



بنك ظفار  
BankDhofar

**Unaudited interim condensed financial statements  
For the Nine month period ended 30th September 2016**

**Registered office and principal place of business:**

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

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# **BANK DHOFAR SAOG**

## **THE BOARD OF DIRECTORS' REPORT FOR THE NINE-MONTH PERIOD ENDED 30<sup>th</sup> September 2016**

### **Dear Shareholders,**

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present to you the Bank's consolidated Financial Performance for the nine months ended 30<sup>th</sup> September 2016.

The Bank continues its significant growth in all areas during the period ended 30<sup>th</sup> September, with the total assets improving to RO 3.89 billion at the end of September 2016 as compared to RO 3.34 billion at the end of September 2015 recording a growth of 16.47% year on year. The Bank with its proven fundamentals on quality, prudent lending showed good growth of 10.61% to reach RO 2.92 billion in net Customer Loans, Advances and Financing as at 30<sup>th</sup> September 2016 from RO 2.64 billion as at 30<sup>th</sup> September 2015. To supplement this loan growth, the Customer Deposits mobilized, grew by 9.41% to reach RO 2.79 billion at 30<sup>th</sup> September 2016 compared to RO 2.55 billion at 30<sup>th</sup> September 2015.

Net interest and Financing income also recorded a strong year-on-year growth of 14.62% reaching RO 74.54 million as compared to RO 65.03 million for the nine months ended 30<sup>th</sup> September 2015.

The total operating income including the non-funded income such as fees and commissions, foreign exchange profit, investment etc. grew by 14.66% to reach RO 97.05 million for the nine months ended 30<sup>th</sup> September 2016 as compared to RO 84.64 million for the same period last year.

Operating Cost to Operating Income ratio for the 9 months ended September 2016 improved to 42.89% from 45.39% during the same period of 2015. This reiterates that our revenues are growing faster than cost and the continued efforts for cost optimization.

Net provisions for loan impairment increased 68.17% to RO 10.46 million year-to-date September 2016 as against RO 6.22 million year-to-date September 2015. Impairment of available for sale investments decreased to RO 1.21 million as against RO 2.15 million during last year same period despite domestic market movements.

The Net Profits of the Bank for the period ended September 2016 reached RO 36.87 million as compared to RO 33.39 million for the corresponding period of 2015 showing a strong year-on-year growth of 10.42%.

The earnings per share (EPS) for 9 months ended 30<sup>th</sup> September 2016 and 30<sup>th</sup> September 2015 were at RO 0.019.

# **BANK DHOFAR SAOG**

## **Maisarah Main Financial Highlights:-**

Maisarah Islamic Banking Services continued the trend of showing strong growth in assets, customer deposits and profitability. Year-on-year, total assets increased by 63.01% to RO 392.24 million at September 2016 from RO 240.63 million at September 2015. The gross financing portfolio has grown to RO 289.05 million at 30<sup>th</sup> September 2016 from RO 186.32 million at 30<sup>th</sup> September 2015, an increase of 55.14%. The strong growth in financing is supported by 73.21% year-on-year increase in customer deposits, reaching RO 251.28 million at 30<sup>th</sup> September 2016 compared to RO 145.07 million at 30<sup>th</sup> September 2015. Non-performing financing continued to stand at Nil.

The net financing income increased 24.04% year-on-year reaching RO 5.16 million during nine month period ended September 2016 against RO 4.16 million at same period last year. Non-financing Income such as fees and commissions, foreign exchange profit, investment income and other income have also increased by 69.05% to RO 1.42 million during nine month period ended September 2016 compared RO 0.84 million same period last year. The cost to income ratio for as at September 2016 is 53.34% compared to 48.20% at September 2015. The increase in cost to income ratio over the last year is mainly due to branch expansion carried out this year, the branch network has grown to 10 branches compared 5 branches last year.

Maisarah Islamic Banking Services reported a strong 32.80% year-on-year increase in net profit before tax of RO 2.51 million compared to a net profit before tax of RO 1.89 million year-to-date September 2015.

## **Launch of New Products by Maisarah**

During the third quarter Maisarah Launched Maisarah Travel Finance product for retail customers and Transaction Finance product for its corporate customers. These newly launched products are in addition to the two other products i.e. Maisarah Prize Saving Account and Maisarah Sharia Compliant Credit Card, which were launched earlier this year.

## **Awards & Accolades:-**

The Bank continues to invest on Customer initiatives to be able to offer the best services and products in the Sultanate. Some of the awards received in 2016 supports this initiative..

- No. 1 in Large Sized Banks Category at Best Banks Report by **Oman Economic Review**
- Best Performing Company Award at the **AIWA Awards** for Oman's Best Performing MSM-listed Companies
- Best Bank Performance award at the **Al Roya Economic Award 2016**
- Best Retail Bank - Oman 2016 by the **Banker Middle East**
- Best SME Bank 2015 by **Global Business Outlook**
- Islamic Bank of the Year – Oman 2016 by the **Banker Middle East**
- Best Contact Centre Experience – Oman at the **Customer Experience Benchmarking**

## **BANK DHOFAR SAOG**

### **Index 2015 by Ethos Integrated Solutions.**

- Best Mobile Banking Implementation in the Middle East at the **Asian BankerTechnology Implementation Awards Programme 2016**
- Best Bank for Human Resources Oman 2016 by **Global Business Outlook**
- Top CEO Award at the Top CEOs in the GCC Awards by **TRENDS Magazine** and **INSEAD Business School**.
- Oman Domestic Technology and Operations Bank of the Year award in the **ABF Wholesale Banking Awards 2016**.
- Digital Banking Initiative of the Year - Oman award in the **ABF Retail Banking Awards 2016**
- STP Award 2015for financial payments in Euro by **Commerzbank** and **US Dollar** by **CitiBank**.

### **Acknowledgment**

On behalf of the Board of Directors and staff, I would like to thank our valuable customers for their patronage and confidence reposed in the Bank. I thank the shareholders for the continuous support and the Bank's staff and management for the good performance during the first nine months of 2016.

The Board of Directors also thank the Central Bank of Oman and the Capital Market Authority for their valuable guidance to the local banking sector and the listed companies.

Finally, the Board of Directors and all staff, 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

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

	Notes	Unaudited 30 <sup>th</sup> September 2016 RO'000	Unaudited 30 <sup>th</sup> September 2015 RO'000	Audited 31 December 2015 RO'000
<b>Assets</b>				
Cash and balances with Central Bank of Oman	3	383,989	257,830	439,833
Loans, advances and financing to banks	4	294,040	112,960	138,036
Loans, advances and financing to customers	5	2,924,496	2,636,732	2,729,306
Available-for-sale investments	6	37,465	29,811	35,802
Held-to-maturity investments	7	138,510	198,344	169,391
Intangible asset	8	1,688	2,085	1,986
Property and equipment	9	8,749	9,023	8,795
Other assets		99,881	90,973	69,912
<b>Total assets</b>		<b>3,888,818</b>	<b>3,337,758</b>	<b>3,593,061</b>
<b>Liabilities</b>				
Due to banks	10	371,090	92,607	308,864
Deposits from customers	11	2,790,577	2,550,865	2,592,371
Other liabilities		135,614	122,891	111,422
Subordinated loans	12	103,875	103,875	103,875
<b>Total liabilities</b>		<b>3,401,156</b>	<b>2,870,238</b>	<b>3,116,532</b>
<b>Shareholders' equity</b>				
Share capital	13	169,920	154,473	154,473
Share premium		40,018	40,018	40,018
Special reserve		18,488	18,488	18,488
Legal reserve	14	40,214	35,537	40,214
Subordinated loan reserve	14	62,025	41,250	62,025
Investment revaluation reserve	14	1,713	728	327
Retained earnings		39,784	61,526	45,484
<b>Total equity attributable to the equity holders of the Bank</b>		<b>372,162</b>	<b>352,020</b>	<b>361,029</b>
Perpetual Tier 1 Capital Securities	15	115,500	115,500	115,500
<b>Total equity</b>		<b>487,662</b>	<b>467,520</b>	<b>476,529</b>
<b>Total liabilities and equity</b>		<b>3,888,818</b>	<b>3,337,758</b>	<b>3,593,061</b>
<b>Contingent liabilities</b>	23	<b>1,093,048</b>	<b>868,378</b>	<b>844,318</b>
<b>Net assets per share (Rials Omani)</b>	16	<b>0.219</b>	<b>0.228</b>	<b>0.234</b>

The interim condensed financial statements were approved by the Board of Directors on ..... and signed on their behalf by:

