Board of Directors' Report and financial statements (Unaudited) for nine - month period ended 30 September 2008

Registered office and principal place of business:

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Sultanate of Oman

BANK DHOFAR SAOG

The Board of Directors' Report and Financial Statements for nine - month period ended 30 September 2008

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BANK DHOFAR SAOG

BOARD OF DIRECTORS' Report for the nine months ended 30th September 2008

Dear Shareholders,

The Board of Directors of Bank Dhofar SAOG, is pleased to present to you the Bank's Financial Statements for the nine months ended 30th September 2008.

The total assets of the Bank at the end of September 2008 reached RO 1,189 million as compared to RO 874 million achieved at the end of September 2007, reflecting a growth of 36.04%. The Loans and Advances to customers also showed significant improvement, growing by 40.71%, to touch RO 947 million from RO 673 million at the end of September 2007. Also, the customer deposits mobilized, increased from RO 590 million at the end of September 2007 to reach RO 868 million at the end of September 2008 representing a growth of 47.12%.

The shareholder's equity increased by 14.99% to reach RO 116.6 million at the end of September 2008 from RO 101.4 million at the end of September 2007.

The Bank continued to achieve outstanding results during the first nine months of the year 2008 as the net profit for the period grew by 50.4% to reach RO 22.17 million as against RO 14.74 million achieved during the corresponding period of 2007.

The Banks' net interest income during the 9-month period ended September 2008 continued to grow to reach RO 29.61 million as compared to RO 22.19 million achieved during the corresponding period of the year 2007, signifying a growth of 33.44%.

The non-interest income during the same period however increased by 60.26%, contributing RO 12.42 million to the bottom line as compared to RO 7.75 million earned during the similar period of last year. This has augmented the total operating income by 40.38% to reach RO 42.03 million for the 9 months ended September 2008 from RO 29.94 million achieved during the corresponding period of year 2007.

The cost to income ratio reduced to 36.4% during the first 9 months of the year 2008 from 40.9% during the corresponding period ended September 2007. This has helped to increase the annualized earning per share (par value 100 baisas) for the period ended September 2008, which improved to 56 baisas as compared to 37 baisas earned during the period ending September 2007, a growth of 51.35%

BANK DHOFAR SAOG

Acknowledgement

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence they have reposed in the Bank. I also thank our shareholders for their continuous support and the Bank’s staff and Management, whose commitment to the Bank is highly appreciated.

The Board also wishes to thank the Executive President and the management of the Central Bank of Oman for their guidance and support to our Bank.

On behalf of the Board I would like to express our most sincere gratitude to His Majesty Sultan Qaboos Bin Said for his wise leadership, encouragement and support to the private sector.

Engr. Abdul Hafidh Rajab Al Aujaili
Chairman

BANK DHOFAR SAOG

Balance sheet (Unaudited)
at 30 September 2008

	Notes	2008 RO'000	2007 RO'000
ASSETS			
Cash and cash equivalents	**3**	**83,243**	125,097
Held-to-maturity investments	**4**	**90,814**	10,000
Loans and advances to banks	**5**	**33,242**	30,700
Loans and advances to customers	**6**	**947,176**	672,535
Financial instruments at fair value through profit or loss	**7**	**2,511**	8,001
Available-for-sale investments	**8**	**17,007**	14,021
Intangible asset	**9**	**3,971**	3,971
Property and equipment		**4,553**	4,369
Other assets		**6,354**	5,475
Total assets		**1,188,871**	874,169
LIABILITIES			
Due to banks	**10**	**128,874**	103,753
Deposits from customers	**11**	**868,271**	590,451
Other liabilities		**36,604**	32,688
Subordinated loan and bonds	**12**	**38,500**	45,862
Total liabilities		**1,072,249**	772,754
SHAREHOLDERS' EQUITY			
Share capital	**13**	**53,082**	53,082
Share premium		**5,429**	5,429
Legal reserve	**14**	**12,149**	9,870
Subordinated loan and bonds reserve	**14**	**2,567**	5,888
Investment revaluation reserve	**14**	**804**	2,547
Retained earnings		**42,591**	24,599
Total shareholders' equity		**116,622**	101,415
Total liabilities and shareholders' equity		**1,188,871**	874,169
Contingent liabilities and commitments	**22**	**261,259**	148,888
Net assets per share (Rials Omani)		**0.220**	0.191

The accompanying notes form an integral part of these financial statements.

