Board of Directors’ Report and financial statements (Unaudited) for three - months period ended 31 March 2010

Registered office and principal place of business:

Bank Dhofar Building
Bank Al Markazi street
Post Box 1507,Ruwi
Postal Code 112
Sultanate of Oman

BANK DHOFAR SAOG

Board of Directors' Report and financial statements (Unaudited)
for three - months period ended 31 March 2010

BANK DHOFAR S.A.O.G.

THE BOARD OF DIRECTORS' REPORT FOR THE THREE-MONTHS PERIOD ENDED 31ST MARCH 2010

Dear Shareholders,

On behalf of the Board of Directors of Bank Dhofar (SAOG), I am pleased to present to you the Bank's financial statements for the three months period ending 31 March 2010.

The total assets at the end of March 2010 reached RO 1,546.5 million compared with RO 1,360.6 million achieved at the end of March 2009, a growth of 13.7%. Net loans and advances to customers increased by 12.1% from RO 1,070.3 million at the end of March 2009 to RO 1,200.1 million at the end of March 2010. The customer deposits mobilized grew by 19.5% to reach RO 1,177.3 million at the end of the first quarter of this year compared with RO 985.0 million at the end of the corresponding period of last year.

Subsequent to the good results achieved in 2009, the Bank continues to record better results in the first quarter as the majority of the financial indicators showed remarkable growth. The net interest income increased from RO 10.96 million in the first quarter of 2009 to RO 13.98 million in the current quarter, a growth of 27.6%. The other operating income (fees and commissions, foreign exchange income, investments income and other income) grew by 2.9% and reached RO 3.92 million for the three months ended 31 March 2010 compared with RO 3.81 million for the similar period of last year. The profit from operations grew by 22.1% to touch RO 10.77 million at the end of March 2010 against RO 8.82 million achieved in 2009.

The total operating costs to total operating income ratio reduced from 40.3% at the end of first quarter of 2009 to 39.8% at the end of the current quarter and this reflects the sound operational efficiency of the Bank.

The net profit of the Bank for the period ended 31 March 2010, and after providing for required provisions for non-performing loans, reached RO 8.84 million as compared with RO 6.55 for the similar period of last year, a growth of 35.0%. As a result of this achievement, the Earnings Per Share (EPS) reached RO.044 at the end of March 2010 as compared with 0.032 at the end of March 2009.

Acknowledgment

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 thank, the shareholders, for your continuous support and the Bank's staff and management for their efforts in the first quarter of 2010 which translated into good results.

The Board of Directors also wishes to thank the Central Bank of Oman for its valuable and continuous guidance to improve the local banking sector.

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

Eng. Abdul Hafidh Salim Rajab Al-Aujaili
Chairman

BANK DHOFAR SAOG

Statement of financial position (Unaudited)
at 31 March 2010

	Notes	2010 RO'000	2009 RO'000
ASSETS			
Cash and balances with Central Bank of Oman	**3**	**230,168**	199,258
Financial instruments at fair value through profit or loss	**4**	**-**	962
Loans and advances to banks	**5**	**15,790**	50,609
Loans and advances to customers	**6**	**1,200,107**	1,070,270
Available-for-sale investments	**7**	**13,315**	12,965
Held-to-maturity investments	**8**	**68,676**	10,000
Intangible asset	**9**	**3,971**	3,971
Property and equipment		**5,160**	4,785
Other assets		**9,267**	7,828
Total assets		**1,546,454**	1,360,648
LIABILITIES			
Due to banks	**10**	**87,866**	113,445
Deposits from customers	**11**	**1,177,342**	985,033
Other liabilities		**40,712**	40,343
Subordinated loan	**12**	**38,500**	38,500
Total liabilities		**1,344,420**	1,177,321
SHAREHOLDERS' EQUITY			
Share capital	**13**	**81,355**	73,959
Share premium		**58,506**	58,506
Legal reserve	**14**	**17,151**	14,612
Subordinated bonds and loan reserve	**14**	**17,967**	10,267
Investment revaluation reserve	**14**	**1,671**	(443)
Retained earnings		**25,384**	26,426
Total shareholders' equity		**202,034**	183,327
Total liabilities and shareholders' equity		**1,546,454**	1,360,648
Contingent liabilities and commitments	**22**	**311,904**	222,482
Net assets per share (Rials Omani)		**0.248**	0.248

