

BankMuscat  بنك مسقط

CMA REPORT
PERIOD ENDED JUNE 30, 2008

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Chairman's Report

Dear Shareholders,

I am glad to share with you the excellent results achieved by the Bank during the first half of the year 2008.

The Bank achieved a net profit of RO 57.8 million for the half year ended June 30, 2008 as against a net profit of RO 40.2 million reported during the same period in 2007, which resulted in an impressive growth of 43.7%.

Net interest income increased by 25.9% to RO 74.7 million during the first half of 2008 from RO 59.3 million reported during the corresponding period in 2007. Increase in net interest income largely attributable to asset growth. Non-interest income has grown by RO 21.9 million to RO 42.7 million during the first half of 2008 as compared to RO 20.8 million of the same period in 2007. Non-interest income growth was mainly attributable to increase in fee income from core business lines such as Corporate Banking, Consumer Banking and Wholesale Banking. Operating income for the half year ended June 30, 2008 increased by 46.7% to RO 117.4 million from RO 80.0 million for the same period in 2007.

Operating expenses increased by RO 11.8 million or 37.3% during the first half of 2008 as compared to the same period in 2007 mainly due to increase in manpower and other administrative costs as a result of increased business activities and expansion of business lines. However, cost to income ratio reduced to 37.1% during the first half of 2008 as against 39.5% during the first half of 2007.

Impairment for credit and other losses was RO 13.1 million for the first half of 2008 as compared to RO 7.7 million during the corresponding period in 2007.

The basic earnings per share on an annualized basis works out to 107 baizas for every 100 baiza share of the Bank.

The Bank's net Loans and Advances of RO 3,192 million as of June 30, 2008 has grown by 45.1% as compared to the position as of June 30, 2007. Customer deposits grew by RO 651 million or 30.2% from RO 2,152 million as of June 30, 2007 to RO 2,803 million as of June 30, 2008. Savings deposits have registered an impressive growth of RO 270 million or 50.7% from RO 533 million as of June 30, 2007 to RO 803 million as of June 30, 2008.

In keeping with the dynamism witnessed in the regional and domestic economy, the key business lines of the Bank continued to turn in an impressive performance during the quarter in question.

Consumer banking has witnessed unprecedented growth over the last quarter, with the entire network touching new milestones. The branch network reached a 115 mark, along with 283 ATMs and 67 CDMs.

Baituna business has also been one of the key growth engines of consumer banking with assets crossing a milestone figure of RO 150 million. In addition to signing strategic alliances with top corporates for providing mortgages to their employees, baituna introduced a new product, Baituna property finance, which offers finance to property buyers against rental income. This new product has been very well received by our customers.

While the Bank's key consumer banking product offering, Al Mazyona, continued to witness superb growth, Al Mazyona Children's accounts have also grown to significant numbers.

Hayatuna product has continued strong growth over the last six months, which is an indication that Oman still needs such innovative products, and that insurance products are still at their infancy in the Omani economy.

Sayyarati, our car loan finance product, was re-launched with a new brand name and a new sales focus, and has seen unbelievable growth in all regions of the Sultanate.

In cards business, the Bank launched innovative promotions which allowed clients to avail certain packages like travel, car insurance etc. at 0% interest for the first time in the Sultanate of Oman.

Customer relationships remain at the heart of the Corporate Banking strategy with the Bank providing financial assistance to creditworthy ventures of corporates in Oman. The momentum generated in 2007 continued into the first half of 2008 with emphasis on core areas such as oil and gas, petrochemicals and contracting. The Bank views industrial development of Sohar and Salalah as strategic opportunities. For example, with Sohar Aluminum commencing production, downstream aluminum projects present specific opportunities. The bank has already been mandated for financing one of the downstream projects. In Salalah, the Bank has been mandated for financing the expansion of the port and is involved with two large projects in the free zone. The Bank is also following developments in the real estate sector and has provided financing for two integrated tourism developments: The Wave and Muscat Hills projects.

The Funds managed by BankMuscat Asset Management, namely Muscat Fund and Oryx Fund, have continued their strong performance this quarter and were up by 10.9% and 8.4% respectively. The assets under management continued to grow with a total of around USD 750 million (RO 288 million).

The Bank's international operations continued to strengthen during the quarter. The merger between HDFC Bank and Centurion Bank of Punjab (CBOP) was effectively completed in May 2008 with the approval of Reserve Bank of India. Our acquisition of Saudi Pak Commercial Bank along with IFC, Nomura International and our local managing partner i.e., Sinthos Capital has been finalized. Its right issue subscription was also completed in June 2008. Saudi Pak Commercial bank is now fully operational under the new Board of Directors and management. Moreover, the Bank has been granted approval by the Central Bank of Kuwait in May 2008 for a branch license in Kuwait.