BANK DHOFAR SAOG

Income statement (Unaudited)
for nine - month period ended 30 September 2008

	Notes	2008 RO'000	2007 RO'000
Interest income		**45,802**	37,178
Interest expense		**(16,189)**	(14,988)
Net interest income	**17**	**29,613**	22,190
Other income	**18**	**12,421**	7,749
Operating income		**42,034**	29,939
Staff and administrative costs		**(14,089)**	(11,219)
Depreciation		**(1,194)**	(1,017)
Operating expenses		**(15,283)**	(12,236)
Profit from operations		**26,751**	17,703
Provision for loan impairment	**19**	**(4,106)**	(2,360)
Recoveries from allowance for loan impairment	**19**	**2,246**	1,121
Bad debts written-off		**(2)**	(20)
Financial instruments at fair value through profit or loss		**24**	13
Profit from operations after provision		**24,913**	16,457
Income tax expense		**(2,740)**	(1,715)
Profit for the period		**22,173**	14,742
Earnings per share (basic) – annualized (Rials Omani)	**15**	**0.056**	0.037

The accompanying notes form an integral part of these financial statements.

BANK DHOFAR SAOG

Statement of Changes in Shareholders' Equity (Unaudited)
for nine - month period ended 30 September 2008

	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Subordinated bonds and loan reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000
1 January 2007		46,158	5,429	9,870	5,888	2,231	23,705	93,281
Profit for the period ended 30September 2007		-	-	-	-	-	14,742	14,742
Fair value increase	14	-	-	-	-	1,984	-	1,984
Net transfer to income statement on sale of available-for-sale investments	14	-	-	-	-	(1,668)	-	(1,668)
Dividend paid for 2006		-	-	-	-	-	(6,924)	(6,924)
Bonus shares issued for 2006		6,924	-	-	-	-	(6,924)	-
30th September 2007		53,082	5,429	9,870	5,888	2,547	24,599	101,415

The accompanying notes form an integral part of these financial statements.

BANK DHOFAR SAOG

Statement of Changes in Shareholders' Equity (Unaudited)
for nine - month period ended 30 September 2008 (continued)

	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Subordinated bonds and loan reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000
1 January 2008		**53,082**	**5,429**	**12,149**	**9,929**	**3,582**	**26,327**	**110,498**
Profit for the period ended 30th Sept 2008		-	-	-	-	-	22,173	22,173
Fair value increase	14	-	-	-	-	(1,680)	-	(1,680)
Net transfer to income statement on sale of available-for-sale investments	14	-	-	-	-	(1,098)	-	(1,098)
Dividend paid for 2007		-	-	-	-	-	(13,271)	(13,271)
Transferred to Retained earnings Reserve	14				(7,362)		7,362	-
30th September 2008		**53,082**	**5,429**	**12,149**	**2,567**	**804**	**42,591**	**116,622**

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement (Unaudited)
for nine - month period ended 30 September 2008

	2008 RO'000	2007 RO'000
Operating activities		
Interest and commission receipts	**57,983**	44,565
Interest payments	**(16,875)**	(12,628)
Cash payments to suppliers and employees	**(9,501)**	(7,741)
	31,607	24,196
Increase in operating assets	**(215,799)**	(144,423)
Increase in operating liabilities	**225,313**	157,908
Net cash from operating activities	**41,121**	37,681
Income tax paid	**(2,457)**	(1,715)
Net Cash flow from operating activities	**38,664**	35,966
Net cash used in investing activities	**(55,025)**	(3,011)
Net cash used in financing activities	**(23,410)**	(6,924)
Net cash decrease in cash and cash equivalents	**(39,771)**	26,031
Cash and cash equivalents at 1 January	**145,196**	108,127
Cash and cash equivalents at 30 September	**105,425**	134,158
Cash and cash equivalents (Note 3)	**83,243**	63,146
Capital deposit with Central Bank of Oman	**(500)**	(500)
Treasury Bills within than 90 days	**-**	61,951
Loans and advances to banks due within 90 days	**26,896**	16,619
Due to banks within 90 days	**(4,214)**	(7,058)
Cash and cash equivalents for the purpose of the cash flow statement	**105,425**	134,158

The accompanying notes form an integral part of these financial statements.

1. Legal status and principal activities

Bank Dhofar SAOG (the Bank) is incorporated in the Sultanate of Oman as a public joint stock company and is principally engaged in corporate, retail and investment banking activities. The Bank has a primary listing on the Muscat Securities Market (MSM) and its principal place of business is the Head Office, Capital Business District (CBD), Muscat, Sultanate of Oman.