Eng. Abdul Hafidh Salim Rajab Al-Aujaili  
Chairman

Abdul Hakeem Omar Al Ojaili  
Acting Chief Executive Officer

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

# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

	Notes	Unaudited 9 months ended 30 Sep 2016 RO'000	Unaudited 9 months ended 30 Sep 2015 RO'000	Unaudited 3 months ended 30 Sep 2016 RO'000	Unaudited 3 months ended 30 Sep 2015 RO'000
Interest income		104,074	86,409	36,485	29,919
Interest expense		(34,697)	(25,541)	(15,227)	(8,516)
<b>Net interest income</b>	17	<b>69,377</b>	60,868	<b>21,258</b>	21,403
Income from islamic financing		8,926	5,433	3,363	2,098
Unrestricted investment account holders' share of profit		(3,765)	(1,271)	(1,841)	(494)
<b>Net income from islamic financing activities</b>		<b>5,161</b>	4,162	<b>1,522</b>	1,604
Fees and commission income		13,854	13,471	4,249	4,948
Fees and commission expense		(2,236)	(1,274)	(983)	(497)
<b>Net fees and commission income</b>		<b>11,618</b>	12,197	<b>3,266</b>	4,451
Other income	18	10,895	7,410	3,711	2,274
<b>Operating income</b>		<b>97,051</b>	84,637	<b>29,757</b>	29,732
Staff and administrative costs		(39,077)	(35,922)	(13,242)	(12,749)
Depreciation		(2,551)	(2,491)	(956)	(839)
<b>Operating expenses</b>		<b>(41,628)</b>	(38,413)	<b>(14,198)</b>	(13,588)
<b>Profit from operations</b>		<b>55,423</b>	46,224	<b>15,559</b>	16,144
Provision for loan impairment	5 & 19	(14,751)	(10,299)	(3,323)	(4,129)
Recoveries from allowance for loan impairment	5 & 19	4,291	4,080	1,232	1,460
Impairment of available-for-sale investments	19	(1,210)	(2,149)	(506)	(1,246)
Bad Debts Written/off		(1)			
<b>Profit from operations after provision</b>		<b>43,752</b>	37,856	<b>12,963</b>	12,229
Income tax expense		(6,878)	(4,461)	(2,257)	(1,461)
<b>Profit for the period</b>		<b>36,874</b>	33,395	<b>10,706</b>	10,768
<b>Profit for the period</b>		<b>36,874</b>	33,395	<b>10,706</b>	10,768
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Net changes in fair value of available-for-sale investment		438	(1,298)	(27)	(1,527)
Reclassification adjustment on sale of available-for-sale investments		(262)	(77)	(161)	(19)
Impairment of available-for-sale investments		1,210	2,149	506	1,246
Other comprehensive income for the period		1,386	774	318	(300)
<b>Total comprehensive income for the period</b>		<b>38,260</b>	34,169	<b>11,024</b>	10,468
<b>Earnings per share (basic and diluted) (Rials Omani)</b>	20	<b>0.019</b>	0.019	<b>0.006</b>	0.006

The accompanying notes form an integral part of these interim condensed financial statements

## BANK DHOFAR SAOG

### INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

	Notes	Share capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier I capital security	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Balances as at 1 January 2016</b>		<b>154,473</b>	<b>40,018</b>	<b>18,488</b>	<b>40,214</b>	<b>62,025</b>	<b>327</b>	<b>45,484</b>	<b>361,029</b>	<b>115,500</b>	<b>476,529</b>
<b>Total comprehensive income for the period</b>											
Profit for the period		-	-	-	-	-	-	36,874	36,874	-	36,874
<b>Other comprehensive income for the period</b>											
Net change in fair value of available-for-sale investments		-	-	-	-	-	438	-	438	-	438
Transfer to profit and loss on sale of available-for-sale investments		-	-	-	-	-	(262)	-	(262)	-	(262)
Impairment of available-for-sale investments		-	-	-	-	-	1,210	-	1,210	-	1,210
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,386</b>	<b>36,874</b>	<b>38,260</b>	<b>-</b>	<b>38,260</b>
<b>Transactions with owners recorded directly in equity</b>											
Additional Tier 1 coupon		-	-	-	-	-	-	(3,956)	(3,956)	-	(3,956)
Dividend paid for 2015	13	-	-	-	-	-	-	(23,171)	(23,171)	-	(23,171)
Bonus shares issued for 2015	13	15,447	-	-	-	-	-	(15,447)	-	-	-
<b>Balances as at 30th September 2016</b>		<b>169,920</b>	<b>40,018</b>	<b>18,488</b>	<b>40,214</b>	<b>62,025</b>	<b>1,713</b>	<b>39,784</b>	<b>372,162</b>	<b>115,500</b>	<b>487,662</b>

(unaudited)

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



## BANK DHOFAR SAOG

### INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016 (CONTINUED)

	Notes	Share capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier I capital security	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Balances as at 1 January 2015</b>		134,324	40,018	18,488	35,537	41,250	(46)	55,747	325,318	-	325,318
<b>Total comprehensive income for the period</b>											
Profit for the period		-	-	-	-	-	-	33,395	33,395	-	33,395
<b>Other comprehensive income for the period</b>											
Net change in fair value of available-for-sale investments		-	-	-	-	-	(1,298)	-	(1,298)	-	(1,298)
Transfer to profit or loss on sale of available-for-sale investments		-	-	-	-	-	(77)	-	(77)	-	(77)
Impairment of available-for-sale investments		-	-	-	-	-	2,149	-	2,149	-	2,149
<b>Total comprehensive income for the period</b>		-	-	-	-	-	<b>774</b>	<b>33,395</b>	<b>34,169</b>		<b>34,169</b>
<b>Transactions recorded directly in equity</b>											
Proceeds from Perpetual Tier 1 capital securities	13	-	-	-	-	-	-	-	-	115,500	115,500
Perpetual Tier 1 issuance cost	13	-	-	-	-	-	-	(751)	(751)	-	(751)
Dividend paid for 2014		-	-	-	-	-	-	(6,716)	(6,716)	-	(6,716)
Bonus shares issued for 2014	13	20,149	-	-	-	-	-	(20,149)	-	-	-
<b>Balance as at 30<sup>th</sup> September 2015 (Unaudited)</b>		<b>154,473</b>	<b>40,018</b>	<b>18,488</b>	<b>35,537</b>	<b>41,250</b>	<b>728</b>	<b>61,526</b>	<b>352,020</b>	<b>115,500</b>	<b>467,520</b>

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

# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016 (CONTINUED)

	Notes	Share capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier I capital security	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Balances as at 1 January 2015</b>		134,324	40,018	18,488	35,537	41,250	(46)	55,747	325,318		325,318
<b>Total comprehensive income for the year</b>											
Profit for the year		-	-	-	-	-	-	46,765	46,765	-	46,765
<b>Other comprehensive income for the year</b>											
Net change in fair value of available-for-sale investments		-	-	-	-	-	(2,238)	-	(2,238)	-	(2,238)
Transfer to profit or loss on sale of available-for-sale investments		-	-	-	-	-	(131)	-	(131)	-	(131)
Impairment of available-for-sale investments		-	-	-	-	-	2,742	-	2,742	-	2,742
<b>Total comprehensive income for the year</b>		-	-	-	-	-	373	46,765	47,138	-	47,138
Transfer to legal reserve		-	-	-	4,677	-	-	(4,677)	-	-	-
Transfer to subordinated loan reserve		-	-	-	-	20,775	-	(20,775)	-	-	-
Proceeds from Perpetual Tier 1 capital securities		-	-	-	-	-	-	-	-	115,500	115,500
Perpetual Tier 1 issuance cost		-	-	-	-	-	-	(755)	(755)	-	(755)
Additional Tier 1 coupon		-	-	-	-	-	-	(3,956)	(3,956)	-	(3,956)
<b>Transactions with owners recorded directly in equity</b>											
Dividend paid for 2014	13	-	-	-	-	-	-	(6,716)	(6,716)	-	(6,716)
Bonus shares issued for 2014	13	20,149	-	-	-	-	-	(20,149)	-	-	-
<b>Balances as at 31 December 2015</b>		154,473	40,018	18,488	40,214	62,025	327	45,484	361,029	115,500	476,529

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

# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> SEPTEMBER 2016

	Unaudited 30 September 2016	Unaudited 30 September 2015
	RO'000	RO'000
<b>Cash flows from operating activities</b>		
Interest, financing income, commission and other receipts	128,421	103,462
Interest payments, return on Islamic Banking deposits	(30,455)	(25,805)
Cash payments to suppliers and employees	(50,704)	(31,928)
	<u>47,262</u>	<u>45,729</u>
<b>Increase in operating assets</b>		
Loans, advances and financing to customers	(205,654)	(388,246)
Loans, advances and financing to banks	(203,615)	(24,517)
Receipts from treasury bills and certificates of deposits (net)	11,632	(48,356)
	<u>(397,637)</u>	<u>(461,119)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Deposits from customers	198,206	68,686
Due to banks	62,902	(82,585)
	<u>261,108</u>	<u>(13,899)</u>
<b>Cash flow from/(used in) operating activities</b>	<u>(89,267)</u>	<u>(429,289)</u>
Income tax paid	(6,212)	(5,392)
<b>Net cash from/(used in) operating activities</b>	<u>(95,479)</u>	<u>(434,681)</u>
<b>Cash flows from/(used in) investing activities</b>		
Investment income	2,604	2,055
Purchase of investments	(4,278)	(5,157)
Proceeds from sale of investments	4,001	1,458
Dividend received	710	646
Purchase of property and equipment	(2,728)	(1,954)
Proceeds from sale of property and equipment	268	160
	<u>577</u>	<u>(2,792)</u>
<b>Net cash from/(used in) investing activities</b>	<u>577</u>	<u>(2,792)</u>
<b>Cash flow used in financing activities</b>		
Dividend paid	(23,171)	(6,716)
Proceeds from issue of perpetual tier 1 capital securities	-	115,500
Additional tier 1 coupon	(3,956)	-
Perpetual tier 1 capital securities issuance cost	-	(751)
	<u>(27,127)</u>	<u>108,033</u>
<b>Net cash used in financing activities</b>	<u>(27,127)</u>	<u>108,033</u>
<b>Net change in cash and cash equivalents</b>	<u>(122,029)</u>	<u>(329,440)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>518,553</u>	<u>602,548</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>396,524</u>	<u>273,108</u>
Cash and balances with Central Bank of Oman ( Note 3)	383,989	257,830
Capital deposit with Central Bank of Oman	(500)	(500)
Loans, advances and financing to banks due within 90 days	14,048	16,755
Due to banks within 90 days	(1,013)	(977)
<b>Cash and cash equivalents for the purpose of the statement of cash flows</b>	<u>396,524</u>	<u>273,108</u>