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

BANK DHOFAR SAOG

Statement of comprehensive income (Unaudited) for three - months period ended 31 March 2010

	Notes	2010 RO'000	2009 RO'000
Interest income		**20,326**	18,440
Interest expense		**(6,348)**	(7,481)
Net interest income	**17**	**13,978**	10,959
Fees and commission income		**1,438**	1,073
Fees and commission expenses		**(177)**	(160)
Net fees and commission income		**1,261**	913
Other income	**18**	**2,657**	2,893
Operating income		**17,896**	14,765
Staff and administrative costs		**(6,664)**	(5,516)
Depreciation		**(467)**	(432)
Operating expenses		**(7,131)**	(5,948)
Profit from operations		**10,765**	8,817
Provision for loan impairment	**6**	**(1,067)**	(1,194)
Recoveries from allowance for loan impairment	**6**	**352**	425
Impairment of available-for-sale investments		**(9)**	(693)
Financial instruments at fair value through profit or loss		**-**	(9)
Profit from operations after provision		**10,041**	7,346
Income tax expense		**(1,201)**	(800)
Profit for the period		**8,840**	6,546
Profit for the period		**8,840**	6,546
Other comprehensive income:			
Net changes in fair value of available-for-sale investments		**302**	(1,433)
Reclassification adjustment on sale of available-for-sale investments		(30)	58
Total comprehensive income for the period		**9,112**	5,171
Earnings per share (basic and diluted) – annualized (Rials Omani)	**15**	**0.044**	0.032

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

BANK DHOFAR SAOG

Statement of changes in equity (Unaudited)
for three - months period ended 31 March 2010

	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 2010		**73,959**	**58,506**	**17,151**	**17,967**	**1,390**	**35,034**	**204,007**
Profit for the period		-	-	-	-	-	8,840	8,840
Fair value increase	14	-	-	-	-	302	-	302
Net transfer to statement of comprehensive income on sale of available-for-sale investments	14	-	-	-	-	(30)	-	(30)
Impairment of available-for-sale investment taken to statement of comprehensive income		-	-	-	-	9	-	9
Total comprehensive income for 2010		-	-	-	-	281	8,840	9,121
Dividend paid for 2009		-	-	-	-	-	(11,094)	(11,094)
Bonus shares issued for 2009	13	7,396	-	-	-	-	(7,396)	-
31 March 2010		**81,355**	**58,506**	**17,151**	**17,967**	**1,671**	**25,384**	**202,034**

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

BANK DHOFAR SAOG

Statement of changes in equity (Unaudited)
for three - months period ended 31 March 2010

	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 2009		70,774	58,506	14,612	10,267	239	34,035	188,433
Profit for the period		-	-	-	-	-	6,546	6,546
Fair value decrease	14	-	-	-	-	(1,433)	-	(1,433)
Net transfer to statement of comprehensive income on sale of available-for-sale investments	14	-	-	-	-	58	-	58
Impairment of available-for-sale investment taken to statement of comprehensive income		-	-	-	-	693	-	693
Total comprehensive income for 2009		-	-	-	-	(682)	6,546	5,864
Dividend paid for 2008		-	-	-	-	-	(10,970)	(10,970)
Bonus shares issued for 2008	**13**	3,185	-	-	-	-	(3,185)	-
31 March 2009		**73,959**	58,506	14,612	10,267	(443)	26,426	183,327

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

BANK DHOFAR SAOG

Statement of cash flows (Unaudited)
for three - months period ended 31 March 2010

	2010 RO'000	2009 RO'000
Cash flows from operating activities		
Interest and commission receipts	**24,409**	22,489
Interest payments	**(5,308)**	(6,172)
Cash payments to suppliers and employees	**(8,862)**	(1,400)
	10,239	14,917
Decrease / (Increase) in operating assets	**(17,471)**	46,614
Increase in operating liabilities	**61,824**	37,701
Net cash from operating activities	**54,592**	99,232
Income tax paid	**(3,444)**	(3,331)
Net cash from operating activities	**51,148**	95,901
Net cash (used in) / from investing activities	**(2,855)**	327
Net cash (used in) / financing activities	**(11,094)**	(10,970)
Net increase in cash and cash equivalents	**37,199**	85,258
Cash and cash equivalents at 1st January 2010	**206,540**	145,129
Cash and cash equivalents at 31 March	**243,739**	230,387
Cash and cash equivalents (Note 3)	**230,168**	199,758
Capital deposit with Central Bank of Oman	**(500)**	(500)
Loans and advances to banks due within 90 days	**15,790**	31,488
Due to banks within 90 days	**(1,719)**	(359)
Cash and cash equivalents for the purpose of the cash flow statement	**243,739**	230,387

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 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 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 in accordance with IFRS, and the requirements of the commercial companies law of 1974, as amended and disclosure requirements of the capital Market Authority.

