

BankMuscat  بنك مسقط

CMA REPORT
PERIOD ENDED SEPTEMBER 30, 2008

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Chairman's Report

Dear Shareholders,

I am extremely proud to share with you the results achieved by BankMuscat during the nine months period ended September 30, 2008.

The Bank recorded a net profit of RO 90.1 million for the nine months ended September 30, 2008, an impressive growth of 43.9% compared to a net profit of RO 62.6 million that was reported during the same period last year.

Net interest income increased by 27.31% to RO 115.22 million during the nine months period ended September 30, 2008 from RO 90.5 million reported during the corresponding period in 2007. Non-interest income has grown by RO 24.4 million to RO 58.9 million during the same period as compared to RO 34.5 million for the same period in 2007. Operating income increased by 39.31% to RO 174.14 million from RO 125.0 million for the same period in 2007.

Operating expenses increased by RO 15.1 million or 30.7% during the nine months period ended September 30, 2008 as compared to the same period in 2007. However, cost to income ratio decreased to 37% during the period as against 39.4% during the same period in 2007.

Impairment for credit losses was RO 18.6 million for the nine months period ended September 30, 2008 as compared to RO 11.9 million during the corresponding period in 2007. Share of profit from associates was at RO 2.5 million for the nine months ended September 30, 2008 as compared to RO 4.1 million during the same period in 2007 due to reclassification of HDFC Bank investment from Associate Investment to Available for Sale Investment.

The basic earnings per share on an annualized basis is 112 baizas for every 100 baiza share of the Bank.

The Bank's net Loans and Advances of RO 3,485 million as of September 30, 2008 has grown by 47.6% as compared to the position on September 30, 2007. Customer deposits have also seen a growth of 23.8% from RO 2,276 million as of September 30, 2007 to RO 2,817 million as of September 30, 2008. Savings deposits have registered an impressive growth of RO 208 million or 38.7% from RO 538 million as of September 30, 2007 to RO 746 million as of September 30, 2008.

One of the most significant developments during the third quarter was the Bank's decision to issue Certificates of Deposit (CD) for RO 250 million through auction over a one year timeframe. This is expected to ultimately lead to the development of a stable and reliable local currency benchmark. The first CD issue was overwhelmingly subscribed to the extent of RO 40.5 million against the issue size of RO 20 Million. Follow-on issues are expected to be held on a monthly basis.

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.

The Consumer Banking Group of the Bank saw considerable activity during the last quarter of the year. In order to further strengthen the relationship with customers, the Bank launched the Priority Banking service in select branches across the country. Priority Banking is a specialized service that focuses on delivering first class service to its identified category of customers through Branch Managers and Client Relationship Managers. The service is initially available by invitation only.

The national e-payment gateway was launched by the Information Technology Authority (ITA) providing merchants in Oman with the facility to sell their goods and services online through the Internet to their customers in Oman and in other parts of the world. Bank Muscat is the acquiring bank for this payment gateway and has partnered with MasterCard to provide this solution to the ITA.

As part of BankMuscat's endeavor to render itself closer to its customers, the Bank deployed special buses to communicate information about the various products and services directly to its customers. These specially branded vehicles were deployed in various parts of the country, mainly the interior regions, positioning themselves in prominent places where customers and people were invited to get more information through the Bank's staff. During Ramadan, a convoy of these buses covered major Iftaar gatherings in the Capital, Dakhliya and Sharqiya regions.

With the aim to inculcate the savings habit among the youth segment, the Bank held various events to promote Al Mazyona Children's Account. These draws were held in the Salalah Tourism Festival grounds, leading shopping malls and popular events such as Qaranqashow, have all generated major excitement among the children. In addition to the above, a "Back to School" promotion was launched by distributing time tables and school labels through the branches.

In response to the upsurge in the demand for credit for purchasing vehicles and motor insurance during the holy month of Ramadan, the bank introduced special schemes for Sayyarati car loans and Motor insurance.