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

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 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’s Islamic Banking Window, Maisarah Islamic Banking services has an allocated capital of RO 55 million from the core paid up capital of the shareholders. The Bank has a primary listing on the Muscat Securities Market (“MSM”) and the Bank’s Perpetual Tier 1 Capital Securities are listed on Irish stock exchange. The principal place of business is the Head Office, Capital Business District (“CBD”), Muscat, Sultanate of Oman.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 Basis of preparation

- a) The unaudited interim condensed financial statements for the nine month period ended 30<sup>th</sup> September 2016 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the disclosure requirements set out in the Rules and Disclosure and Proformas issued the Capital Market Authority (CMA).
- b) The accounting policies used in the preparation of the unaudited interim condensed financial statements as at end of the nine month ended 30<sup>th</sup> September 2016 are consistent with those used in preparing the last audited financial statements as at and for the year ended 31 December 2015.
- c) The unaudited interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the nine month period ended 30<sup>th</sup> September 2016 are not necessarily indicative of the results that may be expected for the financial year 2016.
- d) The unaudited interim condensed financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives and investment securities other than held to maturity securities.
- e) Items included in the Bank’s financial statements are measured using Rial Omani which is the currency of the primary economic environment in which the Bank operates, rounded off to the nearest thousand.

#### 2.2 Adoption of new and revised International Financial Reporting Standards (“IFRS”)

For the period ended 30<sup>th</sup> September 2016, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2016:

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual Improvements 2012-2014
  - IFRS Non- Current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments : Disclosures
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities : Applying consolidation exception

The adoption of those standards and interpretations has not resulted in changes to the Bank’s accounting policies and has not affected the amounts reported for the current period.

# **BANK DHOFAR SAOG**

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## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016**

### **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

#### **2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank:**

##### **(i) IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Bank plans to adopt the new standard on the required effective date. The Bank is in the process of performing a detailed assessment in the future to determine the impact of all three aspects of IFRS 9.

##### **(ii) IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plan to adopt the new standard on the required effective date. The Bank is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

##### **(iii) IFRS 16 Leases**

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The Bank will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

Other IASB Standards and Interpretations than have been issued but are not yet mandatory, and have not been early adopted by the Bank, are not expected to have a material impact on the Bank's interim condensed financial statements.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 3. Cash and balances with Central Bank of Oman

	<b>Unaudited 30<sup>th</sup> September 2016 RO'000</b>	Unaudited 30 <sup>th</sup> September 2015 RO'000	Audited 31 December 2015 RO'000
Cash on hand	37,846	36,614	31,979
Balances with the Central Bank of Oman	99,743	171,166	237,684
Placements with Central Bank of Oman	246,400	50,050	170,170
Certificate of deposits with maturity of 90 days or less	-	-	-
	<u>383,989</u>	<u>257,830</u>	<u>439,833</u>

At 30<sup>th</sup> September 2016, cash and balances with Central bank of Oman included balances with the Central Bank of Oman amounting to RO 500,000 (30<sup>th</sup> September 2015 - RO 500,000 and 31 December 2015 – RO 500,000) as minimum reserve requirements. These funds are not available for the Bank's daily business.

### 4. Loans, advances and financing to banks

	<b>Unaudited 30 September 2016 RO'000</b>	Unaudited 30 September 2015 RO'000	Audited 31 December 2015 RO'000
Syndicated loans to other banks	64,238	61,768	80,841
Less: impairment allowance (collective)	<u>(409)</u>	<u>(409)</u>	<u>(409)</u>
	63,829	61,359	80,432
Placements with other banks	222,708	42,546	48,090
Current clearing accounts	7,503	9,055	9,514
<b>Net loans, advances and financing</b>	<u>294,040</u>	<u>112,960</u>	<u>138,036</u>

At 30<sup>th</sup> September 2016 No placement with any bank's individually represented 20% or more of the Bank's placements and (31 December 2015 and 30<sup>th</sup> September 2015 - no concentration).

Movement of the impairment allowance is set out below:

	<b>Unaudited 30September 2016 RO'000</b>	Unaudited 30 September 2015 RO'000	Audited 31 December 2015 RO'000
Balance at beginning of the period / year	409	439	439
Add: Additions during the period / year	-	-	-
Less: Reversal during the period / year	-	(30)	(30)
	<u>409</u>	<u>409</u>	<u>409</u>
Balance at the end of the period / year	<u>409</u>	<u>409</u>	<u>409</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 5. Loans, advances and financing to customers

	<b>Unaudited 30 September 2016 RO'000</b>	Unaudited 30 September 2015 RO'000	Audited 31 December 2015 RO'000
Overdrafts	161,987	137,400	149,261
Loans	2,381,329	2,252,100	2,299,290
Loans against trust receipts	118,371	104,385	111,700
Bills discounted	11,331	8,663	6,867
Advance against credit cards	7,890	7,732	7,684
Others	67,561	36,983	43,207
Islamic Banking Window financing	289,049	186,315	209,915
<b>Gross Loans, advances and financing</b>	<b>3,037,518</b>	<b>2,733,578</b>	<b>2,827,924</b>
Less: Impairment allowance	<b>(113,022)</b>	<b>(96,846)</b>	<b>(98,618)</b>
<b>Net loans, advances and financing</b>	<b>2,924,496</b>	<b>2,636,732</b>	<b>2,729,306</b>

The movement in the impairment allowance is analysed below:

#### (a) Allowance for loan impairment

Balance at beginning of the period / year	64,810	56,887	56,887
Allowance made during the period / year	14,751	10,329	14,335
Released to the statement of comprehensive income during the period / year	(4,291)	(4,080)	(5,522)
Written off during the period / year	(114)	(342)	(890)
Balance at the end of the period / year	75,156	62,794	64,810

#### (b) Reserved interest

Balance at beginning of the period / year	33,808	30,717	30,717
Reserved during the period / year	5,050	4,441	6,042
Released to the statement of comprehensive income during the period / year	(701)	(589)	(763)
Written-off during the period / year	(291)	(517)	(2,188)
Balance at the end of the period / year	37,866	34,052	33,808

#### Total impairment allowance

<b>113,022</b>	<b>96,846</b>	<b>98,618</b>
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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 a 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.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 5. Loans, advances and financing to customers (continued)

Bank has not written off any loan as technical write off during the nine month period ended 30<sup>th</sup> September 2016 (30<sup>th</sup> September 2015 – RO nil, year ended 31 December 2015 – RO 2.42 million).

Interest is reserved by the Bank against loans and advances which are impaired.

Out of the total provisions of RO 113,022 thousand (30<sup>th</sup> September 2015 – RO 96,846 thousand (31 December 2015 - RO 98,618 thousand), a collective provision was recorded on a portfolio basis amounting to RO 40,048 thousand as of 30<sup>th</sup> September 2016 (30<sup>th</sup> September 2015 - RO 37,038 thousand, 31 December 2015 - RO 37,792 thousand).

At 30<sup>th</sup> September 2016, impaired loans and advances on which interest has been reserved amount to RO 78,464 thousand (30<sup>th</sup> September 2015 – RO 64,653 thousand, 31 December 2015 - RO 64,933 thousand and loans and advances on which interest is not being accrued amount to RO 1,612 thousand (30<sup>th</sup> September 2015 - RO 1,169 thousand, 31 December 2015 – RO 973 thousand).