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

The preparation of 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 statement of comprehensive income. 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, other than those held at cost, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

2. Principal accounting policies (continued)

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 instruments.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurements inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised costs;

- Certain investments, that are managed and evaluated on a fair value basis in accordance with documented risk management or investments strategy and reported to key management personnel on that basis are designated at fair value through profit or loss; and

- Financial instruments, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit or loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in the statement of comprehensive income.

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 investments

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. Principal accounting policies (continued)

2.3.1.4. Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity dates that the Bank has the positive intention 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 fair value 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 statement of financial position 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 statement of financial position date taking into account current market conditions and the current credit worthiness of the counter-parties.

2. Principal accounting policies (continued

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 statement of comprehensive income 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 to / 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 statement of financial position 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 statement of financial position 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

2. Principal accounting policies (continued

2.7. *Financial instruments (continued)*

(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 statement of comprehensive income. 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.

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.

2. Principal accounting policies (continued)

2.7. *Impairment of financial assets (continued)*

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 statement of comprehensive income.

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 statement of comprehensive income.

The Bank assesses at each statement of financial position 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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. 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 statement of comprehensive income.

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 statement of financial position 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.

2. Principal accounting policies (continued)

2.8. *Property & equipments (continued)*

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 statement of comprehensive income 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 statement of comprehensive income 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 statement of financial position 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 three - months period in which they are declared.

2.12. *Interest income and expense*

Interest income and expense are recognised in the statement of comprehensive income 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.

Notes to the financial statements (Unaudited)
for three - months period ended 31 March 2010 (continued)

2. Principal accounting policies (continued)

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 three - months period comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income 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 period, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the statement of financial position 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 statement of financial position 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 statement of financial position 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 statement of financial position 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 statement of comprehensive income as incurred.

2. Principal accounting policies (continued)

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 statement of comprehensive income.

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 statement of comprehensive incomes relating to the hedged item.

2. Principal accounting policies (continued)

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 statement of comprehensive income.

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 statement of comprehensive income 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 statement of comprehensive income over the period of the borrowings using the effective interest method.

Notes to the financial statements (Unaudited)
for three - months period ended 31 March 2010 (continued)

Principal accounting policies (continued)

3. Cash and balances with Central Bank of Oman

	2010 RO’000	2009 RO'000
Cash on hand	**12,121**	11,678
Balances with the Central Bank of Oman	**68,047**	30,259
Certificate of deposits with maturity of 90 days or less	**150,000**	140,000
Treasury Bills with maturity of 90 days or less	-	17,321
	230,168	199,258

At 31 March 2010, cash and balances with Central bank of Oman included balances with the Central Bank of Oman amounting to RO 500,000 (2009 - RO 500,000) as minimum reserve requirements. These funds are not available for the Bank’s daily business.

Outstanding certificate of deposits as of 31st March 2010 were issued by the Central Bank of Oman and carried an average interest rate of 0.04%.

4. Financial instruments at fair value through profit or loss

	2010 RO’000	2009 RO’000
Government Development Bonds	-	962

5. Loans and advances to banks

	2010 RO’000	2009 RO'000
Placements with other banks	**9,709**	45,540
Current clearing accounts and bills discounted	**6,081**	5,069
	15,790	50,609

At 31 March 2010, placement with two foreign banks individually represented 20% or more of the Bank’s placements (2009 - nil).