BankMuscat now has a fully operational branch in the Kingdom of Saudi Arabia (Riyadh), a representative office in UAE (Dubai); and investment stake in HDFC Bank (2.7%) and Mangal Keshav Group (43%) in India, and a (35%) stake in Saudi Pak Commercial Bank in Pakistan, as well as a strategic (49%) stake in BMI Bank, Bahrain.

Our Riyadh branch has achieved operating profits in June 2008 for the first time within 15 months of its operations. . BMI Bank in Bahrain is in the final process of opening a branch in Qatar Financial Centre and an offshore bank in Seychelles. BMI Bank made net profits of USD 7.4 million (RO 2.8 Million) during the half year ended June 30, 2008.

As I have shared with you all time and again, the Bank strives to embrace the best of global technology. The second quarter of the year 2008 witnessed the first commercial Core Banking System (CBS) roll out during May 2008. An aggressive plan is put in place to roll out the system to the remaining branches. Moreover, the Bank has installed an electronic Feedback Management System in ten branches, the Call centre and the Quality department. This is expected to help ensure speedy and timely resolution of customer complaints.

The Bank firmly believes that people are its most valuable asset, and continuously endeavours to ensure the development of human resources for various business initiatives. The Bank conducted an assessment & development centre to identify and groom Omani diploma holders for middle management positions in the medium to long term. A development plan for the 75 identified employees is being implemented through a focused training and development programme. The Learning & Development Centre has organized 330 courses providing 3343 learning opportunities. The bank-wide training on the new Core Banking System covered 1058 employees under 86 programs

It is worth mentioning that the Bank recruited and deployed 277 staff in various divisions of the Bank, thereby increasing its Omanisation to 92.09% as at 30 June 2008 with staff strength of 2300 employees.

During the second quarter of the year, the Bank was also declared the 'Best Bank in Oman' by Euromoney in its annual Euromoney Awards for Excellence. This is the 8th time that the Bank has been bestowed this honour. The Bank's leading position in the country was also seconded by BusinessToday in its annual survey of Banks in the Sultanate.

I would like to conclude by assuring you that we plan to continue to build stronger ties with people across the country with a variety of value-added banking products, services and solutions. It is from here that our philosophy of 'With You Always' stems: building multiple, long-term, sustainable relationships with each of our target customers nationwide.

On behalf of the Board of Directors, I would once again like to express our gratitude to His Majesty Sultan Qaboos bin Said for his inspired leadership and progressive vision that continues to lead the country along a road of growth and prosperity.

AbdulMalik bin Abdullah Al-Khalili

Summary of unaudited results as at 30 June 2008

	30-Jun-08	30-Jun-07	Change %
	RO' 000	RO' 000	
Loans and advances net of provisions and reserved interest	3,191,772	2,199,052	45%
Deposits	2,982,672	2,337,923	28%
Net assets	712,973	333,461	114%
Net assets per share *	0.662	0.364	82%
	6 months ended 30 June 2008	6 months ended 30 June 2007	Change %
Net interest income	74,673	59,298	26%
Net profit before tax for the period	67,977	46,562	46%
Net profit after tax for the period	57,827	40,212	44%
Basic earnings per share (annualised) **	0.107	0.088	22%
Diluted earnings per share (annualised) **	0.107	0.088	22%
Capital adequacy ratio ***	12.09%	11.37%	0.72%

* Net assets per share is calculated by dividing net assets owned by ordinary shareholders at 30 June 2008 by 1,077.1 million number of ordinary shares. (2007 : 915.6 million ordinary shares)