2. Principal accounting policies

2.1. *Basis of preparation*

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

The interim financial statements have been prepared on the historical cost basis except for derivative financial instruments, financial instruments at fair value through profit and loss and available for sale financial assets which are measured at fair value.

These policies have been consistently applied in dealing with items that are considered material in relation to the Bank's interim financial statements to all the periods presented.

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

2.2. *Foreign currency translations*

2.2.1. *Functional and presentation currency*

Items included in the Bank's financial statements are measured using Rials Omani which is the currency of the primary economic environment in which the Bank operates, rounded off to the nearest thousand.

2.2.2. *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

2.3. ***Financial instruments***

2.3.1. *Classification*

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

2.3.1.1. *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is held in this category if acquired principally for the purpose of short-term profit taking or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

2.3.1.2. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They can be originated or acquired by the bank with no intention of trading the receivable and comprise loans and advances to banks and customers other than bonds purchased at original issuance.

2.3.1.3. *Available-for-sale*

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

2.3.1.4. *Held-to-maturity investments*

Investments with fixed or determinable payments and fixed maturity dates that the Bank has the positive and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity are recorded at amortised costs using the effective interest method less any impairment, with revenue recognised on an effective yield basis..

2.3.2. *Recognition and derecognition*

The Bank recognises financial assets at fair value through profit or loss and available-for-sale assets on the trade date, the date it commits to purchase or sell the asset. From this date any gains and losses arising from changes in fair value of the assets are recognised. Loans and receivables, deposits and subordinated liabilities are recognised on the date they are originated.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. A financial liability is derecognised when it is extinguished.

2.3.3. *Measurement*

Financial assets are measured initially at cost plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent to initial recognition all financial assets at fair value through profit or loss and all available-for-sale assets are measured at fair value, except equity instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities and loans and receivables are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

2.3.4. *Fair value measurement principles*

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

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

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

2.3.5. *Gains and losses on subsequent measurement*

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

2.4. ***Cash and cash equivalents***

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash on hand, non-restricted cash deposited with the Central Bank of Oman, amounts due from other banks and eligible treasury bills and certificate of deposits.

2.5. ***Treasury bills and certificate of deposits***

Treasury bills and certificates of deposit issued for a term longer than three months are classified as available-for-sale or held-to-maturity at the date of acquisition..

2.6. ***Offsetting***

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7. ***Impairment of financial assets***

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

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
– adverse changes in the payment status of borrowers in the group; or
– national or local economic conditions that correlate with defaults on the assets in the group.

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2. Principal accounting policies (continued)

2.7. *Impairment of financial assets (continued)*

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets, other than investments at fair value through profit and loss, is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2. Principal accounting policies (continued)

2.8. *Property and equipment*

Items of property and equipment are stated at cost less accumulated depreciation and impairment loss. Depreciation is calculated so as to write off the cost of property and equipment, other than freehold land and capital work-in-progress, by equal instalments over their estimated economic useful lives from the date the asset is brought into use, as follows :

	Years
Buildings	7 - 25
Furniture and fixtures	3 - 7
Motor vehicles	3 - 5
Computer equipment	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

2.9. *Intangible assets*

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

2.10. *Provisions*

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

2.11. *Dividends*

Dividends are recognised as a liability in the year in which they are declared.

2.12. *Interest income and expense*

Interest income and expense are recognised in the income statement using the effective interest method.

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

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

2.13. *Fees and commission income*

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

2.14. *Taxation*

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (the tax base). The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. The principal temporary differences arise from depreciation of property and equipment and provisions.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.15. *Employee benefits*

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

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 and its subsequent amendments are recognised as an expense in the income statement as incurred.

2.16. *Derivative financial instruments*

Derivatives are stated at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognises profits on the day of the transaction.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Although the Bank enters into derivative instruments for hedging purposes, certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

2.16.1 Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

2.16.2 Hedge accounting

The bank designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the bank documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

2.16.3 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the bank revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

2.16.4 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the “other gains and losses” line of the income statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the bank revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

2.17. ***Sale and repurchase agreements***

Securities sold subject to repurchase agreements (repos) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

2.18. **Borrowings**

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

3. Cash and cash equivalents

	2008	2007
	RO’000	RO'000
Cash on hand	**14,430**	9,813
Balances with the Central Bank of Oman	**68,813**	8,333
Treasury Bills Less 90 days	**-**	61,951
Certificate of deposits Less 90 days	**-**	45,000
	83,243	125,097

At 30 September 2008, cash and cash equivalents included balances with the Central Bank of Oman approximately RO 500,000 (2007 - RO 500,000) as minimum reserve requirements. These funds are not available for the Bank's daily business.

