)

Balance at January 1	(11,128)	(322)
Acquisition adjustment (see below)	-	(12,729)
Provision (credit):		
Provided	(855)	(264)
Released to income	1,471	-
	<u>616</u>	<u>(264)</u>
Written off	193	2,187
Balance at December 31	<u>(10,319)</u>	<u>(11,128)</u>

### Less: Provision for reserved interest

Balance at January 1	(4,845)	(4)
Acquisition adjustment (see below)	-	(3,427)
Reserved	(2,269)	(1,959)
Released to income	124	-
Written off	156	545
Balance at December 31	<u>(6,834)</u>	<u>(4,845)</u>
<b>Net loans and advances</b>	<u>60,621</u>	<u>62,955</u>

# Notes to the Financial Statements

December 31, 1993 (Continued)

## 5. LOANS AND ADVANCES (Continued)

	1993 RO'000	1992 RO'000
<b>Net loans and advances comprise:</b>		
(a) Classified advances	23,259	22,856
Specific provisions	(9,137)	(9,114)
Reserved interest	(6,834)	(4,845)
	<u>7,288</u>	<u>8,897</u>
(b) Other advances	54,515	56,072
(c) General provisions	(1,182)	(2,014)
	<u>60,621</u>	<u>62,955</u>

Gross loans and advances of RO 41,824,000 acquired by the Bank on March 2, 1992, as mentioned in Note 1, were determined by management to have been worth RO 25,668,000 at that time and due provision of RO 16,156,000 was made to reflect their fair value. During the year ended December 31, 1993, the Bank had reached agreement with various borrowers as to settlement of loans considered on acquisition to have been worth RO 2,129,000 (1992: RO 6,078,000).

Provisions of RO 1,471,000 were released to income during the year ended December 31, 1993 in respect of agreements reached with various borrowers as to settlement of their indebtedness to the Bank. RO 938,000 is in respect of agreements reached in 1992 and RO 533,000 in 1993.

## 6. INVESTMENT SECURITIES

	1993 RO'000	1992 RO'000
Government bonds	2,760	3,000
Quoted securities (at market value)	-	110
	<u>2,760</u>	<u>3,110</u>

## 7. FIXED ASSETS

	Freehold land RO' 000	Furniture & equipment RO' 000	Motor vehicles RO' 000	Computer equipment RO' 000	Total RO' 000
<b>Cost</b>					
As at January 1, 1993	140	345	113	-	598
Additions	-	73	13	358	444
Disposals	-	(72)	(24)	-	(96)
At December 31, 1993	<u>140</u>	<u>346</u>	<u>102</u>	<u>358</u>	<u>946</u>
<b>Depreciation</b>					
As at January 1, 1993	-	198	36	-	234
Charge for the year	-	71	29	28	128
Disposals	-	(72)	(7)	-	(79)
At December 31, 1993	<u>-</u>	<u>197</u>	<u>58</u>	<u>28</u>	<u>283</u>
<b>Net book value</b>					
At December 31, 1993	<u>140</u>	<u>149</u>	<u>44</u>	<u>330</u>	<u>663</u>
At December 31, 1992	<u>140</u>	<u>147</u>	<u>77</u>	<u>-</u>	<u>364</u>

# Notes to the Financial Statements

December 31, 1993 (Continued)

8. OTHER ASSETS	1993	1992
	RO'000	RO'000
Income receivable	138	175
Prepaid expenses	96	89
Assets taken in settlement of debts	76	-
Items in course of collection	82	75
Others	113	50
	<u>505</u>	<u>389</u>

9. DEPOSITS AND OTHER ACCOUNTS	1993	1992
	RO'000	RO'000
Current accounts	18,389	12,980
Savings accounts	5,428	4,920
Fixed deposits	48,376	60,239
Others	436	450
	<u>72,629</u>	<u>78,589</u>

10. OTHER LIABILITIES	1993	1992
	RO'000	RO'000
Deferred income	292	248
Interest payable	787	1,098
Provision for contingent liabilities	50	50
Creditors and accruals	1,391	1,005
	<u>2,520</u>	<u>2,401</u>

## 11. SHARE CAPITAL

The authorised and issued share capital comprises 15,000,000 shares of RO 1 each. On February 9, 1992 the Bank increased its authorised capital from RO 5 million to RO 15 million. 10,000,000 additional shares of RO 1 each were issued at par and fully subscribed as of July 15, 1992.