### 6. Available-for-sale investments

	Unaudited 30 <sup>th</sup> September 2016		Unaudited 30 <sup>th</sup> September 2015		Audited 31 December 2015	
	Cost RO'000	Fair value RO'000	Cost RO'000	Fair value RO'000	Cost RO'000	Fair value RO'000
<b>A) Equity instruments</b>						
<b>Quoted on the Muscat Securities Market</b>						
Financial Service Sector	720	726	744	739	744	725
Services	8,240	8,313	7,046	6,609	6,516	6,224
Industrial	5,645	6,455	7,305	7,678	7,277	7,247
	<u>14,605</u>	<u>15,494</u>	<u>15,094</u>	<u>15,026</u>	<u>14,537</u>	<u>14,196</u>
Equity Funds - Quoted - Foreign	193	190	-	-	-	-
	<u>14,798</u>	<u>15,684</u>	<u>15,094</u>	<u>15,026</u>	<u>14,537</u>	<u>14,196</u>
<b>Total</b>						
<b>B) Quoted Debt/Sukuk</b>						
<b>Debt</b>						
Foreign Fixed Income & Bonds	2,719	2,793	2,264	2,255	2,745	2,637
Local Fixed Income & Bonds	13	32	26	49	26	48
	<u>2,732</u>	<u>2,825</u>	<u>2,290</u>	<u>2,304</u>	<u>2,771</u>	<u>2,685</u>
<b>Sukuk</b>						
Quoted-Omani Companies	10,000	10,198	10,000	10,198	10,000	10,198
Government	6,363	6,363	-	-	6,364	6,395
	<u>16,363</u>	<u>16,561</u>	<u>10,000</u>	<u>10,198</u>	<u>16,364</u>	<u>16,593</u>
<b>Total Quoted Investments</b>	<u>33,893</u>	<u>35,070</u>	<u>27,384</u>	<u>27,528</u>	<u>33,672</u>	<u>33,474</u>
<b>Unquoted</b>						
Local Securities	3	3	3	6	3	6
Unit Funds	1,856	2,392	1,696	2,277	1,800	2,322
<b>Total Un-quoted Investments</b>	<u>1,859</u>	<u>2,395</u>	<u>1,699</u>	<u>2,283</u>	<u>1,803</u>	<u>2,328</u>
<b>Total Available-For-Sale Investments</b>	<u>35,752</u>	<u>37,465</u>	<u>29,083</u>	<u>29,811</u>	<u>35,475</u>	<u>35,802</u>



# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 7. Held-to-maturity investments

	<b>Unaudited 30<sup>th</sup> September 2016 RO'000</b>	Unaudited 30 September 2015 RO'000	Audited 31 December 2015 RO'000
Treasury bills with maturity of above 90 days	-	77,972	39,236
Government Development Bonds	<b>128,510</b>	120,372	120,155
	<b>128,510</b>	198,344	159,391
Local quoted sukuk Govt.	<b>10,000</b>	-	10,000
	<b>138,510</b>	198,344	169,391

### 8. Intangible asset

	<b>Unaudited 30<sup>th</sup> September 2016 RO'000</b>	Unaudited 30 <sup>th</sup> September 2015 RO'000	Audited 31 December 2015 RO'000
Goodwill net of impairment	<b>1,688</b>	2,085	1,986

Intangible asset represents goodwill which resulted from the acquisition of branches of the Commercial Bank of Oman in the year 2001 and merger with Majan International Bank in the year 2003. Goodwill is tested for impairment each year. An assessment has been made to establish projected future cash flows associated with the cash generating unit (CGU) by using discount rate equivalent to cost of funds of the Bank.

### 9. Property and equipment

	<b>Unaudited 30<sup>th</sup> September 2016 RO'000</b>	Unaudited 30 <sup>th</sup> September 2015 RO'000	Audited 31 December 2015 RO'000
Conventional	<b>7,252</b>	7,888	7,587
Islamic window	<b>1,497</b>	1,135	1,208
	<b>8,749</b>	9,023	8,795

### 10. Due to banks

	<b>Unaudited 30<sup>th</sup> September 2016 RO'000</b>	Unaudited 30 <sup>th</sup> September 2015 RO'000	Audited 31 December 2015 RO'000
Interbank borrowings	<b>369,987</b>	91,630	307,175
Payable on demand	<b>1,103</b>	977	1,689
	<b>371,090</b>	92,607	308,864

At 30<sup>th</sup> September 2016, no borrowing with any banks represented 20% or more of the Bank's total inter-bank borrowings (30<sup>th</sup> September 2015: one bank, 31 December 2015: nil). The Bank has not had any defaults of principal, interest or other breaches during the period / year on its borrowed funds.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 11. Deposits from customers

	<b>Unaudited 30<sup>th</sup> September 2016 RO'000</b>	Unaudited 30 <sup>th</sup> September 2015 RO'000	Audited 31 December 2015 RO'000
Current accounts	<b>633,008</b>	742,985	715,302
Savings accounts	<b>431,817</b>	436,797	435,759
Time deposits / certificate of deposits	<b>1,415,273</b>	1,187,145	1,227,648
Margin accounts	<b>59,198</b>	38,866	21,504
Islamic Banking Window deposits	<b>251,281</b>	145,072	192,158
	<b><u>2,790,577</u></b>	<u>2,550,865</u>	<u>2,592,371</u>

Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,131,492 thousand (30<sup>th</sup> September 2015 - RO 1,091,123 thousand, 31 December 2015 – RO 1,097,497 thousand).

### 12. Subordinated loan

	<b>Unaudited 30<sup>th</sup> September 2016 RO'000</b>	Unaudited 30 <sup>th</sup> September 2015 RO'000	Audited 31 December 2015 RO'000
Subordinated loan - US Dollar	<b>28,875</b>	28,875	28,875
Subordinated loan - RO	<b>75,000</b>	75,000	75,000
	<b><u>103,875</u></b>	<u>103,875</u>	<u>103,875</u>

In September 2014, the Bank availed USD 75 million (RO 28.875 million) unsecured subordinated loan for a tenor of 66 months. This facility carries a fixed rate of interest payable half yearly, with principal being repaid on maturity.

In December 2012, the Bank availed RO 25 million unsecured subordinated loan from the major shareholders for a tenor of 5 years and one month. This facility carries a fixed rate of interest payable half yearly with principle being repaid on maturity.

In November 2011, the Bank availed RO 50 million unsecured subordinated loan from the major shareholders for a tenor of 5 years and one month. This facility carries a fixed rate of interest payable half yearly, with principal being repaid on maturity.

### 13. Share capital

The authorised share capital consists of 2,200,000,000 ordinary shares of RO 0.100 each (2015: 2,200,000,000,000 shares of RO 0.100 each).

The shareholders of the Bank in the annual general meeting held during March 2016 approved the issuance of 10% bonus shares comprising 154,472,855 shares of par value RO 0.100 each (2015: 201,486,332 shares of par value RO 0.100 each) and 15% (2015 – 5%) as cash dividend of the paid share capital of the Bank amounting to RO 23,171 thousand for the year ended 31 December 2015 (2015 – RO 6,716 thousand for the year ended 31 December 2014).

At 30<sup>th</sup> September 2016, the issued and paid up share capital comprise 1,699,201,401 shares of par value RO 0.100 each. (30<sup>th</sup> September 2015 and 31 December 2015 – 1,544,728,546 shares of par value RO 0.100 each).

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 13. Share capital (continued)

#### Shareholders

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

	Unaudited 30 <sup>th</sup> September 2016		Unaudited 30 <sup>th</sup> September 2015		Audited 31 December 2015	
	No of shares	%	No of shares	%	No. of shares	%
Dhofar International Development and Investment Company SAOG	475,776,389	28.0%	432,523,991	28.0	432,523,991	28.0%
Eng. Abdul Hafidh Salim Rajab Al Aujaili and his related Companies	354,091,345	20.8%	321,901,224	20.8	321,901,224	20.8%
Civil Service Employees Pension Fund	175,757,262	10.3%	157,196,944	10.2	157,714,879	10.2%
Total	1,005,624,996	59.2%	911,622,159	59.0	912,140,094	59.0%
Others	693,576,405	40.8%	633,106,387	41.0	632,588,452	41.0%
	1,699,201,401	100.0%	1,544,728,546	100.0	1,544,728,546	100.0%

The Bank's Islamic Banking Window, "Maisarah" Islamic Banking Services has an allocated capital of RO 55 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 30<sup>th</sup> September 2016.

On 21<sup>st</sup> of February 2016 Maisarah's paid-up capital was increased from RO 40 million to RO 55 Million from Banks its shareholders core capital.

### 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. Appropriation to legal reserve is made on an annual basis.

#### (b) Subordinated loan reserves

The subordinated loan reserve is created in accordance with the guidelines provide by the Bank of International Settlement and CBO. 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. Appropriation to subordinated loan reserves is made on an annual basis.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 14. Reserves (continued)

#### (c) Investment revaluation reserve

The movements in the investments revaluation reserve is analysed below:

	<b>Unaudited 30<sup>th</sup> September 2016 RO'000</b>	Unaudited 30 <sup>th</sup> September 2015 RO'000	Audited 31 December 2015 RO'000
Balance at beginning of the period / year	327	(46)	(46)
Increase/decrease in fair value	438	(1,298)	(2,238)
Net transfer to profit or loss on sale of available-for-sale investments	(262)	(77)	(131)
Impairment of available-for-sale investment	1,210	2,149	2,742
Balance at the end of the period / year	<u>1,713</u>	<u>728</u>	<u>327</u>

### 15. Perpetual Tier 1 Capital Securities

On 27 May 2015, the Bank issued Perpetual Tier 1 Capital Securities (the "Tier 1 Securities"), amounting to USD 300,000,000.

The Tier 1 Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 Securities do not have a fixed or final maturity date. They are redeemable by the Bank its discretion on 27 May 2020 (the "First Call Date") or on any interest payment date thereafter subject to at the prior consent of the regulatory authority.

The Tier 1 Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 6.85%. Thereafter the interest rate will be reset at five year intervals. Interest will be payable semi-annually in arrears and treated as deduction from equity.

The Bank at its sole discretion may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the Tier 1 Securities, on a scheduled interest payment date (for whatever reason), then the Bank must not make any other distribution or payment on or with respect to its ordinary shares or any of its Other Common Equity Tier 1 Instruments or securities, ranking junior to or pari passu with the Tier 1 Securities unless and until it has paid twice interest payment in full on the Tier 1 Securities. The Tier 1 Securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders of the Securities in certain circumstances.