4 Held-to-maturity investments

	2008 RO'000	2007 RO'000
Treasury bills above 90 days	**40,814**	10,000
Certificate of deposit above 90 days	**50,000**	-
	90,814	10,000

5. Loans and advances to banks

	2008 RO'000	2007 RO'000
Placements with other banks	**28,473**	21,700
Current clearing accounts & bills discounted	**4,769**	9,000
	33,242	30,700

At 30 September 2008, two placement with one bank individually represented 20% or more of the Bank's placements.

At 30 September 2007, no placements with any individually bank represented 20% or more of the Bank's placements.

6. Loans and advances to customers

	2008 RO'000	2007 RO'000
Overdrafts	**94,864**	68,647
Loans	**818,324**	596,861
Loans against trust receipts	**57,771**	35,860
Bills discounted	**2,825**	1,808
Advance against credit cards	**7,100**	4,439
Others	**14,490**	10,421
Gross loans and advances	**995,374**	718,036
Less: Impairment allowance	**(48,198)**	(45,501)
Net loans and advances	**947,176**	672,535

The movement in the impairment allowance is analysed below:

Allowance for loan impairment

	2008	2007
	RO'000	RO'000
1 January	**28,824**	29,170
Allowance made during the period	**4,106**	2,360
Released to the income statement during the period	**(2,246)**	(1,121)
Written off during the period	**(260)**	(1,190)
30 September	**30,424**	29,219

(b) Reserved interest

	2008	2007
	RO'000	RO'000
1 January	**16,573**	16,727
Reserved during the period	**2,628**	2,577
Released to the income statement during the period	**(1,062)**	(658)
Written-off during the period	**(365)**	(2,364)
30 September	**17,774**	16,282
Total impairment allowance	**48,198**	45,501

As a matter of policy, the Bank considers waiver / write-off or settlement only in such cases where the Bank is satisfied that the recovery of the full outstanding liabilities from the borrower is not possible in the normal course of business or out of the securities realisation or through enforcement of the guarantee (wherever available) and that legal action will not yield higher recoveries after considering the time and costs involved.

Proposals for waivers/write-off are not formula driven and are decided on case by case basis after weighing all pros and cons. The rationale is invariably documented. In all cases, the Bank aims to recover the maximum value through enforcement of collaterals/guarantees of guarantors, etc.

Interest is reserved by the Bank against loans and advances which are impaired, to comply with the rules, regulations and guidelines issued by the Central Bank of Oman.

Under the Central Bank of Oman's guidelines for provision against classified loans and advances, at 30 September 2008, out of the total provisions of approximately RO 48,198,000 (2007 RO 45,501,000) provision made on a general portfolio basis for similar assets amounts to approximately RO 13,757,000 (2007 – RO 9,481,000).

At 30 September 2008, impaired loans and advances on which interest has been reserved amount to approximately RO 37,428,000 (2007 - RO 38,716,000) this amount includes loans and advances on which interest is not being accrued amount to approximately RO 1,881,000 (2007 - RO 2,848,000).

7. Financial instruments at fair value through profit or loss

	Fair value 2008 RO'000	Fair value 2007 RO'000	**Carrying amount 2008 RO'000**	Carrying amount 2007 RO'000
Debts and other fixed income instruments held for trading				
Government Development bonds	**2,511**	8,001	**2,511**	8,001

8. Available-for-sale investments

	2008 RO'000	2007 RO'000
Equity instruments		
- Quoted	**12,900**	8,361
- Unquoted	**4,107**	5,660
	17,007	14,021

	Cost	**Market value**		**Carrying amount**	
	RO'000	**2008 RO'000**	2007 RO'000	**2008 RO'000**	2007 RO'000
Quoted on the Muscat Securities Market (by sector)					
Investments	**498**	**434**	1,968	**434**	1,962
Insurance	**249**	**156**	1,036	**156**	1,036
Services	**8,390**	**9,187**	4,271	**9,188**	4,271
Industrial	**3,420**	**3,468**	1,168	**3,122**	1,092
	12,557	**13,245**	8,443	**12,900**	8,361
Unquoted					
Unquoted Omani company				**2,916**	3,268
Unquoted foreign equities				**1,191**	2,392
				4,107	5,660
				17,007	14,021

At 30 September 2008, the investments are carried at their fair value. The market value in certain cases is higher than the carrying amount. However, the Board of Directors believe that due to the non-liquidity of certain shares, the market value of the quoted securities is not representative of the fair value and hence appropriate adjustments have been made to the market value to reflect the fair value.