6. Loans and advances to customers

	2010 RO'000	2009 RO'000
Overdrafts	**103,003**	105,265
Loans	**1,072,683**	920,485
Loans against trust receipts	**63,127**	71,635
Bills discounted	**3,440**	2,568
Advance against credit cards	**10,491**	8,576
Others	**12,783**	13,597
Gross loans and advances	**1,265,527**	1,122,126
Less: Impairment allowance	**(65,420)**	(51,856)
Net loans and advances	**1,200,107**	1,070,270
The movements in the impairment allowance is analysed below:		
(a) Allowance for loan impairment		
1 January	**41,852**	31,684
Allowance made during the period	**1,067**	1,194
Released to the statement of comprehensive income during the period	**(352)**	(425)
Written off during the period	**(9)**	(3)
31 March	**42,558**	32,450
(b) Reserved interest		
1 January	**21,737**	18,642
Reserved during the period	**1,351**	910
Released to the statement of comprehensive income during the period	**(159)**	(124)
Written-off during the period	**(67)**	(22)
31 March	**22,862**	19,406
Total impairment allowance	**65,420**	51,856

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.

6. Loans and advances to customers (continued)

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 31 March 2010, out of the total provisions of **RO 65,420,000** (2009 – RO 51,856,000) a collective provision made on a general portfolio basis amounting to **RO 17,906,000** (2009 - RO 15,843,000).

At 31 March 2010, impaired loans and advances on which interest has been reserved amount to **RO 61,332,000** (2009 - RO 37,090,000) and loans and advances on which interest is not being accrued amount to **RO 1,589,000** (2009 - RO 1,814,000).

7. Available-for-sale investments

	2010	2009
	RO'000	RO'000
Equity instruments		
- Quoted	**8,972**	9,520
- Unquoted	**4,343**	3,445
	13,315	12,965

		Fair value	
	Cost	**2010**	2009
	RO'000	**RO'000**	RO'000
Quoted on the Muscat Securities Market (by sector)			
Banking and investments	**1,080**	**1,090**	396
Services	**4,515**	**5,034**	6,655
Industrial	**2,764**	**2,848**	2,469
	8,359	**8,972**	9,520
Unquoted			
Unquoted Omani company	**3,299**	**4,343**	3,445
	11,658	**13,315**	12,965

At 31 March 2010, the investments are carried at their fair value.

8. Held-to-maturity investments

	2010	2009
	RO’000	RO'000
Treasury bills with maturity of above 90 days	**53,011**	-
Government Development Bonds	**15,665**	-
Certificates of deposits with maturity of above 90 days	-	10,000
	68,676	10,000

9. Intangible asset

	2010	2009
	RO’000	RO'000
Goodwill	**3,971**	3,971

The goodwill had resulted from the acquisition of branches of the Commercial Bank of Oman in period 2001 and merger with Majan International Bank 2003.

10. Due to banks

	2010	2009
	RO’000	RO'000
Syndicated borrowings	**28,875**	28,875
Other borrowings	**18,772**	41,811
Borrowing from Central Bank of Oman	**38,500**	38,500
Payable on demand	**1,719**	4,259
	87,866	113,445

In the year 2007, the Bank entered into a mid-term syndicated loans agreement with foreign banks for US $ 75,000,000 with three years maturity. The rates of interest are linked to three month LIBOR subject to competitive margin.

In 2009, the Bank entered into a loan agreement for US $ 20,000,000 with a foreign bank having maturity of three years and carries a interest rate linked to three months LIBOR subject to competitive margin.

At 31 March 2010, one borrowing with one local bank individually represented 20% or more of the Bank’s borrowings (2009 –Nil). The Bank has not had any defaults of principal, interest or other breaches during three - months period on its borrowed funds (2009 - Nil).

11. Deposits from customers

	2010	2009
	RO’000	RO'000
Current accounts	**274,279**	229,629
Savings accounts	**186,785**	166,038
Time deposits	**712,673**	586,308
Margin accounts	**3,605**	3,058
	1,177,342	985,033

Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 367,166,000 (2009 - RO 285,081,000).

12. Subordinated loan

	2010	2009
	RO’000	RO’000
Subordinated loan	**38,500**	38,500
	38,500	38,500

In August 2007, the Bank availed an unsecured subordinated loan of US $ 100 million 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 1,000,000,000 shares of RO 0.100 each (2009 - 1,000,000,000 shares of RO 0.100 each).

On 28 March 2010 the Shareholders of the Bank in the Annual General Meeting approved the issuance of 10% bonus shares amounting to 73,958,653 shares of RO 0.100 each.

At 31 March 2010, the issued and paid up share capital comprise of 813,545,183 shares of RO 0.100 each. (2009 – 739,586,530 shares of RO 0.100 each).