Coupon due on 27 May 2016. Coupon payment is recognized in statement of changes in equity as and when payment is made.

### 16. Net assets per share

Net assets per share are calculated by dividing the net assets attributable to equity holders of the bank at the period / year end by the number of shares outstanding at period / year end as follows:

	<b>Unaudited 30<sup>th</sup> September 2016</b>	Unaudited 30 <sup>th</sup> September 2015	Audited 31 December 2015
Net assets (RO'000)	<u>372,162</u>	<u>352,020</u>	<u>361,029</u>
Number of shares outstanding during of the period / year	<u>1,699,201,401</u>	<u>1,544,728,546</u>	<u>1,544,728,546</u>
Net assets per share (RO)	<u>0.219</u>	<u>0.228</u>	<u>0.234</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 17. Net interest income

	Unaudited 30 <sup>th</sup> September 2016 RO'000	Unaudited 30 <sup>th</sup> September 2015 RO'000
Loans, advances and financing to customers	101,057	84,646
Debt investments	61	323
Money market placements	8	1,432
Others	8	8
<b>Total interest income</b>	<b>104,074</b>	<b>86,409</b>
Deposits from customers	(31,127)	(24,817)
Money market deposits	(3,570)	(724)
<b>Total interest expense</b>	<b>(34,698)</b>	<b>(25,541)</b>
<b>Net interest income</b>	<b>69,377</b>	<b>60,868</b>

### 18. Other income

	Unaudited 30 <sup>th</sup> September 2016 RO'000	Unaudited 30 <sup>th</sup> September 2015 RO'000
Foreign exchange	4,030	1,531
Investment income (a)	4,688	3,207
Miscellaneous income	2,178	2,672
	<b>10,895</b>	<b>7,410</b>

#### (a) Investment income

	Unaudited 30 <sup>th</sup> September 2016 RO'000	Unaudited 30 <sup>th</sup> September 2015 RO'000
Investment income		
Dividend income- available-for-sale investments	710	646
Income on Sukuk	810	379
Gain on disposal of available-for-sale investments	460	127
Interest income on Government Development Bonds/Other bonds	2,708	2,055
	<b>4,688</b>	<b>3,207</b>

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

#### 19. Impairment of financial assets

	Unaudited 30 <sup>th</sup> September 2016 RO'000	Unaudited 30 <sup>th</sup> September 2015 RO'000
Provision for loan impairment	14,751	10,299
Provision for inter banks loans impairment	1	-
Impairment of available-for-sale investments	1,210	2,149
	<u>15,962</u>	<u>12,448</u>
Recoveries from provision for loan impairment	(4,291)	(4,080)
	<u>11,671</u>	<u>8,368</u>

#### 20. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per share is based on profit for the nine month period ended 30<sup>th</sup> September 2016 attributable to ordinary shareholders as follows:

	Unaudited 30 <sup>th</sup> September 2016	Unaudited 30 <sup>th</sup> September 2015
Profit for the year (RO)	36,874,000	33,395,000
Less : Additional Tier 1 Coupon	(3,956,000)	-
Less : Perpetual Tier 1 issuance cost	-	(751,000)
Profit for the period attributable to equity holders of the bank after coupon and issuance cost on Tier 1 capital securities	<u>32,918,000</u>	<u>32,807,000</u>
Number of shares outstanding at the end of the period	<u>1,699,201,401</u>	<u>1,699,201,401</u>
Earnings per share basic and diluted (RO)	<u>0.019</u>	<u>0.019</u>

Earnings per share (basic and diluted) have been derived by dividing the profit for the period attributable to equity holders of the bank after coupon on Tier I capital securities by the number of shares outstanding. As there are no dilutive potential shares issued by Bank, 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 the 10% bonus shares of 154,472,855 shares issued in the first quarter of 2016.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 21. 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:

	<b>Unaudited 30th Sep 2016 RO'000</b>	Unaudited 30 <sup>th</sup> Sep 2015 RO'000	Audited 31 December 2015 RO'000
<b>Loans, advances and financing</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>45,831</b>	27,411	34,559
Other related parties	<b>12,185</b>	10,877	11,943
	<b>58,016</b>	38,288	46,502
<b>Subordinated loans</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>48,663</b>	48,663	48,663
Other related parties	<b>40,775</b>	40,775	40,775
	<b>89,438</b>	89,438	89,438
<b>Deposits and other accounts</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>139,149</b>	259,565	257,649
Other related parties	<b>100,352</b>	74,512	82,517
	<b>339,501</b>	334,077	340,166
<b>Contingent liabilities and commitments</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>153</b>	129	142
Other related parties	<b>1,932</b>	2,230	1,618
	<b>2,085</b>	2,359	1,760
<b>Remuneration paid to Directors</b>			
<b>Chairman</b>			
– remuneration paid	<b>16</b>	17	16
– sitting fees paid	<b>10</b>	10	10
<b>Other Directors</b>			
– remuneration paid	<b>103</b>	116	103
– sitting fees paid	<b>61</b>	58	71
	<b>190</b>	201	200
<b>Other transactions</b>			
<b>Rental payment to related parties</b>	<b>355</b>	307	468
Other transactions	<b>71</b>	66	79
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	<b>36</b>	29	32

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

#### 22. Senior member borrowing

The details of senior member borrowings as per the guidance available in regulatory requirements of Central Bank of Oman are set out as follows:

##### Senior member of the bank

	<b>Unaudited 30<sup>th</sup> September 2016 RO'000</b>	Unaudited 30 <sup>th</sup> September 2015 RO'000	Audited 31 December 2015 RO'000
Total exposure:			
Direct	<b>62,308</b>	41,649	50,310
Indirect	<b>2,085</b>	2,359	1,760
	<b>64,393</b>	44,008	52,070
Number of members	<b>28</b>	25	27

#### 23. Contingent liabilities

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

	<b>Unaudited 30 September 2016 RO'000</b>	Unaudited 30 September 2015 RO'000	Audited 31 December 2015 RO'000
Letters of credit	<b>141,709</b>	125,017	133,358
Guarantees and performance bonds	<b>951,339</b>	743,361	710,960
	<b>1,093,048</b>	868,378	844,318



# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 24. Risk Management

The interim disclosures prepared as per guidance available in regulatory requirements of the Central Bank of Oman are set out as follows:

#### (i) Liquidity risk

##### Maturity profile of assets and liabilities

	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
<b>30 September 2016</b>						
Cash and balances with Central Bank of Oman	383,489	-	-	-	500	383,989
Loans, advances and financing to banks	54,623	159,248	70,388	9,781	-	294,040
Loans, advances and financing to customers	252,094	353,090	151,273	722,399	1,445,640	2,924,496
Available-for-sale investments	-	-	20,904	16,561	-	37,465
Held-to-maturity investments	-	7,186	-	102,580	28,744	138,510
Intangible asset	-	-	-	-	1,688	1,688
Property and equipment	-	-	-	-	8,749	8,749
Other assets	64,111	18,114	9,136	29	8,491	99,881
<b>Total assets</b>	<b>754,317</b>	<b>537,638</b>	<b>251,701</b>	<b>851,350</b>	<b>1,493,812</b>	<b>3,888,818</b>
Due to banks	88,929	39,611	23,100	219,450	-	371,090
Deposits from customers	284,044	557,395	365,069	1,009,094	574,975	2,790,577
Other liabilities	88,344	25,837	9,981	9,682	1,770	135,614
Subordinated loans	-	50,000	-	25,000	28,875	103,875
Total equity	-	36,874	-	-	450,788	487,662
<b>Total liabilities and equity</b>	<b>461,317</b>	<b>709,717</b>	<b>398,150</b>	<b>1,263,226</b>	<b>1,056,408</b>	<b>3,888,818</b>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 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	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
<b>30 September 2015</b>						
Cash and balances with Central Bank of Oman	238,080	19,250	-	-	500	257,830
Loans, advances and financing to banks	26,500	45,572	13,254	27,634	-	112,960
Loans, advances and financing to customers	197,682	355,084	116,211	641,255	1,326,500	2,636,732
Available-for-sale investments	-	-	-	10,198	19,613	29,811
Held-to-maturity investments	-	57,982	-	112,237	28,125	198,344
Intangible asset	-	-	-	-	2,085	2,085
Property and equipment	-	-	-	-	9,023	9,023
Other assets	9,961	67,150	10,136	-	3,726	90,973
<b>Total assets</b>	<b>472,223</b>	<b>545,038</b>	<b>139,601</b>	<b>791,324</b>	<b>1,389,572</b>	<b>3,337,758</b>
Due to banks	38,707	-	15,400	38,500	-	92,607
Deposits from customers	266,456	370,548	335,653	773,025	805,183	2,550,865
Other liabilities	21,840	72,596	11,800	10,967	5,688	122,891
Subordinated loans	-	-	-	75,000	28,875	103,875
Shareholders' equity	-	-	33,395	-	434,125	467,520
<b>Total liabilities and shareholders' equity</b>	<b>327,003</b>	<b>443,144</b>	<b>396,248</b>	<b>897,492</b>	<b>1,273,871</b>	<b>3,337,758</b>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 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	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
31 December 2015						
Cash and balances with Central Bank of Oman	439,333	-	-	-	500	439,833
Loans and advances to banks	59,874	29,323	28,729	20,110	-	138,036
Loans and advances to customers	201,330	316,280	127,884	699,309	1,384,503	2,729,306
Available-for-sale Investments	-	-	19,209	16,593	-	35,802
Held-to-maturity Investments	39,235	-	7,239	113,655	9,262	169,391
Intangible asset	-	-	-	-	1,986	1,986
Property and equipment	-	-	-	-	8,795	8,795
Other assets	5,796	45,535	14,238	4	4,339	69,912
<b>Total assets</b>	<b>745,568</b>	<b>391,138</b>	<b>197,299</b>	<b>849,671</b>	<b>1,409,385</b>	<b>3,593,061</b>
Due to banks	174,114	-	38,500	96,250	-	308,864
Deposits from customers	230,813	422,420	379,881	721,279	837,978	2,592,371
Other liabilities	32,664	51,910	15,187	10,638	1,023	111,422
Subordinated loans	-	-	50,000	25,000	28,875	103,875
Total equity	-	46,765	-	-	429,764	476,529
<b>Total liabilities and equity</b>	<b>437,591</b>	<b>521,095</b>	<b>483,568</b>	<b>853,167</b>	<b>1,297,640</b>	<b>3,593,061</b>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 24. Risk Management (continued)