Two branches were added to the extensive branch network during this quarter, namely Sadah branch and Dhahriz branch. This takes the branch network size to 118 branches in Oman. The Bank already enjoying the position of providing the largest network of ATMs to its customers, achieved a milestone of 300 ATMs mark during this quarter. The state-of-the-art ATMs providing a range of services in addition to cash withdrawal and now even more accessible to the customers across the length and breadth of the country.

The third quarter witnessed further growth in Corporate Banking with relationships remaining the key to growth. Corporate clients have expressed confidence in the Bank through turbulent times in the global financial markets. The Bank continues to support feasible projects in core areas such as oil and gas, large scale industry, petrochemicals and contracting. As mentioned in the last quarter, the bank has already been mandated for financing some of the aluminum downstream projects which are expected to have several spin-off benefits including economic diversification and increasing employment.

On the Wholesale Banking business, the Bank signed an advisory agreement for the first Independent Water Project (IWP) in Jordan, Aqaba Water Company (AWC) which is a water and wastewater utility in Aqaba. BankMuscat along with Mott Macdonald (Technical Advisor), Allen & Overy (International Legal Advisor) and Khalifeh & Partners (Local Legal Advisor) won the mandate after competing with ten international advisors. The advisory group will assist AWC in preparation of strategy report and managing the competitive bid process to select a private sector developer for the project.

On the international front, the Bank continues to pursue policy of prudent cross border expansion. We have received a license from the Central Bank of Kuwait to open a branch in State of Kuwait. Arrangements are in progress to open the branch in the first quarter of 2009, which will give us the distinction of being the first Omani bank present in Kuwait. Our associate, BMI Bank, has opened a branch in Qatar Financial Centre and has set up an Offshore Bank in Seychelles. BMI Bank is also exploring opportunities of expansion in Gulf & Arab countries. Our Riyadh branch is now profitable on month-on-month basis since June 2008.

As previously shared, the Bank continuously strives to embrace the best of global technology and has commenced implementation of the first commercial Core Banking System (CBS) roll out in May 2008. The new system has so far been implemented in thirty commercial branches.

Cognizant of its responsibility to society, BankMuscat announced the establishment of its new Corporate Social Responsibility (CSR) Department as part of its new strategy to implement and support diverse community projects. The formation of this department underscores the Bank's commitment and dedication to developing the society in which it operates and to ensure a prosperous future for generations to come. The Department has already taken several initiatives in this direction and will continue the same over the following months.

The Bank continued its support of the Salalah Tourism Festival this year. The Bank's participation in this festival as a major sponsor is also in keeping with its commitment to

support the efforts of the Ministry of Tourism, under the wise and prudent leadership of His Majesty Sultan Qaboos bin Said, to preserve the culture and heritage of Oman and to promote greater awareness of what our beloved country has to offer.

Most notably, BankMuscat recruited and deployed 415 staff in various divisions of the Bank during 2008, with 139 staff recruited during the last quarter maintaining its Omanisation to 92.06% as of 31st September 2008. Net addition of staff during the year 2008 was 261.

This quarter was also marked with BankMuscat winning the 'Best Bank in Oman', 'Best Trade Finance Bank and Provider' and 'Best Forex Bank and Provider' from Global Finance. These awards would not have been possible without the tireless efforts of our people, the continued patronage of our customers and the encouragement of our well-wishers, to whom we are indeed grateful.

The third Quarter 2008 was marked by global financial turmoil with all asset classes namely interest rates, currencies, equities, commodities gyrating on de-leveraging. Liquidity remained the main focus across the globe as de-leveraging spanned countries and borders. BankMuscat remained unaffected by these headwinds and managed very well compared to its peers. The Bank's liquidity planning starting from the first quarter to the third quarter helped manage the Bank's funds efficiently and optimally without affecting the liquidity position.