Shareholders (continued)

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

	2010		2009	
	No of shares	**%**	No of shares	%
Dhofar International Development and Investment Company SAOG	**244,063,554**	**30**	228,505,786	31
Civil Service Employees' Pension Fund	**81,354,499**	**10**	73,958,636	10
Total	**325,418,053**	**40**	302,464,422	41
Others	**488,127,130**	**60**	437,122,108	59
	813,545,183	**100**	739,586,530	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 reserves

Consistent with the 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. The amount of the reserve will be transferred to retained earnings through the statement of changes in equity upon settlement of the subordinated loan.

14. Reserves (continued)

(c) Investment revaluation reserve

The movements in the investments revaluation reserve is analysed below:

	2010 RO'000	2009 RO'000
1 January	**1,390**	239
Increase (Decrease) in fair value	**302**	(1,433)
Impairment of available for sale investment taken to statement of comprehensive income	**9**	693
Net transfer to statement of comprehensive income on sale of available-for-sale investment	**(30)**	58
31 March	**1,671**	(443)

15. Earnings per share (basic and diluted)

Earnings per share is calculated by dividing the net profit for the three - months period ended 31 March by the number of shares outstanding at 31 March as follows:

	2010	2009
Net profit (RO)	**8,840,000**	6,546,000
Number of shares outstanding at 31 March (Nos.)	**813,545,183**	813,545,183
Earnings per share (RO)	**0.044**	0.032

Earnings per share (basic and diluted) has been derived by dividing the profit for the period attributable to the shareholders by the weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

For the purpose of earning per share calculation, the Bank has restated the previous year weighted average number of shares outstanding to include the10% bonus Shares (73,958,653) shares with RO 0.100 par each) issued in the first quarter of 2010.

16. Capital risk management

Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II, for three - months period ended 31 March 2010 is 14.68% (2009 – 15.80%).

Capital structure	**2010**	2009
	RO'000	RO'000
TIER I CAPITAL		
Paid up capital	**81,355**	73,959
Legal reserve	**17,151**	14,612
Share premium	**58,506**	58,506
Subordinated bonds and loan reserve	**17,967**	10,267
Retained earnings	**16,544**	19,880
Deferred tax assets	**(177)**	-
Less: goodwill	**(3,971)**	(3,971)
Less: negative investment revaluation reserve	**(75)**	(1,127)
Total Tier I capital	**187,300**	172,126
TIER II CAPITAL		
Investment revaluation reserve	**786**	305
General provision	**17,906**	15,843
Subordinated loan	**15,400**	23,100
Total Tier II capital	**34,092**	39,248
Total eligible capital	**221,392**	211,374
Risk weighted assets		
Banking book	**1,383,645**	1,217,528
Trading book	**18,533**	34,040
Operational risk	**105,596**	85,899
Total	**1,507,774**	1,337,467
Tier I capital	**187,300**	172,126
Tier II capital	**34,092**	39,248
Tier III capital	-	-
Total regulatory capital	**221,392**	211,374
Tier I capital ratio	**12.42%**	12.87%
Total capital ratio	**14.68%**	15.80%

17. Net interest income

	2010 RO'000	2009 RO'000
Loans and advances to customers	**20,246**	18,027
Debt investments	**39**	311
Money market placements	**38**	92
Others	**3**	10
Total interest income	**20,326**	18,440
Deposits from customers	**(5,982)**	(6,737)
Money market deposits	**(366)**	(744)
Total interest expense	**(6,348)**	(7,481)
Net interest income	**13,978**	10,959

18. Other income

	2010 RO'000	2009 RO'000
Foreign exchange	**284**	234
Investment income (a)	**555**	455
Miscellaneous income	**1,818**	2,204
	2,657	2,893

(a) Investment income

Dividend income- available-for-sale investments	**447**	538
Gain of disposal of available-for-sale investments	**29**	(98)
Interest income on Government Development Bonds (HTM)	**79**	-
Interest income on financial instruments at fair value through profit or loss	-	15
	555	455

19. Impairment of financial assets

	2010 RO'000	2009 RO'000
Impairment of available-for-sale investments	**9**	693
Provision for loan impairment	**1,067**	1,194
Bad debts written-off	-	9
	1,076	1,896
Recoveries from provision for loan impairment	**(352)**	(425)
Net impairment change of financial assets	**724**	1,471