12. RESERVES	1993	1992
	RO'000	RO'000
<b>Legal reserve</b>		
Balance at January 1	119	79
Appropriation	179	40
Balance at December 31	<u>298</u>	<u>119</u>
<b>General reserve</b>		
Balance at January 1	40	-
Appropriation	-	40
Balance at December 31	<u>40</u>	<u>40</u>

The legal reserve, which is not available for distribution, is accumulated in accordance with the Commercial Companies Law 1974. The annual appropriation is 10% of the net profit for the year, before the deduction of RO 64,514 (1992: RO 12,673) management fees due to Banque Paribas as explained in Note 2, until such time as the reserve amounts to at least one third of the share capital.

The general reserve is established to support the operations and the capital structure of the Bank and is not currently intended to be available for distribution to shareholders.

# Notes to the Financial Statements

December 31, 1993 (Continued)

## 13. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Letters of credit, guarantees and other commitments for which there were corresponding customer liabilities:

	1993	1992
	RO'000	RO'000
Letters of credit	26,673	13,745
Acceptances	2,554	1,961
Guarantees and performance bonds	13,350	7,716
Advance payment guarantees	3,146	7,484
Others	16,667	4,488
	<u>62,390</u>	<u>35,394</u>

Letters of credit, guarantees and other commitments denominated in foreign currencies amounted to RO 47,533,000 (1992: RO 18,031,000) and RO 11,739,000 (1992: RO 12,055,000) was counter-guaranteed by other banks.

(b) Outstanding foreign exchange contracts on which no loss is expected to arise for the forward sale and purchase of foreign currencies.

	1993	1992
	RO'000	RO'000
Sales	3,071	2,108
Purchases	3,198	2,076

(c) Capital and investment commitments

	1993	1992
	RO'000	RO'000
Contractual commitments for fixed assets	89	Nil
Authorised but not contracted:		
Investment securities	100	Nil
Fixed assets	300	Nil



Traditional "Habbodh" dance performed at Al Fateh Stadium during Eid and National Day celebrations.

# Notes to the Financial Statements

December 31, 1993 (Continued)

## 14. ANALYSIS OF ASSETS AND LIABILITIES

### (a) Maturity analysis

	Assets		Liabilities	
	Cash, Treasury bills, due from banks and investment securities RO'000	Gross loans and advances RO'000	Deposits and other accounts RO'000	Due to banks RO'000
<b>December 31, 1993</b>				
Due on demand	3,844	34,292	23,923	557
Due within 7 days	3,054	8,168	6,132	3,550
Due within 8 - 30 days	5,798	1,110	12,065	-
Due within 2 - 3 months	342	5,579	10,246	-
Due within 4 - 6 months	439	2,590	9,497	-
Due within 7 - 12 months	-	5,124	10,752	-
Over one year	20,857	20,911	14	-
	<u>34,334</u>	<u>77,774</u>	<u>72,629</u>	<u>4,107</u>

### December 31, 1992

Due on demand	2,077	32,801	22,543	406
Due within 7 days	4,697	5,704	4,279	-
Due within 8 - 30 days	3,235	1,917	18,685	-
Due within 2 - 3 months	18,100	5,718	14,477	-
Due within 4 - 6 months	346	13,519	3,717	-
Due within 7 - 12 months	1,741	6,413	12,560	-
Over one year	3,000	12,856	2,328	-
	<u>33,196</u>	<u>78,928</u>	<u>78,589</u>	<u>406</u>

### (b) Geographical concentrations

	Assets		Liabilities		
	Cash, Treasury bills, due from banks and investment securities RO'000	Gross loans and advances RO'000	Deposits and other accounts RO'000	Due to banks RO'000	Contingent liabilities RO'000
<b>December 31, 1993</b>					
Sultanate of Oman	22,417	77,774	72,629	3,550	4,755
Other GCC countries	1,175	-	-	18	28,644
Europe & N. America	5,856	-	-	527	28,665
Africa and Asia	4,886	-	-	12	326
	<u>34,334</u>	<u>77,774</u>	<u>72,629</u>	<u>4,107</u>	<u>62,390</u>
<b>December 31, 1992</b>					
Sultanate of Oman	25,406	78,928	78,144	-	35,394
Other GCC countries	439	-	162	15	-
Europe & N. America	4,257	-	266	389	-
Africa and Asia	3,094	-	17	2	-
	<u>33,196</u>	<u>78,928</u>	<u>78,589</u>	<u>406</u>	<u>35,394</u>

# Notes to the Financial Statements

December 31, 1993 (Continued)

## 14. ANALYSIS OF ASSETS AND LIABILITIES (Continued)

### (c) Customer concentrations

	Assets		Liabilities		
	Cash, Treasury bills, due from banks and investment securities RO'000	Gross loans and advances RO'000	Deposits and other accounts RO'000	Due to banks RO'000	Contingent liabilities RO'000
<b>December 31, 1993</b>					
Personal	-	34,163	45,650	-	750
Corporate	12,745	42,422	19,190	4,107	36,652
Government	21,589	1,189	7,789	-	24,988
	<u>34,334</u>	<u>77,774</u>	<u>72,629</u>	<u>4,107</u>	<u>62,390</u>
<b>December 31, 1992</b>					
Personal	-	16,553	49,206	-	614
Corporate	12,950	56,347	17,607	406	27,934
Government	20,246	6,028	11,776	-	6,846
	<u>33,196</u>	<u>78,928</u>	<u>78,589</u>	<u>406</u>	<u>35,394</u>