Looking ahead, I would like to assure you that the Bank is committed to have over one million satisfied customers by the end of the decade through continuous enhancement of stakeholder value. We can achieve this by continuously providing our customers with a variety of value added banking products and services in addition to building stronger ties with people across the country.

On behalf of the Board of Directors, I would like once again 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 Sep 2008

	30-Sep-08	30-Sep-07	Change %
	RO' 000	RO' 000	
Loans and advances net of provisions and reserved interest	3,485,391	2,361,344	48%
Deposits	3,014,957	2,462,395	22%
Net assets	741,210	357,512	107%
Net assets per share *	0.688	0.390	76%
	9 months ended 30 Sept 2008	9 months ended 30 Sept 2007	Change %
Net interest income	115,220	90,468	27%
Net profit before tax for the period	104,159	72,266	44%
Net profit after tax for the period	90,109	62,616	44%
Basic earnings per share (annualised) **	0.112	0.091	22%
Diluted earnings per share (annualised) **	0.112	0.091	22%
Capital adequacy ratio ***	12.22%	11.09%	1.13%

* Net assets per share is calculated by dividing net assets owned by ordinary shareholders at 30 September 2008 by 1,077.1 million number of ordinary shares. (2007 : 915.56 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.

*Unaudited Profit and loss account
For the nine months ended 30 September 2008*

	Notes	9 months ended 30 Sept 2008	9 months ended 30 Sept 2007	3 months ended 30 Sept 2008	3 months ended 30 Sept 2007
		RO' 000	RO' 000	RO' 000	RO' 000
Interest income	1	188,777	158,754	65,944	55,044
Interest expense	2	(68,397)	(64,321)	(23,678)	(22,339)
		<u>120,380</u>	<u>94,433</u>	<u>42,266</u>	<u>32,705</u>
Interest expense on tier II capital		(5,160)	(3,965)	(1,719)	(1,535)
Net interest income		<u>115,220</u>	<u>90,468</u>	<u>40,547</u>	<u>31,170</u>
Other operating income	3	58,921	34,528	16,206	13,758
OPERATING INCOME		<u>174,141</u>	<u>124,996</u>	<u>56,753</u>	<u>44,928</u>
OPERATING EXPENSES					
Other operating expenses		(60,287)	(46,389)	(19,357)	(16,549)
Depreciation		(4,110)	(2,876)	(1,510)	(1,050)
		<u>(64,397)</u>	<u>(49,265)</u>	<u>(20,867)</u>	<u>(17,599)</u>
Impairment for credit losses	5	(18,630)	(11,857)	(5,549)	(4,119)
Recoveries from impairment for Investments		583	-	-	-
Recoveries from impairment for credit losses	5	9,970	4,329	6,160	1,171
Share of profit from associates	8a	2,492	4,063	(315)	1,323
		<u>(69,982)</u>	<u>(52,730)</u>	<u>(20,571)</u>	<u>(19,224)</u>
PROFIT BEFORE TAXATION		<u>104,159</u>	<u>72,266</u>	<u>36,182</u>	<u>25,704</u>
Tax expense		(14,050)	(9,650)	(3,900)	(3,300)
NET PROFIT FOR THE PERIOD		<u>90,109</u>	<u>62,616</u>	<u>32,282</u>	<u>22,404</u>