** Basic and Diluted earnings per share is calculated as per International Accounting Standard No : 33.

*** Capital adequacy ratio has been calculated in accordance with the Basle II guidelines.

To be updated before submitting to CMA

*Unaudited Profit and loss account
For the six months ended 30 June 2008*

	Notes	6 months ended 30 June 2008	6 months ended 30 June 2007	3 months ended 30 June 2008	3 months ended 30 June 2007
		RO' 000	RO' 000	RO' 000	RO' 000
Interest income	1	122,833	103,710	61,324	55,377
Interest expense	2	(44,719)	(41,982)	(21,972)	(22,764)
		<u>78,114</u>	<u>61,728</u>	<u>39,352</u>	<u>32,613</u>
Interest expense on tier II capital		(3,441)	(2,430)	(1,721)	(1,497)
Net interest income		<u>74,673</u>	<u>59,298</u>	<u>37,631</u>	<u>31,116</u>
Other operating income	3	42,715	20,770	24,741	11,040
OPERATING INCOME		<u>117,388</u>	<u>80,068</u>	<u>62,372</u>	<u>42,156</u>
OPERATING EXPENSES					
Other operating expenses		(40,930)	(29,840)	(21,214)	(15,880)
Depreciation		(2,600)	(1,826)	(1,334)	(930)
		<u>(43,530)</u>	<u>(31,666)</u>	<u>(22,548)</u>	<u>(16,810)</u>
Impairment for credit losses	5	(13,081)	(7,738)	(6,542)	(3,619)
Recoveries from impairment for Investments		583	-	583	-
Recoveries from impairment for credit losses	5	3,810	3,158	2,122	1,121
Share of profit from associates	8a	2,807	2,740	700	1,450
		<u>(49,411)</u>	<u>(33,506)</u>	<u>(25,685)</u>	<u>(17,858)</u>
PROFIT BEFORE TAXATION		<u>67,977</u>	<u>46,562</u>	<u>36,687</u>	<u>24,298</u>
Tax expense		(10,150)	(6,350)	(5,400)	(3,150)
NET PROFIT FOR THE PERIOD		<u>57,827</u>	<u>40,212</u>	<u>31,287</u>	<u>21,148</u>

Unaudited Balance sheet
As at 30 June 2008

	Notes	30-Jun-08 RO' 000	30-Jun-07 RO' 000
ASSETS			
Cash and balances with Central Banks		335,308	200,546
Placements with banks		810,266	555,387
Loans and advances	4 & 5	3,191,772	2,199,052
Investments	8b & c	407,670	261,564
Investment in associates	8a	119,087	48,594
Property and equipment		21,242	14,445
Other assets		127,647	176,074
		<u>5,012,992</u>	<u>3,455,662</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
LIABILITIES			
Deposits from banks		973,241	433,946
Customers' deposits	6	2,802,994	2,152,125
Certificates of deposit		13,225	19,345
Unsecured bonds		54,803	54,803
Floating rate notes		111,650	111,650
Other liabilities		211,522	248,414
Taxation		19,084	13,418
Subordinated liabilities		113,500	88,500
		<u>4,300,019</u>	<u>3,122,201</u>
SHAREHOLDERS FUNDS			
Share capital		107,713	91,556
Share premium		301,505	79,490
General reserve		56,308	56,308
Legal reserve		35,905	27,745
Revaluation reserve		3,957	1,215
Subordinated loan reserve		2,567	-
Cumulative changes in fair value	8a&8b	96,992	1,893
Retained profit		108,026	75,254
		<u>712,973</u>	<u>333,461</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>5,012,992</u>	<u>3,455,662</u>
Contingent liabilities	11	<u>1,148,344</u>	<u>909,898</u>
Related party information			
Due from related parties	9	39,970	42,425
Due to related parties		45,488	25,259

Unaudited Statement of cash flow
For the six months ended 30 June 2008

	6 months ended 30 June 2008	6 months ended 30 June 2007
	RO' 000	RO' 000
Cash flow from operating activities		
Net profit for the period before taxation	67,977	46,562
Adjustments for :		
Depreciation	2,600	1,826
Investment income	(7,522)	(2,280)
Operating profit before working capital changes	<u>63,055</u>	<u>46,108</u>
Change in operating assets*	(598,143)	(456,761)
Change in operating liabilities**	539,116	442,207
Net cash from operating activities	<u>4,028</u>	<u>31,554</u>
Net cash used in financing activities	(48,857)	20,868
Net cash used in investing activities	(49,392)	(9,497)
Net (decrease) / increase in cash and cash equivalents	<u>(94,221)</u>	<u>42,925</u>
Cash and cash equivalents brought forward	328,177	298,601
Cash and cash equivalents carried forward	<u><u>233,956</u></u>	<u><u>341,526</u></u>

* Operating assets includes deposits with central banks, bank placements, loans and advances and other assets.