### (d) Economic sector concentrations

	Assets	Liabilities	
	Gross loans and advances RO'000	Deposits and other accounts RO'000	Contingent liabilities RO'000
<b>December 31, 1993</b>			
Personal	26,360	45,650	750
Import trade	18,303	6,746	7,950
Construction	11,945	2,740	8,500
Financial services	1,082	348	500
Government	1,189	7,789	24,988
Others	18,895	9,356	19,702
	<u>77,774</u>	<u>72,629</u>	<u>62,390</u>
<b>December 31, 1992</b>			
Personal	15,327	49,206	614
Import trade	27,311	759	9,205
Construction	13,643	2,438	15,373
Financial services	2,212	3,262	58
Government	6,028	11,776	6,846
Others	14,407	11,148	3,298
	<u>78,928</u>	<u>78,589</u>	<u>35,394</u>

### (e) Foreign currency exposures

	1993	1992
	RO'000	RO'000
Assets	16,290	8,652
Liabilities	(8,567)	(6,892)
	<u>7,723</u>	<u>1,760</u>



# Notes to the Financial Statements

December 31, 1993 (Continued)

## 15. OTHER OPERATING INCOME

	1993	1992
	RO'000	RO'000
Fees and commissions	411	391
Foreign exchange	412	314
Investment securities	243	172
Other	284	137
	<u>1,350</u>	<u>1,014</u>

For the year ended December 31, 1993 'Other' includes RO 106,000 prior year accruals not now required (1992: Nil).

## 16. STAFF AND ADMINISTRATION COSTS

	1993	1992
	RO'000	RO'000
Personnel costs	1,826	1,371
Occupancy costs	207	184
Communication costs	133	109
Data processing	144	157
Professional charges	87	82
Training and scholarship costs	22	22
Advertising and promotion	31	35
Insurance	23	18
Repairs and maintenance	57	49
Travel and entertainment	37	40
Printing and stationery	37	33
Other	12	50
	<u>2,616</u>	<u>2,150</u>

## 17. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank conducts transactions with its Directors and Members and companies in which they have significant interests on commercial terms. The aggregate amount of balances with such related parties is:

	1993	1992
	RO'000	RO'000
Loans and advances	592	1,834
Deposit and other accounts	1,274	756
Due from banks	7,656	4,229
Due to banks	299	254
Customers' liability under documentary credits, guarantees and other commitments	4,833	778



A 'blowhole' geyser at Mughsail Beach, where seawater thunders up through holes in the rocks, creating natural fountains.

# Principal Correspondent Banks

Austria	:	Creditanstalt Bankverein, Vienna
Bahrain	:	Banque Paribas, Manama
Bangladesh	:	Agrani Bank, Dhaka
Belgium	:	Banque Paribas, Brussels
Canada	:	Royal Bank of Canada, Toronto
Denmark	:	Unibank, Copenhagen
Egypt	:	Banque du Caire, Cairo
France	:	Banque Paribas, Paris
Germany	:	Dresdner Bank, Frankfurt
Hong Kong	:	Hong Kong & Shanghai Bank, Hong Kong
India	:	State Bank of India, Bombay
Italy	:	Banca Nazionale del Lavoro, Rome
Japan	:	Bank of Tokyo, Tokyo Chemical Bank, Tokyo
Jordan	:	Arab Jordan Investment Bank, Amman
Korea	:	Korea Exchange Bank, Seoul
Kuwait	:	Commercial Bank of Kuwait, Safat
Netherlands	:	ABN-Amro Bank, Amsterdam
Norway	:	Christiania Bank, Oslo
Pakistan	:	Muslim Commercial Bank, Karachi
Qatar	:	Banque Paribas, Doha
Saudi Arabia	:	Saudi Hollandi Bank, Riyadh
Singapore	:	Banque Paribas, Singapore
South Africa	:	Standard Bank of South Africa, Johannesburg
Sri Lanka	:	Peoples Bank, Colombo
Sudan	:	Bank of Khartoum, Khartoum
Switzerland	:	Credit Suisse, Zurich
Turkey	:	Osmanli Bankasi, Istanbul
U.A.E.	:	National Bank of Abu Dhabi, Abu Dhabi
United Kingdom	:	Lloyds Bank, London
U.S.A.	:	Chemical Bank, New York