*Unaudited Balance sheet
As at 30 September 2008*

	Notes	30-Sep-08 RO' 000	30-Sep-07 RO' 000
ASSETS			
Cash and balances with Central Banks		430,755	141,339
Placements with banks		910,853	555,600
Loans and advances	4 & 5	3,485,391	2,361,344
Investments	8b & c	458,363	358,693
Investment in associates	8a	112,924	50,716
Property and equipment		21,910	15,302
Other assets		143,158	197,519
		<u>5,563,354</u>	<u>3,680,513</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
LIABILITIES			
Deposits from banks		1,417,034	435,458
Customers' deposits	6	2,816,829	2,276,597
Certificates of deposit		31,675	19,345
Unsecured bonds		54,803	54,803
Floating rate notes		111,650	111,650
Other liabilities		253,669	299,680
Taxation		22,984	16,968
Subordinated liabilities		113,500	108,500
		<u>4,822,144</u>	<u>3,323,001</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	98,821	2,976
Retained profit		134,434	98,222
		<u>741,210</u>	<u>357,512</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>5,563,354</u>	<u>3,680,513</u>
Contingent liabilities	11	<u>1,138,949</u>	<u>1,013,528</u>
Related party information			
Due from related parties	9	50,018	44,523
Due to related parties		27,102	16,436

Unaudited Statement of cash flow
For the nine months ended 30 Sept 2008

	9 months ended 30 Sept 2008	9 months ended 30 Sept 2007
	RO' 000	RO' 000
Cash flow from operating activities		
Net profit for the period before taxation	104,159	72,266
Adjustments for :		
Depreciation	4,110	2,876
Investment income	(10,820)	(2,127)
Operating profit before working capital changes	<u>97,449</u>	<u>73,015</u>
Change in operating assets*	(758,133)	(630,148)
Change in operating liabilities**	<u>715,651</u>	<u>605,247</u>
Net cash from operating activities	<u>54,967</u>	<u>48,114</u>
Net cash used in financing activities	(48,857)	40,868
Net cash used in investing activities	(92,152)	(21,242)
Net (decrease) / increase in cash and cash equivalents	<u>(86,041)</u>	<u>67,740</u>
Cash and cash equivalents brought forward	328,177	298,601
Cash and cash equivalents carried forward	<u><u>242,136</u></u>	<u><u>366,341</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 Sept 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								90,109	90,109
Dividends paid - 2007								(53,857)	(53,857)
Change in fair value of investments available for sale							88,563		88,563
Profit on translation of net investments in associates								(11,175)	(11,175)
Balance at 30 June 2008	107,713	301,505	56,308	35,905	3,957	2,567	98,821	134,434	741,210

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

Interest bearing assets earned interest at an overall rate of 5.86% for the nine months ended 30 September 2008. (2007 : 6.93%).

2. Interest expense

For the nine months ended 30 September 2008 the average overall cost of funds was 2.48%. (2007 : 3.36%).

3. Other operating income

	For the nine months ended		For the quarter ended	
	30-Sep-08	30-Sep-07	30-Sep-08	30-Sep-07
	RO' 000	RO' 000	RO' 000	RO' 000
Foreign Exchange	4,924	4,436	1,905	1,855
Commission and fees (net)	41,537	26,734	13,901	11,047
Dividend income	2,524	1,168	17	145
Profit/(loss) on sale of investment securities	8,296	959	(64)	394
Other income	1,640	1,231	447	317
	<u>58,921</u>	<u>34,528</u>	<u>16,206</u>	<u>13,758</u>

The commission and fees shown above is net off commission and fees paid of RO 509 K. (2007 : RO 176 K.)

4. Loans and advances

Loans and advances is analysed as follows:

	30-Sep-08	30-Sep-07
	RO' 000	RO' 000
Corporate and Other Loans	2,174,708	1,406,351
Personal and Housing loans	1,432,845	1,037,551
Gross loans and advances	<u>3,607,553</u>	<u>2,443,902</u>
Less : Provisions and reserved interest	122,162	104,167
Net loans and advances	<u>3,485,391</u>	<u>2,339,735</u>

Notes to the Financial Statements as at 30 Sep 2008 (continued)
4. Loans and advances (continued)

The maturity of these is analysed as follows:

	30-Sep-08	30-Sep-07
	RO' 000	RO' 000
Less than 1 year	966,873	802,715
1 to 3 years	582,497	355,803
3 to 5 years	466,493	204,878
Over 5 years	1,591,690	1,102,115
	<u>3,607,553</u>	<u>2,465,511</u>