** Operating liabilities includes customer deposits, deposits from banks and other liabilities.

Unaudited Statement of Changes in Equity
Period ended 30 June 2008

	Share capital	Share premium	General reserve	Legal reserve	Revaluation reserve	Subordinated loan reserve	Cumulative changes in fair value	Retained profit	Total
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
<i>Balance at 31 December 2006</i>	83,233	79,490	56,308	27,745	1,215		1,052	71,042	320,085
Bonus shares issued	8,323							(8,323)	-
Issue of Shares during the year	16,157	222,015							238,172
Net profit for the year								84,257	84,257
Dividend paid - 2006								(29,132)	(29,132)
Transfer of subordinate loan reserve to general reserve						2,567		(2,567)	-
Transfer to legal reserve				8,160				(8,160)	-
Revaluation of land and building					2,742				2,742
Profit on translation of net investments in associates								2,240	2,240
Change in fair value of investments available for sale							9,206		9,206
<i>Balance at 31 December 2007</i>	107,713	301,505	56,308	35,905	3,957	2,567	10,258	109,357	627,570
Net Profit for the period								57,827	57,827
Dividends paid - 2007								(53,857)	(53,857)
Change in fair value of investments available for sale							86,734		86,734
Profit on translation of net investments in associates								(5,301)	(5,301)
Balance at 30 June 2008	107,713	301,505	56,308	35,905	3,957	2,567	96,992	108,026	712,973

Notes to the Financial Statements as at 30 June 2008
1. Interest Income

Interest bearing assets earned interest at an overall rate of 5.92% for the six months ended 30 June 2008. (2007 : 7.00%).

2. Interest expense

For the six months ended 30 June 2008 the average overall cost of funds was 2.53%. (2007 : 3.36%).

3. Other operating income

	For the six months ended		For the quarter ended	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	RO' 000	RO' 000	RO' 000	RO' 000
Foreign Exchange	3,019	2,581	1,609	1,491
Commission and fees (net)	27,636	15,687	14,937	8,063
Dividend income	2,507	1,023	1,750	330
Profit/(loss) on sale of investment securities	8,360	565	5,772	427
Other income	1,193	914	673	729
	<u>42,715</u>	<u>20,770</u>	<u>24,741</u>	<u>11,040</u>

The commission and fees shown above is net off commission and fees paid of RO 439 K. (2007 : RO 121 K.)

4. Loans and advances

Loans and advances is analysed as follows:

	30-Jun-08	30-Jun-07
	RO' 000	RO' 000
Corporate and Other Loans	1,997,123	1,350,445
Personal and Housing loans	1,315,754	948,950
Gross loans and advances	<u>3,312,877</u>	<u>2,299,395</u>
Less : Provisions and reserved interest	121,105	100,343
Net loans and advances	<u>3,191,772</u>	<u>2,199,052</u>

Notes to the Financial Statements as at 30 June 2008 (continued)

4. Loans and advances (continued)

The maturity of these is analysed as follows:

	30-Jun-08	30-Jun-07
	RO' 000	RO' 000
Less than 1 year	948,553	773,485
1 to 3 years	511,854	317,868
3 to 5 years	326,215	199,471
Over 5 years	1,526,255	1,008,571
	<u>3,312,877</u>	<u>2,299,395</u>

The interest rate band of these are as follows:

	30-Jun-08	30-Jun-07
	RO' 000	RO' 000
0-5%	1,103,490	104,553
5-7%	576,484	961,299
7-9%	1,437,234	1,004,033
9-11%	137,404	162,862
11-13%	38,712	47,526
more than 13%	19,553	19,122
	<u>3,312,877</u>	<u>2,299,395</u>

Notes to the Financial Statements as at 30 June 2008 (continued)
5. Provisions and reserved interest

The movement on the provision for possible credit losses and reserved interest for the period is analysed as follows:

	Provisions RO' 000	Reserved Interest RO' 000
At 1 January 2008	85,036	23,664
Provided during the period	13,081	-
Released/recovered during the period	(3,384)	-
Written off during the period	(318)	(422)
Transferred during the period	912	-
Interest reserved during the period	-	4,591
Reserved interest recovered	-	(2,055)
At 30 June 2008	<u>95,327</u>	<u>25,778</u>

	Provisions RO' 000	Reserved Interest RO' 000
At 1 January 2007	88,290	30,236
Provided during the period	7,738	-
Released/recovered during the period	(3,045)	-
Written off during the period	(15,781)	(10,510)
Transferred during the period	-	-
Interest reserved during the period	-	4,885
Reserved interest recovered	-	(1,470)
At 30 June 2007	<u>77,202</u>	<u>23,141</u>

Recoveries of RO 3,810 K (June 2007: 3,158 K) reported in the income statement includes RO 426 K (2007: 113 K) recovered from loans written off earlier.