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 amounts of balances with such related parties are as follows:

	2010	2009
	RO'000	RO'000
Loans and advances		
Directors and shareholders holding less than 10% interest in the Bank	**18,331**	15,030
Directors and shareholders holding 10% or more interest in the Bank	**17,750**	23,818
	36,081	38,848
Deposits and other accounts		
Directors and shareholders holding less than 10% interest in the Bank	**67,089**	67,368
Directors and shareholders holding 10% or more interest in the Bank	**122,038**	92,649
	189,127	160,017
Contingent liabilities and commitments		
Directors and shareholders holding less than 10% interest in the Bank	**1,257**	-
Directors and shareholders holding 10% or more interest in the Bank	**281**	40
	1,538	40
Remuneration paid to Directors		
Chairman		
– remuneration paid	**16**	18
– sitting fees paid	**4**	2
Other Directors		
– remuneration paid	**115**	110
– sitting fees paid	**13**	14
	148	144
Other transactions		
Rental payment to a related party	**65**	64
Other transactions	**19**	18

21. Senior members borrowing

Senior members

Total exposure:		
Direct	**37,058**	39,864
Indirect	**1,538**	40
	38,596	39,904
Number of members	**23**	21

22. Contingent liabilities and commitments

(a) Credit related contingent items

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

	2010	2009
	RO'000	RO'000
Letters of credit	**88,962**	58,875
Acceptances	**23,793**	13,842
Guarantees and performance bonds	**94,863**	71,035
Advance payment guarantees	**70,139**	41,948
Payment guarantees	**29,374**	28,822
Others	**4,773**	7,960
	311,904	222,482

23. Amount due to brokerage customers

The amount due to brokerage customers as at 31st March 2010 was RO 325,308.

24. Risk Management

(i) Liquidity risk

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
31 March 2010						
Cash and balances with Central Bank of Oman	229,668	-	-	-	500	230,168
Loans and advances to banks	14,940	850	-	-	-	15,790
Loans and advances to customers	181,450	112,380	60,428	462,080	383,769	1,200,107
Available-for-sale Investments	-	-	13,315	-	-	13,315
Held-to-maturity Investments	5,440	47,571	-	15,665	-	68,676
Intangible asset	-	-	-	-	3,971	3,971
Property and equipment	-	-	-	-	5,160	5,160
Other assets	1,007	11	1	78	8,170	9,267
Total assets	432,505	160,812	73,744	477,823	401,570	1,546,454
Due to banks	5,569	68,822	-	13,475	-	87,866
Deposits from customers	206,650	437,533	251,294	166,549	115,316	1,177,342
Other liabilities	9,272	5,931	7,199	16,615	1,695	40,712
Subordinated loan	-	-	-	38,500	-	38,500
Shareholders' equity	-	-	-	8,840	193,194	202,034
Total liabilities and shareholders' equity	221,491	512,286	258,493	243,979	310,205	1,546,454

Notes to the financial statements (Unaudited)
for three - months period ended 31 March 2010 (continued)

24. Risk Management (continued)

(i) Liquidity risk (continued)

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
31 March 2009						
Cash and balances with Central Bank of Oman	187,211	11,547	-	-	500	199,258
Financial instruments at fair value through profit or loss	-	962	-	-	-	962
Loans and advances to banks	32,558	4,201	3,850	10,000	-	50,609
Loans and advances to customers	164,495	98,708	93,408	431,774	281,885	1,070,270
Available-for-sale Investments	-	-	12,965	-	-	12,965
Held-to-maturity investments	-	10,000	-	-	-	10,000
Intangible asset	-	-	-	-	3,971	3,971
Property and equipment	-	-	-	-	4,785	4,785
Other assets	991	141	40	35	6,621	7,828
Total assets	385,255	125,559	110,263	441,809	297,762	1,360,648
Due to banks	36,445	40,425	-	36,575	-	113,445
Deposits from customers	167,742	392,436	176,869	149,023	98,963	985,033
Other liabilities	13,984	4,728	3,699	16,224	1,708	40,343
Subordinated loan	-	-	-	38,500	-	38,500
Shareholders' equity	-	-	-	6,546	176,781	183,327
Total liabilities and shareholders' equity	218,171	437,589	180,568	246,868	277,452	1,360,648

24. Risk Management (continued)

(ii) Market risk

Market risk includes currency risk, interest rate risk and equity price risk.