The interest rate band of these are as follows:

	30-Sep-08	30-Sep-07
	RO' 000	RO' 000
0-5%	1,133,468	111,565
5-7%	656,381	966,390
7-9%	1,620,673	1,171,819
9-11%	142,670	152,723
11-13%	32,418	46,287
more than 13%	21,943	16,727
	<u>3,607,553</u>	<u>2,465,511</u>

Notes to the Financial Statements as at 30 Sep 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	18,630	-
Released/recovered during the period	(6,476)	-
Written off during the period	(728)	(1,288)
Interest reserved during the period	-	6,661
Reserved interest recovered	-	(3,337)
At 30 September 2008	<u>96,462</u>	<u>25,700</u>

	Provisions RO' 000	Reserved Interest RO' 000
At 1 January 2007	88,290	30,236
Provided during the period	11,857	-
Released/recovered during the period	(4,100)	-
Written off during the period	(14,608)	(11,783)
Transferred during the period	(759)	-
Interest reserved during the period	-	7,584
Reserved interest recovered	-	(2,550)
At 30 September 2007	<u>80,680</u>	<u>23,487</u>

Recoveries of RO 9,970 K (Sep 2007: 4,329 K) reported in the income statement includes RO 3,494 K (2007: 229 K) recovered from loans written off earlier.

Interest is reserved on loans and advances which are impaired.

At 30 Sep 2008 loans and advances on which interest had been reserved amounted to RO 72.39 Million (2007 : RO. 62.88 Million).

* *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 Sep 2008 (continued)
6. Deposits

Deposits are analysed as follows:

	30-Sep-08	30-Sep-07
	RO' 000	RO' 000
Current accounts	749,465	527,747
Call accounts	190,416	209,285
Savings accounts	745,893	537,670
Time deposits	1,117,088	993,085
Other	13,967	8,810
Customer Deposits	2,816,829	2,276,597
CD's / Unsecured Bonds / FRN's	198,128	185,798
Total Deposits	<u>3,014,957</u>	<u>2,462,395</u>

The maturities of deposits are as follows

	30-Sep-08	30-Sep-07
	RO' 000	RO' 000
Less than 1 year	1,739,152	1,307,933
1 to 3 years	400,244	471,452
3 to 5 years	362,959	244,470
Over 5 years	512,602	438,540
	<u>3,014,957</u>	<u>2,462,395</u>

The interest rate bands of deposits are as follows:

	30-Sep-08	30-Sep-07
	RO' 000	RO' 000
0%	1,258,736	905,981
0-2%	452,042	186,601
2-4%	749,411	392,305
4-6%	488,748	872,883
more than 6%	66,020	104,625
	<u>3,014,957</u>	<u>2,462,395</u>

7. Asset liability mismatch

The asset liability mismatch is analysed as follows:

<i>Maturities</i>	30-Sep-08			30-Sep-07		
	Assets	Liabilities	Mismatch	Assets	Liabilities	Mismatch
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Less than 1 year	2,562,740	3,116,146	(553,406)	1,840,436	1,967,993	(127,557)
1 to 3 years	716,475	598,470	118,005	424,625	508,135	(83,510)
3 to 5 years	533,672	477,484	56,188	228,394	294,470	(66,076)
Over 5 years	1,750,467	1,371,254	379,213	1,187,058	909,915	277,143
	<u>5,563,354</u>	<u>5,563,354</u>	<u>-</u>	<u>3,680,513</u>	<u>3,680,513</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 Sep 2008 (continued)

8. Non Trading Investments
8.a. Investment in associates
1 Investment in Centurion Bank of Punjab Limited (CBoP), India

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

	30-Sep-08	30-Sep-07
	RO. 000's	RO. 000's
Carrying value of the investment at December 31	21,832	17,934
Investments in GDR of CBoP	-	209
Share of profit for the period Oct07 to Dec07	803	1,844
Profit / (loss) on translation of foreign currency investments	(1,086)	1298
Carrying value as on May 31, 2008 transferred to investment securities	(21,549)	-
Carrying value of the investment at September 30	<u>-</u>	<u>21,285</u>

With effect from May 23, 2008, CBoP merged with HDFC Bank, India. Prior to merger BankMuscat held a strategic stake of 17.33% & accounted investment in 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 unrealised gain of RO 92,441 K has been booked under Equity as on Sept 30, 2007.