9. Intangible asset

	2008 RO'000	2007 RO'000
Goodwill	**3,971**	3,971

Goodwill is carried at cost less accumulated impairment losses and tested annually for impairment.

10. Due to banks

	2008 RO'000	2007 RO'000
Syndicated borrowings	**75,075**	67,375
Other borrowings	**49,585**	28,295
Payable on demand	**4,214**	8,083
	128,874	103,753

At 30 September 2008 no borrowing from a bank individually represented 20% or more of the Bank’s borrowings (2007 – nil). The Bank has not had any defaults of principal, interest or other breaches during the period on its borrowed funds (2007 - Nil).

11. Deposits from customers

	2008 RO’000	2007 RO'000
Current accounts	**198,302**	149,578
Savings accounts	**172,299**	121,153
Time deposits	**493,957**	317,789
Margin accounts	**3,713**	1,931
	868,271	590,451

Current accounts and time deposits include deposits from the Government of the Sultanate of Oman amounting to RO 224,955,000.(2007 - RO 107,802,000).

12. Subordinated loan and bonds

	2008 RO’000	2007 RO’000
Subordinated bonds (a)	**-**	7,362
Subordinated loan (b)	**38,500**	38,500
30th September	**38,500**	45,862

(a) Subordinated bonds

Pursuant to a 'merger agreement' between the Bank and Majan International Bank SAOC (MIB) dated 28 December 2002, on 31 March 2003 the Bank issued 7,361,767 subordinated bonds of RO 1 each with a tenure of 5 years and 1 day to the former shareholders of MIB.These bonds carry a coupon rate of 7% per annum payable annually. The bonds matured on 31st March 2008 and nominal values with interest have been paid to bondholders.

(b) Subordinated Loan

In August 2007, the Bank availed an unsecured subordinated loan of USD 100,000,000 with a tenor of 5 years and one month. The rate of interest is linked to 3 month LIBOR plus margin, payable quarterly, while principal is payable in lump sum at maturity.

13. Share capital

The authorised share capital consists of 1000,000,000 shares of RO 0.100 each (2006 – 1,000,000,000 shares of RO 0.100 each). At 30 September 2008, the issued and paid up share capital comprise 530,817,000 shares of RO 0.100 each. (2007 – 530,817,000 shares of RO 0.100 each)

Shareholders

The following shareholders of the Bank own 10% or more of the Bank's share capital :

	2008		2007	
	No of shares	**%**	No of shares	%
Dhofar International Development and Investment Company SAOG	**159,245,096**	**30**	159,245,096	30
Civil Service Employees' Pension Fund	**53,081,689**	**10**	53,081,689	10
Total	**212,326,785**	**40**	212,326,785	40
Others	**318,490,215**	**60**	318,490,215	60
	530,817,000	**100**	530,817,000	100

14. Reserves

(a) Legal reserve

In accordance with Article 106 of the Commercial Companies Law of 1974, annual appropriations of 10% of profit are made to the legal reserve until the accumulated balance of the reserve is equal to one-third of the Bank's paid up share capital. This reserve is not available for distribution.

(b) Subordinated loan and bonds reserves

	2008 RO	2007 RO'000
1 January	**9,929**	5,888
Transferred to retained earnings	**(7,362)**	-
30th September	**2,567**	5,888

Subordinated bonds reserve

Consistent with Bank for International Settlement (BIS) Guidelines on capital adequacy, the Bank transfers an amount equivalent to 20% of the value of the subordinated bonds each year to the subordinated bond reserve until the bonds mature. The bonds were matured and settled in March 2008 and the amount of the reserve has been transferred to retained earnings through statement of changes in equity.

Subordinated loan reserve

Consistent with Bank for International Settlement (BIS) Guidelines on capital adequacy, the Bank transfers an amount equivalent to 20% of the value of the subordinated loan each year to the subordinated loan reserve until the maturity of the loan. Since the loan was obtained at the end of August 2007, the bank transferred 6.67% of the value of the subordinated loan being the period the loan was outstanding in 2007. The amount of the reserve will be transferred to retained earnings through statement of changes in equity upon settlement of the subordinated loan.

(c) Investment revaluation reserve

	2008 RO	2007 RO
1 January	**3,582**	2,231
Increase/ (decrease) in fair value	**(1,680)**	1,984
Net transfer to income statement on sale of available-for-sale investment	**(1,098)**	(1,668)
30th September	**804**	2,547

15. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per share is based on profit for the year attributable to ordinary shareholders as follows:

	2008	2007
Profit for the period (RO)	**22,173,000**	14,742,000
Weighted average number of shares outstanding during the period	**530,817,000**	530,817,000
Earnings per share basic and diluted (annualized)	**0.056**	0.037

For the purpose of earning per share calculation, the Bank has restated the previous period weighted average number of shares outstanding to include the 15% bonus shares (69,237,000 shares) issued in first quarter of 2007 and par value share is taken RO 0.100.

16. Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II, as at 30th September 2008 is **11.29%** (2007 –15.67%).

Capital structure	**2008**	2007
	RO'000	RO'000
TIER I CAPITAL		
Paid up capital	**53,082**	53,082
Legal reserve	**12,149**	9,870
Share premium	**5,429**	5,429
Subordinated loan and bonds reserve	**2,567**	5,888
Retained earnings	**20,418**	9,857
Less Goodwill	**(3,971)**	(3,971)
Total Tier I capital	**89,674**	80,155
TIER II CAPITAL		
Investment revaluation reserve	**362**	1,146
General provision	**13,757**	9,481
Subordinated loan and bonds	**30,800**	38,500
Total Tier II capital	**44,919**	49,127
Total eligible capital	**134,593**	129,282
Risk weighted assets		
Banking book	**1,102,136**	740,120
Trading book	**19,157**	21,476
Operational risk	**70,552**	63,349
Total	**1,191,845**	824,945
Tier I capital	**89,674**	80,155
Tier II capital	**44,919**	49,127
Tier III capital	**-**	-
Total regulatory capital	**134,593**	129,282
Tier I capital ratio	**7.52%**	9.72%
Total capital ratio	**11.29%**	**15.67%**

17. Net interest income

	2008	2007
	RO'000	RO'000
Loans and advances to customers	**43,528**	33,832
Debt investments	**1,722**	2,393
Money market placements	**463**	836
Others	**89**	117
Total interest income	**45,802**	37,178
Deposits from customers	**(11,861)**	(11,661)
Money market deposits	**(4,328)**	(3,327)
Total interest expense	**(16,189)**	(14,988)
Net interest income	**29,613**	22,190

18. Other income

	2008	2007
	RO'000	RO'000
Fees and commissions (net)	**3,493**	1,896
Foreign exchange	**1,254**	743
Investment income (a)	**3,719**	2,392
Miscellaneous income	**3,955**	2,718
	12,421	7,749

(a) Investment income

	2008	2007
Dividend income- available-for-sale investments	**1,526**	406
Gain / (loss) of disposal of available-for-sale investments	**2,108**	1,727
Interest income on financial instruments at fair value through profit or loss	**85**	259
	3,719	2,392

The fees and commissions shown above are net of fees and commissions paid of RO 426,000 (2007 – RO 332,000).

19. Impairment of financial assets

	2008 RO'000	2007 RO'000
Financial instruments at fair value through profit or loss	**(24)**	(13)
Provision for loan impairment	**4,106**	2,360
Bad debts and dues written-off	**2**	20
	4,084	2,367
Recoveries from provision for loan impairment	**(2,246)**	(1,121)
Net impairment change of financial assets	**1,838**	1,246

20. Related parties transactions

In the ordinary course of business, the Bank conducts transactions with certain of its Directors, shareholders and companies over which they are able to exert significant influence. The aggregate amount of balances with such related parties are as follows:

	2008 RO'000	2007 RO'000
Loans and advances		
Directors and shareholders holding less than 10% interest in the Bank	**6,739**	21,587
Directors and shareholders holding 10% or more interest in the Bank	**13,551**	8,386
	20,290	29,973
Deposits and other accounts		
Directors and shareholders holding less than 10% interest in the Bank	**61,991**	43,543
Directors and shareholders holding 10% or more interest	**60,133**	26,421
	122,124	69,964
Contingent liabilities and commitments		
Directors and shareholders holding less than 10% interest in the Bank	**-**	1,313
Directors and shareholders holding 10% or more interest in the Bank	**45**	54
	45	1,367

Remuneration paid to Directors		
Chairman		
– remuneration paid	**11**	9
– sitting fees paid	**8**	8
Other Directors		
– remuneration paid	**127**	94
– sitting fees paid	**45**	39
	191	150
Other transactions		
Rental payment to a related party	**121**	41
Other transactions	**21**	16

21. Senior members

	2008 RO’000	2007 RO’000
Total exposure:		
Direct	**21,316**	30,493
Indirect	**45**	1,367
	21,361	31,860
Number of members	**24**	22

Excess over limits as specified by the Central Bank of Oman for Single Borrower and Senior Members are secured by cash collaterals, pledge of Government Development Bonds or risk participation arrangements with other commercial banks.