Provisions (excluding general provision) represent 111.36% of impaired loans and advances at 30 June 2008. (2007 : 105.5%)

Interest is reserved on loans and advances which are impaired.

At 30 June 2008 loans and advances on which interest had been reserved amounted to RO 72.79 Million (2007 : RO. 65.64Million).

* *Specific provisions are established after considering security on a case by case basis in respect of specific loans and advances where recovery appears doubtful.*

** *General Provisions are established to meet the credit risks inherent within the loans and advances portfolio.*

Notes to the Financial Statements as at 30 June 2008 (continued)

6. Deposits

Deposits are analysed as follows:

	30-Jun-08	30-Jun-07
	RO' 000	RO' 000
Current accounts	793,253	454,685
Call accounts	243,306	150,672
Savings accounts	802,675	533,065
Time deposits	950,651	1,006,242
Other	13,109	7,461
Customer Deposits	<u>2,802,994</u>	<u>2,152,125</u>
CD's / Unsecured Bonds / FRN's	179,678	185,798
Total Deposits	<u><u>2,982,672</u></u>	<u><u>2,337,923</u></u>

The maturities of deposits are as follows

	30-Jun-08	30-Jun-07
	RO' 000	RO' 000
Less than 1 year	1,634,384	1,231,155
1 to 3 years	394,309	463,687
3 to 5 years	428,237	227,724
Over 5 years	525,742	415,357
	<u><u>2,982,672</u></u>	<u><u>2,337,923</u></u>

The interest rate bands of deposits are as follows:

	30-Jun-08	30-Jun-07
	RO' 000	RO' 000
0%	1,325,432	816,746
0-2%	593,191	138,040
2-4%	606,391	317,492
4-6%	395,657	903,415
more than 6%	62,001	162,230
	<u><u>2,982,672</u></u>	<u><u>2,337,923</u></u>

7. Asset liability mismatch

The asset liability mismatch is analysed as follows:

<i>Maturities</i>	30-Jun-08			30-Jun-07		
	Assets	Liabilities	Mismatch	Assets	Liabilities	Mismatch
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Less than 1 year	2,205,509	2,585,876	(380,367)	1,773,788	1,847,541	(73,753)
1 to 3 years	636,127	565,298	70,829	387,085	491,714	(104,629)
3 to 5 years	375,832	522,556	(146,724)	211,651	277,724	(66,073)
Over 5 years	1,795,524	1,339,262	456,262	1,083,138	838,683	244,455
	<u><u>5,012,992</u></u>	<u><u>5,012,992</u></u>	<u><u>-</u></u>	<u><u>3,455,662</u></u>	<u><u>3,455,662</u></u>	<u><u>-</u></u>

The mismatch represents the difference between assets and liabilities for each maturity band. Share capital is included within liabilities.

Notes to the Financial Statements as at 30 June 2008 (continued)
8. Non Trading Investments
8.a. Investment in associates
1 Investment in Centurion Bank of Punjab Limited (CBoP), India

As at June 30, 2008 the carrying value of the investment in CBoP was as follows:

	30-Jun-08	30-Jun-07
	RO. 000's	RO. 000's
Carrying value of the investment at December 31	21,832	17,934
Share of profit for the period Oct07 to Dec07	803	1,198
Profit / (loss) on translation of foreign currency investments	(1,086)	967
Carrying value as on May 31, 2008 transferred to investment securities	(21,549)	-
Carrying value of the investment at June 30	<u>-</u>	<u>20,099</u>

With effect from May 23, 2008, CBoP merged with HDFC Bank, 2nd largest private sector Bank in India. Prior to merger BankMuscat held a strategic stake of 17.33% & accounted CBoP as an associate as per the equity method of accounting. Post merger, the shareholding in the merged entity has reduced to 2.67%. The investment is now treated as 'Available for sale' investment and the mark to market gain as on 30 June 2008 of RO 79,162 K has been booked under Equity.