2 Investment in Bank Muscat International (BMI), Bahrain

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

	30-Sep-08	30-Sep-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	1,839	1,634
Carrying value of the Investment at September 30	<u>68,963</u>	<u>18,753</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 Sep 30, 2008 the carrying value of the investment in MKH was as follows:

	30-Sep-08	30-Sep-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	-	585
Share of profit for the period Oct07 to June08	759	-
Profit / (loss) on translation of foreign currency investments	(1806)	746
Carrying value of the Investment at September 30	<u>9,698</u>	<u>10,678</u>

Notes to the Financial Statements as at 30 Sep 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% (200,899,633 shares) in SaudiPak Commercial Bank, a public limited company engaged in Banking services in Pakistan.

The investment was made in consortium with Sinthos Capital, Nomura Group and International Finance Corporation (IFC).

In June 2008, SPCB announced a Rights issue wherein the Bank acquired 114,313,228 shares in SPCB. Subsequent to the rights issued the Banks stake reduced to 35.07% in SPCB.

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

	30-Sep-08
	RO. 000's
Total consideration paid	43,458
Add: Share of profit / (loss) for the period Apr 08 to June08	(909)
Profit / (loss) on translation of foreign currency investments	(8,286)
Carrying value of the Investment at September 30	<u>34,263</u>

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

	Fair Value	Fair Value
	30-Sep-08	30-Sep-07
	RO' 000	RO' 000
<i>Quoted Investments</i>		
Industrial sector	10,766	5,879
Financial services sector	9,838	4,170
Other services sector	33,826	7,729
Foreign securities*	133,515	14,103
Corporate Bonds	7,412	5,721
Government bonds	51,200	16,336
Total	<u>246,557</u>	<u>53,938</u>
Less : Impairment losses	<u>(2,236)</u>	<u>(2,753)</u>
	<u>244,321</u>	<u>51,185</u>
<i>Unquoted investments</i>		
Unquoted local securities	5,969	4,051
Unquoted foreign securities	7,177	4,351
Investment fund units	769	871
Total	<u>13,915</u>	<u>9,273</u>
Total available for sale	<u>258,236</u>	<u>60,458</u>

8.c. Held To Maturity

Treasury Bills	179,760	265,051
Government Bonds	20,367	33,184
	<u>200,127</u>	<u>298,235</u>

* Includes RO 112,682 relating to investment in HDFC Bank.

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

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

	30-Sep-08	30-Sep-07
	RO. 000's	RO. 000's
Loans and advances	50,018	44,523
Current, deposit and other accounts	27,102	16,436
Customers' liabilities under documentary credits, guarantees and other commitments	3,175	7,024

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

	9 months	9 months
	ended 30 Sept	ended 30
	2008	Sept 2007
	RO. 000's	RO. 000's
Interest income	1,210	1,726
Interest expenditure	565	486
Commission and other income	44	53

* Sheikh Mustahil Ahmed Al Mashani and Group Companies hold 5.97% in the Bank as at 30 September 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-Sep-08	30-Sep-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>

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

11. Contingent liabilities

Letters of Credit	574,158	478,730
Guarantees	564,791	534,798
	<u>1,138,949</u>	<u>1,013,528</u>

12. Forwards and options
Forwards

- Sales	5,026,541	587,666
- Purchases	5,005,754	587,666

Options

- Sales	33,117	117,601
- Purchases	40,420	117,601

13. Comparative Figures

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