(a) Interest rate risk

Interest rate sensitivity gap

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and that of the corresponding liability. The Bank manages these mismatches by following policy guidelines and reduces risk by matching the repricing of assets and liabilities.

	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
31 March 2010							
Cash and balances with Central Bank of Oman	150,000	-	-	-	500	79,668	230,168
Loans and advances to banks	14,940	850	-	-	-	-	15,790
Loans and advances to customers	272,111	102,080	63,409	477,506	277,809	7,192	1,200,107
Available-for-sale investments	-	-	-	-	-	13,315	13,315
Held-to-maturity investments	5,440	47,571	-	15,665	-	-	68,676
Intangible asset	-	-	-	-	-	3,971	3,971
Property and equipment	-	-	-	-	-	5,160	5,160
Other assets	-	-	-	-	-	9,267	9,267
Total assets	442,491	150,501	63,409	493,171	278,309	118,573	1,546,454
Due to banks	5,015	82,297	-	-	-	554	87,866
Deposits from customers	313,060	322,855	177,760	73,157	50	290,460	1,177,342
Other liabilities	-	-	-	-	-	40,712	40,712
Subordinated loan	-	38,500	-	-	-	-	38,500
Shareholders' equity	-	-	-	-	-	202,034	202,034
Total liabilities and shareholders' equity	318,075	443,652	177,760	73,157	50	533,760	1,546,454
On-balance sheet gap	124,416	(293,151)	(114,351)	420,014	278,259	(415,187)	
Cumulative interest sensitivity gap	124,416	(168,735)	(283,086)	136,928	415,187	-	

Notes to the financial statements (Unaudited) for three - months period ended 31 March 2010 (continued)

24 Risk Management (continued)

(ii) Market risk (continued)

(a) Interest rate risk (continued)

Interest rate sensitivity gap (continued)

	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
31 March 2009							
Cash and balances with Central Bank of Oman	145,774	11,547	-	-	500	41,437	199,258
Financial assets at fair value through profit or loss	-	-	962	-	-	-	962
Loans and advances to banks	32,558	4,201	-	3,850	10,000	-	50,609
Loans and advances to customers	266,114	254,326	81,767	312,220	149,630	6,213	1,070,270
Available-for-sale investments	-	-	-	-	-	12,965	12,965
Held-to-maturity investments	-	10,000	-	-	-	-	10,000
Intangible asset	-	-	-	-	-	3,971	3,971
Property and equipment	-	-	-	-	-	4,785	4,785
Other assets	-	-	-	-	-	7,828	7,828
Total assets	444,446	280,074	82,729	316,070	160,130	77,199	1,360,648
Due to banks	36,171	75,075	1,925	-	-	274	113,445
Deposits from customers	243,118	295,462	114,339	66,003	48	266,063	985,033
Other liabilities	-	-	-	-	-	40,343	40,343
Subordinated loan	-	38,500	-	-	-	-	38,500
Shareholders' equity	-	-	-	-	-	183,327	183,327
Total liabilities and shareholders' equity	279,289	409,037	116,264	66,003	48	490,007	1,360,648
On-balance sheet gap	165,157	(128,963)	(33,535)	250,067	160,082	(412,808)	
Cumulative interest sensitivity gap	165,157	36,194	2,659	252,726	412,808	-	

(b) Foreign currency exposures

	2010 RO'000	2009 RO'000
Net assets denominated in US Dollars	**30,319**	39,083
Net assets denominated in other foreign currencies	**1,443**	1,014
	31,762	40,097

24. Risk Management (continued)

(iii) Credit Risk

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**
31 March 2010						
Personal		**554,325**		**320,160**		**513**
Corporate	**15,790**	**637,524**	**66,326**	**490,016**	**49,366**	**311,259**
Government	**-**	**73,778**	**15,665**	**367,166**	**38,500**	**132**
	15,790	**1,265,627**	**81,991**	**1,177,342**	**87,866**	**311,904**
31 March 2009						
Personal	-	457,686	-	323,849	-	478
Corporate	50,609	587,980	12,965	376,103	74,945	221,661
Government	-	76,460	10,962	285,081	38,500	343
	50,609	1,122,126	23,927	985,033	113,445	222,482