2 Investment in Bank Muscat International (BMI), Bahrain

As at June 30, 2008 the carrying value of the investment in BMI was as follows:

	30-Jun-08	30-Jun-07
	RO. 000's	RO. 000's
Carrying value of the investment at December 31	67,124	14,615
Investment in BMI during the year	-	2,504
Share of profit for the period	1,389	1,192
Carrying value of the Investment at June 30	<u>68,513</u>	<u>18,311</u>

3 Investment in Mangal Keshav Holdings Private Limited (MKH), India

In April 2007, the bank acquired 43% strategic stake in MKH, a securities company in India for a purchase consideration of RO 9,347 K

As at June 30, 2008 the carrying value of the investment in MKH was as follows:

	30-Jun-08	30-Jun-07
	RO. 000's	RO. 000's
Carrying value of the Investment at June 30	10,745	-
Purchase consideration paid	-	9,347
Share of profit for the period Apr07 to Jun07	-	349
Share of profit for the period Oct07 to Mar08	616	-
Profit / (loss) on translation of foreign currency investments	(902)	488
Carrying value of the Investment at June 30	<u>10,459</u>	<u>10,184</u>

Notes to the Financial Statements as at 30 June 2008 (continued)

4 Investment in SaudiPak Commercial Bank Limited (SPCB), Pakistan

In March 2008, the bank completed an acquisition of a strategic stake of 40.17% in SaudiPak Commercial Bank, a public limited company engaged in Banking services in Pakistan. Total consideration paid to acquire 200,899,633 shares of SPCB alongwith transaction costs amounted to RO 36,634 K

The investment was made in consortium with Sinthos Capital, Nomura Group and International Finance Corporation (IFC). The initial stake of 40.17% acquired by the Bank reduced to 35% after the Rights issue in June 2008.

As at June 30, 2008 the carrying value of the investment in Saudi PAK Bank was as follows:

	30-Jun-08
	RO. 000's
Consideration paid	43,428
Profit / (loss) on translation of foreign currency investments	(3,313)
Carrying value of the Investment at June 30	<u><u>40,115</u></u>

8. Non Trading Investments (continued)
8.b. Available For Sale

	Fair Value	Fair Value
	30-Jun-08	30-Jun-07
	RO' 000	RO' 000
<i>Quoted Investments</i>		
Industrial sector	9,661	4,786
Financial services sector	11,872	3,359
Other services sector	28,974	6,241
Foreign securities*	122,164	10,920
Corporate Bonds	7,412	5,721
Government bonds	17,381	13,270
Total	<u>197,464</u>	<u>44,297</u>
Less : Impairment losses	<u>(2,236)</u>	<u>(1,993)</u>
	<u>195,228</u>	<u>42,304</u>
<i>Unquoted investments</i>		
Unquoted local securities	5,725	4,051
Unquoted foreign securities	6,658	4,026
Investment fund units	769	871
Total	<u>13,152</u>	<u>8,948</u>
Total available for sale	<u><u>208,380</u></u>	<u><u>51,252</u></u>

8.c. Held To Maturity

Treasury Bills	175,065	177,132
Government Bonds	24,225	33,180
	<u><u>199,290</u></u>	<u><u>210,312</u></u>

* Includes RO 100,596 relating to investment in HDFC Bank.

Notes to the Financial Statements as at 30 June 2008 (continued)
9. Related Party Transactions*

The balances of directors and their related concerns were as follows:

	30-Jun-08	30-Jun-07
	RO. 000's	RO. 000's
Loans and advances	39,970	42,425
Current, deposit and other accounts	45,488	25,259
Customers' liabilities under documentary credits, guarantees and other commitments	5,519	9,170

The income and expenses in respect of related parties are as follows:

	6 months	6 months
	ended 30	ended 30
	June 2008	June 2007
	RO. 000's	RO. 000's
Interest income	1,485	1,207
Interest expenditure	293	323
Commission and other income	14	35

* Sheikh Mustahil Ahmed Al Mashani and Group Companies hold 5.97% in the Bank as at 30 June 2008 (2007: 9.96%). Although, the holding reduced below 10%, the exposure is reported for the purpose of comparative figures.

10. Shareholders

Shareholders of the bank who hold 10% or more of the bank's shares are given below:

	30-Jun-08	30-Jun-07
	RO. 000's	RO. 000's
Royal Court Affairs	26,754	18,364
Dubai Financial Group LLC	16,157	-
Sh.Mustahil Ahmed Al Mashani - Group*	6,435	9,116
	<u>49,346</u>	<u>27,480</u>

11. Contingent liabilities

Letters of Credit	585,130	413,433
Guarantees	563,214	496,465
	<u>1,148,344</u>	<u>909,898</u>

12. Forwards and options
Forwards

- Sales	3,638,810	348,019
- Purchases	3,645,865	347,971

Options

- Sales	71,253	66,912
- Purchases	79,282	66,912

13. Comparative Figures

The corresponding figures for 2007 included for comparative purposes have been reclassified to conform with the presentation in the current year.