#### (ii) Market risk

##### (a) Interest rate risk

##### Interest rate sensitivity gap

	EIR	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
<b>30 September 2016</b>								
Cash and balances with Central Bank of Oman	0.4%	246,400	-	-	-	500	137,089	383,989
Loans, advances and financing to banks	0.9%	54,623	239,417	-	-	-	-	294,040
Loans, advances and financing to customers	5.2%	529,344	1,057,265	100,545	662,648	574,694	-	2,924,496
Available-for-sale investments	4.7%	-	-	-	16,561	-	20,904	37,465
Held-to-maturity investments	2.6%	-	7,186	-	102,581	28,743	-	138,510
Intangible asset	-	-	-	-	-	-	1,688	1,688
Property and equipment	-	-	-	-	-	-	8,749	8,749
Other assets	-	-	-	-	-	-	99,881	99,881
<b>Total assets</b>		<b>830,367</b>	<b>1,303,868</b>	<b>100,545</b>	<b>781,790</b>	<b>603,937</b>	<b>268,311</b>	<b>3,888,818</b>
Due to banks	1.5%	342,259	24,981	3,850	-	-	-	371,090
Deposits from customers	1.6%	149,639	426,724	322,781	826,536	40,657	1,024,240	2,790,577
Other liabilities	-	-	-	-	-	-	135,614	135,614
Subordinated loans	5.2%	-	50,000	-	53,875	-	-	103,875
Total equity	-	-	36,874	-	115,500	-	335,288	487,662
<b>Total liabilities and equity</b>		<b>491,898</b>	<b>538,579</b>	<b>326,631</b>	<b>995,911</b>	<b>40,657</b>	<b>1,495,142</b>	<b>3,888,818</b>
<b>On-balance sheet gap</b>		<b>338,469</b>	<b>765,288</b>	<b>(226,085)</b>	<b>(214,121)</b>	<b>563,280</b>	<b>(1,226,831)</b>	
<b>Cumulative interest sensitivity gap</b>		<b>338,469</b>	<b>1,103,757</b>	<b>877,672</b>	<b>663,551</b>	<b>1,226,831</b>	<b>-</b>	

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 24. Risk Management (continued)

#### (ii) Market risk (continued)

##### (a) Interest rate risk (continued)

##### (b) Interest rate sensitivity gap (continued)

	EIR	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
<b>30 September 2015</b>								
Cash and balances with Central Bank of Oman	0.1%	30,800	19,250	-	-	500	207,280	257,830
Loans, advances and financing to banks	1.0%	30,687	82,273	-	-	-	-	112,960
Loans, advances and financing to customers	4.9%	197,682	355,084	116,211	641,255	1,326,500	-	2,636,732
Available-for-sale investments	5.0%	-	-	-	10,198	-	19,613	29,811
Held-to-maturity investments	1.3%	-	57,982	-	112,237	28,125	-	198,344
Intangible asset	-	-	-	-	-	-	2,085	2,085
Property and equipment	-	-	-	-	-	-	9,023	9,023
Other assets	-	-	-	-	-	-	90,973	90,973
<b>Total assets</b>		<b>259,169</b>	<b>514,589</b>	<b>116,211</b>	<b>763,690</b>	<b>1,355,125</b>	<b>328,974</b>	<b>3,337,758</b>
<b>Due to banks</b>	1.0%	37,730	53,900	-	-	-	977	92,607
<b>Deposits from customers</b>	1.2%	747,759	214,895	259,800	720,019	400	607,992	2,550,865
<b>Other liabilities</b>	-	-	-	-	-	-	122,891	122,891
<b>Subordinated loans</b>	5.2%	-	-	-	75,000	28,875	-	103,875
<b>Shareholders 'equity</b>	-	-	-	33,395	-	-	434,125	467,520
<b>Total liabilities and shareholders' equity</b>		<b>785,489</b>	<b>268,795</b>	<b>293,195</b>	<b>795,019</b>	<b>29,275</b>	<b>1,165,985</b>	<b>3,337,758</b>
<b>On-balance sheet gap</b>		<b>(526,320)</b>	<b>245,794</b>	<b>(176,984)</b>	<b>(31,329)</b>	<b>1,325,850</b>	<b>(837,011)</b>	
<b>Cumulative interest sensitivity gap</b>		<b>(526,320)</b>	<b>(280,526)</b>	<b>(457,510)</b>	<b>(488,839)</b>	<b>837,011</b>	<b>-</b>	

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 24. Risk Management (continued)

#### (ii) Market risk (continued)

##### (a) Interest rate risk (continued)

##### Interest rate sensitivity gap (continued)

	EIR	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 December 2015								
Cash and balances with Central Bank of Oman	0.15%	170,170	-	-	-	500	269,163	439,833
Loans, advances and financing to banks	1.0%	65,561	72,475	-	-	-	-	138,036
Loans, advances and financing to customers	5.1%	201,330	316,280	127,884	699,309	1,384,503	-	2,729,306
Available-for-sale investments	5.0%	-	-	-	16,593	-	19,209	35,802
Held-to-maturity investments	1.9%	39,235	-	7,239	113,655	9,262	-	169,391
Intangible asset		-	-	-	-	-	1,986	1,986
Property and equipment		-	-	-	-	-	8,795	8,795
Other assets		-	-	-	-	-	69,912	69,912
<b>Total assets</b>		<b>476,296</b>	<b>388,755</b>	<b>135,123</b>	<b>829,557</b>	<b>1,394,265</b>	<b>369,065</b>	<b>3,593,061</b>
Due to banks	0.7%	172,425	38,500	-	96,250	-	1,689	308,864
Deposits from customers	1.3%	116,475	313,621	369,546	650,723	45,164	1,096,842	2,592,371
Other liabilities		-	-	-	-	-	111,422	111,422
Subordinated loans	5.3%	-	-	50,000	25,000	28,875	-	103,875
<b>Total equity</b>		<b>-</b>	<b>46,765</b>	<b>-</b>	<b>-</b>	<b>115,500</b>	<b>314,264</b>	<b>476,529</b>
<b>Total liabilities and equity</b>		<b>288,900</b>	<b>398,886</b>	<b>419,546</b>	<b>771,973</b>	<b>189,539</b>	<b>1,524,217</b>	<b>3,593,061</b>
<b>On-balance sheet gap</b>		<b>187,396</b>	<b>(10,131)</b>	<b>(284,423)</b>	<b>57,584</b>	<b>1,204,726</b>	<b>(1,155,152)</b>	
<b>Cumulative interest sensitivity gap</b>		<b>187,396</b>	<b>177,265</b>	<b>(107,158)</b>	<b>(49,574)</b>	<b>1,155,152</b>	<b>-</b>	

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 24. Risk Management (continued)

#### (ii) Market risk (continued)

##### (b) Foreign currency exposures

	Unaudited 30 September 2016 RO'000	Unaudited 30 Septemb 2015 RO'000	Audited 31 December 2015 RO'000
Net assets denominated in US Dollars	77,781	116,629	131,257
Net assets denominated in other foreign currencies	15,923	14,424	10,843
	<u>93,704</u>	<u>131,053</u>	<u>142,100</u>

#### (iii) Credit Risk

##### Customer concentrations

	Assets			Liabilities		
	Gross loans and advances to banks RO'000	Gross loans and advances RO'000	Investment Securities RO'000	Deposits from customers RO'000	Deposits to banks RO'000	Contingent liabilities RO'000
<b>30September 2016</b>						
Personal	-	1,371,892	-	585,257	-	252
Corporate	294,448	1,665,524	27,267	1,073,828	371,090	1,081,418
Government	-	102	148,708	1,131,492	-	11,378
	<u>294,448</u>	<u>3,037,518</u>	<u>175,975</u>	<u>2,790,577</u>	<u>371,090</u>	<u>1,093,048</u>
<b>30September 2015</b>						
Personal	-	1,286,469	-	584,451	-	301
Corporate	113,369	1,342,770	67,804	875,291	92,607	845,162
Government	-	104,339	160,351	1,091,123	-	22,915
	<u>113,369</u>	<u>2,733,578</u>	<u>228,155</u>	<u>2,550,865</u>	<u>92,607</u>	<u>868,378</u>
<b>31 December 2015</b>						
Personal	-	1,362,625	-	604,342	-	445
Corporate	138,445	1,383,776	48,656	890,532	308,864	823,906
Government	-	81,523	156,537	1,097,497	-	19,967
	<u>138,445</u>	<u>2,827,924</u>	<u>205,193</u>	<u>2,592,371</u>	<u>308,864</u>	<u>844,318</u>

### 25. Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders within acceptable risk return framework. The Bank's overall strategy remains unchanged from prior year.