22. Contingent liabilities and commitments

Credit related contingent items

Letters of credit, guarantees and other commitments for which there are corresponding customer liabilities:

	2008 RO’000	2007 RO'000
Letters of credit	**95,595**	39,265
Acceptances	**17,912**	13,325
Guarantees and performance bonds	**73,622**	46,358
Advance payment guarantees	**41,735**	25,026
Payment guarantees	**22,826**	19,233
Others	**9,569**	5,681
	261,259	148,888

Notes to the financial statements
for the nine - month period ended 30 September 2008 (continued)

23. Analysis of significant assets and liabilities

(a) Maturity profile of assets and liabilities

	Due on demand and up to 30 days RO'000	2 months to 6 months RO'000	7 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
30 September 2008						
Cash and cash Equivalents	**82,743**	**-**	**-**	**-**	**500**	**83,243**
Held-to-maturity investments	**30,203**	**60,611**	**-**	**-**	**-**	**90,814**
Loans and advances to banks	**27,450**	**1,942**	**-**	**3,850**	**-**	**33,242**
Loans and advances				**-**		
to customers	**154,852**	**108,776**	**79,165**	**367,033**	**237,350**	**947,176**
Financial instruments at fair value through profit or loss	**-**	**1,549**	**962**	**-**	**-**	**2,511**
Available-for-sale Investments	**-**	**-**	**14,356**	**-**	**2,651**	**17,007**
Intangible asset	**-**	**-**	**-**	**-**	**3,971**	**3,971**
Property and equipment	**-**	**-**	**-**	**-**	**4,553**	**4,553**
Other assets	**1,176**	**47**	**10**	**83**	**5,038**	**6,354**
Total assets	**296,424**	**172,925**	**94,493**	**370,966**	**254,063**	**1,188,871**
Due to banks	**53,799**	**38,500**	**36,575**	**-**	**-**	**128,874**
Deposits from customers	**212,762**	**245,560**	**194,389**	**122,864**	**92,696**	**868,271**
Other liabilities	**9,180**	**4,166**	**7,789**	**13,849**	**1,620**	**36,604**
Subordinate loan	**-**	**-**	**-**	**38,500**	**-**	**38,500**
Shareholders' equity	**-**	**-**	**22,173**	**-**	**94,449**	**116,622**
Total liabilities and shareholders' equity	**275,741**	**288,226**	**260,926**	**175,213**	**188,765**	**1,188,871**

Notes to the financial statements
for the nine - month period ended 30 September 2008 (continued)

23. Analysis of significant assets and liabilities (continued)

(a) Maturity profile of assets and liabilities (continued)

	Due on demand and up to 30 days RO'000	2 months to 6 months RO'000	7 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
30th September 2007						
Cash and cash equivalents	63,691	60,906	-	-	500	125,097
Held-to-maturity investments	-	10,000	-	-	-	10,000
Loans and advances to banks	20,459	7,700	2,541	-	-	30,700
Loans and advances to customers	122,021	78,066	45,263	283,727	143,458	672,535
Financial instruments at fair value through profit or loss	5,492	-	-	2,509	-	8,001
Available-for-sale investments	-	-	10,999	3,022	-	14,021
Intangible asset	-	-	-	-	3,971	3,971
Property and equipment	-	-	-	-	4,369	4,369
Other assets	1,054	143	13	148	4,117	5,475
Total assets	212,717	156,815	58,816	289,406	156,415	874,169
Due to banks	36,378	-	-	67,375	-	103,753
Deposits from customers	122,505	201,778	103,475	94,963	67,730	590,451
Other liabilities	13,577	3,778	3,471	10,857	1,005	32,688
Subordinate bonds	-	-	7,362	-	38,500	45,862
Shareholders' equity	-	-	14,742	-	86,673	101,415
Total liabilities and shareholders' equity	172,460	205,556	129,050	173,195	193,908	874,169

23. Analysis of significant assets and liabilities (continued)

(b) Interest sensitivity gap

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and that of the corresponding liability funding. The Bank manages these mismatches by following policy guidelines and reduces risk by matching the repricing of assets and liabilities through various means including monitoring by the Asset Liability Committee. Significant changes in gap positions can be made to adjust the profile as market outlooks change.