The capital base of the Bank consists of debt, which includes borrowings and equity attributable to shareholders of the Bank comprising issued share capital, share premium, reserves and retained earnings.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 25. Capital risk management (continued)

#### Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for nine month period ended 30 September 2016 is 13.48% (30 September 2015 – 15.53%, 31 December 2015 - 14.70%).

Capital structure	Unaudited 30 September 2016 RO'000	Unaudited 30 September 2015 RO'000	Audited 31 December 2015 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	169,920	154,473	154,473
Legal reserve	40,214	35,537	40,214
Share premium	40,018	40,018	40,018
Special reserve	18,488	18,488	18,488
Subordinated bonds and loan reserve	62,025	41,250	62,025
Retained earnings	2,910	28,131	6,866
Proposed bonus shares	-	-	15,447
	<u>333,575</u>	<u>317,897</u>	<u>337,531</u>
CET I/Tier I Capital	333,575	317,897	337,531
Additional Tier I regulatory adjustments:			
Deferred tax Assets	(62)		(62)
Goodwill	(1,688)	(205)	(1,986)
Negative investment revaluation reserve	(329)	(69)	(804)
	<u>331,496</u>	<u>315,118</u>	<u>334,679</u>
<b>Total CET 1 capital</b>	<b>331,496</b>	<b>315,118</b>	<b>334,679</b>
Additional Tier I capital (AT1)	<u>115,500</u>	<u>115,500</u>	<u>115,500</u>
<b>Total Tier 1 Capital (T1=CET1+AT1)</b>	<b>446,996</b>	<b>430,618</b>	<b>450,179</b>
<b>TIER II CAPITAL</b>			
Investment revaluation reserve	788	545	444
Collective provision	40,456	37,447	38,201
Subordinated loan	33,100	62,625	33,100
	<u>74,344</u>	<u>100,617</u>	<u>71,745</u>
<b>Total Tier II capital</b>	<b>74,344</b>	<b>100,617</b>	<b>71,745</b>
<b>Total eligible capital</b>	<b>521,340</b>	<b>531,235</b>	<b>521,924</b>
<b>Risk weighted assets</b>			
Banking book	3,605,102	3,198,533	3,239,902
Trading book	63,801	42,957	111,079
Operational risk	198,703	178,817	198,703
	<u>3,867,606</u>	<u>3,420,307</u>	<u>3,549,684</u>
<b>Total</b>	<b>3,867,606</b>	<b>3,420,307</b>	<b>3,549,684</b>
Total Tier 1 Capital (T1=CET1+AT1)	446,996	430,618	450,179
Tier II capital	74,344	100,617	71,745
Tier III capital	-	-	-
	<u>521,340</u>	<u>531,235</u>	<u>521,924</u>
<b>Total regulatory capital</b>	<b>521,340</b>	<b>531,235</b>	<b>521,924</b>
<b>Common Equity Tier 1 ratio</b>	<b>8.57%</b>	<b>9.21%</b>	<b>9.43%</b>
<b>Tier I capital ratio</b>	<b>11.56%</b>	<b>12.59%</b>	<b>12.68%</b>
<b>Total capital ratio</b>	<b>13.48%</b>	<b>15.53%</b>	<b>14.70%</b>



# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 26. Fair value information

The fair values of all on and off-balance sheet financial instruments at reporting dates are considered by the Board and Management not to be materially different to their book values and the related details are set out below:

As of 30 September 2016	Loans and receivables	Available- for-sale	Held-to- maturity	Other amortised cost	Total carrying value	Fair value
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Cash and balances with Central Bank of Oman</b>	<b>383,989</b>	-	-	-	<b>383,989</b>	<b>383,989</b>
<b>Loan, advances and financing to banks</b>	<b>294,039</b>	-	-	-	<b>249,039</b>	<b>249,039</b>
<b>Loan, advances and financing to customers</b>	<b>2,924,497</b>	-	-	-	<b>2,924,497</b>	<b>2,924,497</b>
<b>Available-for-sale investments</b>	-	<b>37,465</b>	-	-	<b>37,465</b>	<b>37,465</b>
<b>Held-to-maturity investments</b>	-	-	<b>138,510</b>	-	<b>138,510</b>	<b>138,510</b>
	<b>3,602,525</b>	<b>37,465</b>	<b>138,510</b>	-	<b>3,778,500</b>	<b>3,778,500</b>
<b>Due to banks</b>	-	-	-	<b>371,090</b>	<b>371,090</b>	<b>371,090</b>
<b>Deposits from customers</b>	-	-	-	<b>2,790,577</b>	<b>2,790,577</b>	<b>2,790,577</b>
<b>Subordinated loans</b>	-	-	-	<b>103,875</b>	<b>103,875</b>	<b>103,875</b>
	-	-	-	<b>3,265,542</b>	<b>3,265,542</b>	<b>3,265,542</b>
<b>As of 30 September 2015</b>	<b>Loans and receivables</b>	<b>Available- for-sale</b>	<b>Held-to- maturity</b>	<b>Other amortised cost</b>	<b>Total carrying value</b>	<b>Fair value</b>
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Cash and balances with Central Bank of Oman</b>	<b>257,830</b>	-	-	-	<b>257,830</b>	<b>257,830</b>
<b>Loan, advances and financing to banks</b>	<b>112,960</b>	-	-	-	<b>112,960</b>	<b>112,960</b>
<b>Loan, advances and financing to customers</b>	<b>2,636,732</b>	-	-	-	<b>2,636,732</b>	<b>2,636,732</b>
<b>Available-for-sale investments</b>	-	<b>29,811</b>	-	-	<b>29,811</b>	<b>29,811</b>
<b>Held-to-maturity investments</b>	-	-	<b>198,344</b>	-	<b>198,344</b>	<b>198,344</b>
	<b>3,007,522</b>	<b>29,811</b>	<b>198,344</b>	-	<b>3,235,677</b>	<b>3,235,677</b>
<b>Due to banks</b>	-	-	-	<b>92,607</b>	<b>92,607</b>	<b>92,607</b>
<b>Deposits from customers</b>	-	-	-	<b>2,550,865</b>	<b>2,550,865</b>	<b>2,550,865</b>
<b>Subordinated loans</b>	-	-	-	<b>103,875</b>	<b>103,875</b>	<b>103,875</b>
	-	-	-	<b>2,747,347</b>	<b>2,747,347</b>	<b>2,747,347</b>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 26. Fair value information (continued)

As of 31 December 2015	Loans and receivables	Available- for-sale	Held-to- maturity	Other amortised cost	Total carrying value	Fair value
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	439,833	-	-	-	439,833	439,833
Loan, advances and financing to banks	138,036	-	-	-	138,036	138,036
Loan, advances and financing to customers	2,729,306	-	-	-	2,729,306	2,729,306
Available-for-sale investments	-	35,802	-	-	35,802	35,802
Held-to-maturity investments	-	-	169,391	-	169,391	169,391
	<u>3,307,175</u>	<u>35,802</u>	<u>169,391</u>	<u>-</u>	<u>3,512,368</u>	<u>3,512,368</u>
Due to banks	-	-	-	308,864	308,864	308,864
Deposits from customers	-	-	-	2,592,371	2,592,371	2,592,371
Subordinated loans	-	-	-	103,875	103,875	103,875
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,005,110</u>	<u>3,005,110</u>	<u>3,005,110</u>

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 <sup>th</sup> September 2016	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
<b>Assets</b>				
Derivatives	-	1,280	-	1,280
<b>Available-for-sale investments</b>				
Equity instruments	15,684	1,913	-	17,597
Fixed Income Instrument	2,825	-	-	2,825
Alternative <b>Sukuk</b>	-	482	-	482
	<u>6,363</u>	<u>10,198</u>	<u>-</u>	<u>16,561</u>
<b>Total assets</b>	<u>24,872</u>	<u>13,873</u>	<u>-</u>	<u>38,745</u>
<b>Liabilities</b>				
Derivatives	-	317	-	317
	<u>-</u>	<u>317</u>	<u>-</u>	<u>317</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 26. Fair value information (continued)

At 30 <sup>th</sup> September 2015	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
<b>Assets</b>				
Derivatives	-	1,277	-	1,277
<b>Available-for-sale investments</b>				
Equity instruments	15,026	1,997	-	17,024
Fixed Income Instrument	2,304	-	-	2,304
Alternative	-	286	-	286
<b>Sukuk</b>	-	10,198	-	10,198
<b>Total assets</b>	<b>17,330</b>	<b>13,758</b>	<b>-</b>	<b>31,089</b>
<b>Liabilities</b>				
<b>Derivatives</b>	<b>-</b>	<b>316</b>	<b>-</b>	<b>316</b>
At 31 December 2015				
<b>Assets</b>				
Derivatives	-	165	-	165
<b>Available-for-sale investments</b>				
Equity instruments	14,196	1,900	-	16,096
Fixed Income Instrument	2,686	-	-	2,686
Alternative	-	427	-	427
<b>Sukuk</b>	<b>6,395</b>	<b>10,198</b>	<b>-</b>	<b>16,561</b>
<b>Total assets</b>	<b>23,277</b>	<b>12,690</b>	<b>-</b>	<b>35,935</b>
<b>Liabilities</b>				
<b>Derivatives</b>	<b>-</b>	<b>295</b>	<b>-</b>	<b>295</b>