	Due on demand and within 30 days RO'000	Due within 1 to 6 months RO'000	Due within 7 to 12 months RO'000	Due within 1 to 5 years RO'000	Due after 5 years RO'000	Non-interest bearing RO'000	Total RO'000
30th September 2008							
Cash and cash equivalents	-	-	-	-	500	82,743	83,243
Held-to-maturity investments	30,203	60,611	-	-	-	-	90,814
Loans and advances to banks	27,450	1,942	-	3,850	-	-	33,242
Loans and advances to customers	149,406	108,776	79,165	367,033	237,350	5,446	947,176
Financial assets at fair value through profit or loss	-	1,549	962	-	-	-	2,511
Available-for-sale Investments	-	-	-	2,651	-	14,356	17,007
Intangible asset	-	-	-	-	-	3,971	3,971
Property and equipment	-	-	-	-	-	4,553	4,553
Other assets	-	-	-	-	-	6,354	6,354
Total assets	207,059	172,878	80,127	373,534	237,850	117,423	1,188,871
Due to banks	53,518	38,500	36,575	-	-	281	128,874
Deposits from customers	259,173	158,924	137,497	36,716	48	275,913	868,271
Other liabilities	-	-	-	-	-	36,604	36,604
Subordinate loan	-	38,500	-	-	-	-	38,500
Shareholders' equity	-	-	22,173	-	-	94,449	116,622
Total liabilities and shareholders' equity	312,691	235,924	196,245	36,716	48	407,247	1,188,871
On-balance sheet gap	(105,632)	(63,046)	(116,118)	336,818	237,802	289,824	
Cumulative interest sensitivity gap	(105,632)	(168,678)	(284,796)	52,022	289,824	-	

Notes to the financial statements
for the nine - months period ended 30 September 2008 (continued)

23. Analysis of significant assets and liabilities (continued)

(b) Interest sensitivity gap (continued)

30th September 2007	Due on demand and within 30 days RO'000	Due within 1 to 6 months RO'000	Due within 7 to 12 months RO'000	Due within 1 to 5 years RO'000	Due after 5 years RO'000	Non-interest bearing RO'000	Total RO'000
Cash and cash equivalents	46,045	60,906	-	-	500	17,646	125,097
Held-to-maturity investments	-	10,000	-	-	-	-	10,000
Loans and advances to banks	20,459	7,700	2,541	-	-	-	30,700
Loans and advances to customers	182,385	71,200	37,757	273,262	103,080	4,851	672,535
Financial assets at fair value through profit or loss	5,492	-	-	2,509	-	-	8,001
Available-for-sale investments	-	-	-	3,022	-	10,999	14,021
Intangible asset	-	-	-	-	-	3,971	3,971
Property and equipment	-	-	-	-	-	4,369	4,369
Other assets	-	-	-	-	-	5,475	5,475
Total assets	254,381	149,806	40,298	278,793	103,580	47,311	874,169
Due to banks	36,080	67,375	-	-	-	298	103,753
Deposits from customers	154,749	137,310	61,441	34,388	49	202,514	590,451
Other liabilities	-	-	-	-	-	32,688	32,688
Subordinate bonds	-	38,500	7,362	-	-	-	45,862
Shareholders' equity	-	-	14,742	-	-	86,673	101,415
Total liabilities and shareholders' equity	190,829	243,185	83,545	34,388	49	322,173	874,169
On-balance sheet gap	63,552	(93,379)	(43,247)	244,405	103,531	(274,862)	
Cumulative interest sensitivity gap	63,552	(29,827)	(73,074)	171,331	274,862	-	

23. Analysis of significant assets and liabilities (continued)

(c) Customer concentrations

	Assets			Liabilities		
	Loans and Advances to banks RO'000	**Gross loans and advances RO'000**	**Investment Securities RO'000**	**Deposits from customers RO'000**	**Deposits from banks RO'000**	**Contingent liabilities RO'000**
30 September 2008						
Personal	**-**	**392,761**	**-**	**314,879**	**-**	**16**
Corporate	**33,242**	**530,054**	**57,821**	**328,437**	**128,874**	**261,243**
Government	**-**	**72,559**	**52,511**	**224,955**	**-**	**-**
	33,242	**995,374**	**110,332**	**868,271**	**128,874**	**261,259**
30 September 2007						
Personal	-	260,159	-	235,158	-	1,005
Corporate	30,700	401,620	24,021	247,491	103,753	147,218
Government	-	56,257	8,001	107,802	-	665
	30,700	718,036	32,022	590,451	103,753	148,888

(d)Foreign currency exposures

	2008 RO'000	2007 RO'000
Net assets denominated in US Dollars	**26,600**	28,853
Net assets denominated in other foreign currencies	**2,034**	602
	28,634	29,455