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index process and expected price volatilities and correlations.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 27. Segmental information

The Bank is organised into three main business segments:

- Retail banking – incorporating private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products; and
- Treasury and investments

Other operations comprise investment management and institutional finance neither of which constitutes a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Bank's cost of capital. There are no other material items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation and borrowings.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

At 30 September 2016	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	59,285	50,618	3,097	113,000
Other revenues	4,721	8,985	8,808	22,514
	<u>64,006</u>	<u>59,603</u>	<u>11,905</u>	<u>135,514</u>
Interest, Islamic Window Deposit expenses	<u>(13,301)</u>	<u>(18,056)</u>	<u>(7,106)</u>	<u>(38,463)</u>
Net operating income	50,705	41,547	4,799	97,051
<b>Segment cost</b>				
Operating expenses including depreciation	(20,485)	(18,469)	(2,673)	(41,627)
Impairment for loans and investment net recoveries from allowance for loans impairment	(4,419)	(6,043)	(1,210)	(11,672)
	<u>25,801</u>	<u>17,035</u>	<u>916</u>	<u>43,752</u>
Profit from operations after provision				
Tax expenses	(4,056)	(2,678)	(144)	(6,878)
Profit for the period	<u>21,745</u>	<u>14,357</u>	<u>772</u>	<u>36,874</u>
<b>Segment assets</b>	1,443,592	1,824,594	734,062	4,002,248
Less: Impairment allowance	<u>(50,984)</u>	<u>(62,037)</u>	<u>(409)</u>	<u>(113,430)</u>
<b>Total segment assets</b>	<u>1,392,608</u>	<u>1,762,557</u>	<u>733,653</u>	<u>3,888,818</u>
<b>Segment liabilities</b>	<u>613,565</u>	<u>2,310,907</u>	<u>476,684</u>	<u>3,401,156</u>

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

#### 27. Segmental information (continued)

Included in the above segment information the results of Islamic Banking Window as below:

At 30 September 2016	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	3,626	5,290	10	8,926
Other revenues	71	538	807	1,416
	<u>3,697</u>	<u>5,828</u>	<u>817</u>	<u>10,342</u>
Profit expenses holders' share of profit	<u>(242)</u>	<u>(3,027)</u>	<u>(496)</u>	<u>(3,765)</u>
Net operating income	3,455	2,801	321	6,577
<b>Segment cost</b>				
Operating expenses including depreciation	(1,423)	(2,076)	(4)	(3,503)
Impairment allowance	(218)	(346)	-	(564)
Profit for the period	<u>1,814</u>	<u>379</u>	<u>317</u>	<u>2,510</u>
<b>Segment assets</b>	118,844	173,535	102,852	395,231
Less: Impairment allowance	<u>(1,383)</u>	<u>(1,611)</u>	-	<u>(2,994)</u>
<b>Total segment assets</b>	<u>117,461</u>	<u>171,924</u>	<u>102,852</u>	<u>392,237</u>
<b>Segment liabilities</b>	<u>18,459</u>	<u>239,127</u>	<u>76,346</u>	<u>333,932</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 27. Segmental information (continued)

At 30 September 2015	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	50,852	39,113	1,877	91,842
Other revenues	5,509	8,309	5,789	19,607
Segment operating revenues	<u>56,361</u>	<u>47,422</u>	<u>7,666</u>	<u>111,449</u>
Interest, Islamic Window Deposit expenses	<u>(9,302)</u>	<u>(12,269)</u>	<u>(5,241)</u>	<u>(26,812)</u>
Net operating income	47,059	35,153	2,425	84,637
Segment cost				
Operating expenses including depreciation	(19,034)	(16,857)	(2,522)	(38,413)
Impairment for loans and investment net recoveries from allowance for loans impairment	(6,248)	(1)	(2,119)	(8,368)
Profit from operations after provision	<u>21,777</u>	<u>18,295</u>	<u>(2,216)</u>	<u>37,856</u>
Tax expenses	<u>(2,566)</u>	<u>(2,156)</u>	<u>261</u>	<u>(4,461)</u>
Profit for the period	<u>19,211</u>	<u>16,139</u>	<u>(1,955)</u>	<u>33,395</u>
Segment assets	1,377,802	1,630,537	426,674	3,435,013
Less: Impairment allowance	<u>(45,463)</u>	<u>(51,383)</u>	<u>(409)</u>	<u>(97,255)</u>
Total segment assets	<u>1,332,339</u>	<u>1,579,154</u>	<u>426,265</u>	<u>3,337,758</u>
Segment liabilities	<u>610,210</u>	<u>2,062,227</u>	<u>197,801</u>	<u>2,870,238</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 27. Segmental information (continued)

Included in the above segment information the results of Islamic Banking Window as below:

At 30 September 2015	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	2,327	3,102	4	5,433
Other revenues	123	274	436	833
	<u>2,450</u>	<u>3,376</u>	<u>440</u>	<u>6,266</u>
Unrestricted investment account holders' share of profit	(62)	(1,084)	(125)	(1,271)
Net operating income	2,388	2,292	315	4,995
Segment cost				
Operating expenses including depreciation	(1,031)	(1,374)	(2)	(2,407)
Impairment allowance	(429)	(268)	-	(697)
Net profit during of the period	<u>928</u>	<u>650</u>	<u>313</u>	<u>1,891</u>
Segment assets	84,006	104,554	54,261	242,821
Less: Impairment allowance	<u>(1,010)</u>	<u>(1,181)</u>	<u>-</u>	<u>(2,191)</u>
Total segment assets	<u>82,996</u>	<u>103,373</u>	<u>54,261</u>	<u>240,630</u>
Segment liabilities	<u>10,531</u>	<u>138,901</u>	<u>51,080</u>	<u>200,512</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

### 27. Segmental information (continued)

At 31 December 2015	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	69,854	53,602	2,400	125,856
Other revenues	7,262	10,268	7,489	25,019
Segment operating revenues	<u>77,116</u>	<u>63,870</u>	<u>9,889</u>	<u>150,875</u>
Interest, Islamic Window Deposit expenses	<u>(12,768)</u>	<u>(15,895)</u>	<u>(6,986)</u>	<u>(35,649)</u>
Net operating income	64,348	47,975	2,903	115,226
Segment cost				
Operating expenses including depreciation	(25,382)	(22,469)	(3,348)	(51,199)
Impairment for loans and investment net recoveries from allowance for loans impairment	(7,906)	(908)	(2,712)	(11,526)
Profit from operations after provision	<u>31,060</u>	<u>24,598</u>	<u>(3,157)</u>	<u>52,501</u>
Tax expenses	<u>(3,394)</u>	<u>(2,687)</u>	<u>345</u>	<u>(5,736)</u>
Net profit for the year	<u>27,666</u>	<u>21,911</u>	<u>(2,812)</u>	<u>46,765</u>
Segment assets	1,484,651	1,659,290	548,147	3,692,088
Less: Impairment allowance	<u>(45,542)</u>	<u>(53,076)</u>	<u>(409)</u>	<u>(99,027)</u>
Total segment assets	<u>1,439,109</u>	<u>1,606,214</u>	<u>547,738</u>	<u>3,593,061</u>
Segment liabilities	<u>987,119</u>	<u>1,707,445</u>	<u>421,968</u>	<u>3,116,532</u>



## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>th</sup> September 2016

#### 27. Segmental information (continued)

Included in the above segment information the results of Islamic Banking Window as below:

At 31 December 2015	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	3,348	4,330	5	7,683
Other revenues	169	343	659	1,171
	<u>3,517</u>	<u>4,673</u>	<u>664</u>	<u>8,854</u>
Segment operating revenues	3,517	4,673	664	8,854
Profit expenses share of profit	(134)	(1,659)	(161)	(1,954)
Net operating income	<u>3,383</u>	<u>3,014</u>	<u>503</u>	<u>6,900</u>
Segment cost				
Operating expenses including depreciation	(1,479)	(1,914)	(2)	(3,395)
Impairment allowance	(553)	(383)	-	(936)
	<u>1,351</u>	<u>717</u>	<u>501</u>	<u>2,569</u>
Net profit for the year	<u>1,351</u>	<u>717</u>	<u>501</u>	<u>2,569</u>
Segment assets	94,576	117,277	89,981	301,834
Less: Impairment allowance	<u>(1,165)</u>	<u>(1,265)</u>	<u>-</u>	<u>(2,430)</u>
	<u>93,411</u>	<u>116,012</u>	<u>89,981</u>	<u>299,404</u>
Total segment assets	<u>93,411</u>	<u>116,012</u>	<u>89,981</u>	<u>299,404</u>
Segment liabilities	<u>17,591</u>	<u>169,514</u>	<u>63,446</u>	<u>250,551</u>