



بنك ظفار
BankDhofar

**Unaudited interim condensed financial statements
for the six month period ended 30th June 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 S.A.O.G.

**THE BOARD OF DIRECTORS' REPORT FOR THE SIX-MONTH PERIOD
ENDED 30th June 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 half year ended 30th June 2016.

The Bank continues its significant growth in all areas during the first half of 2016, with the total assets improving to RO 3.80 billion at the end of June 2016 as compared to RO 3.39 billion at the end of June 2015 recording a growth of 12.1% year on year. The Bank with its proven fundamentals on quality, prudent lending showed good growth of 13.60% to reach RO 2.84 billion in net Customer Loans, Advances and Financing as at 30th June 2016 increased from RO 2.50 billion as at 30th June 2015. To supplement this loan growth, the Customer Deposits mobilized, grew by 4.56% to reach RO 2.75 billion at 30th June 2016 compared to RO 2.63 billion at 30th June 2015.

Net interest and Financing income is showing a strong year-on-year growth of 23.18% recording RO 51.76 million compared to RO 42.02 million first half of 2015.

The total operating income including the non-funded income such as fees and commissions, foreign exchange profit, investment etc. grew by 22.57% to reach RO 67.29 million for the half year ended June 2016 compared to RO 54.90 million first half last year.

Operating Cost to Operating Income ratio for first half of 2016 improved to 40.91% from 45.21% first half 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 135.77% to RO 8.37 million year-to-date June 2016 compared to RO 3.55 million year-to-date June 2015. Impairment of available for sale investments was Ro 0.70 million as against RO 0.93 million during last year same period from domestic equity market movements.

The Net Profits of the Bank for the first half of 2016 reached RO 26.17 million as compared to RO 22.63 million achieved in first half of 2015 showing a strong year-on-year growth of 15.64%.

The earnings per share (EPS) for first half 2016 are RO 0.013 as compared to RO 0.013 achieved first half 2015.

“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 50.39% to RO 358.73 million at June 2016 from RO 238.53 million at June 2015. The gross financing portfolio has grown to RO 259.80 million at 30th June 2016 from RO 174.24 million at 30th June 2015, an increase of 49.10%. The strong growth in financing is supported by 35.58% year-on-year increase in customer deposits, reaching RO 195.63 million 30th June 2016 compared to RO 144.29 million at 30th June 2015. Non-performing financing continued to stand at Nil.

The net financing income increased 42.19% year-on-year reaching RO 3.64 million first half 2016 against RO 2.56 million same period last year. Non-financing Income such as fees and commissions, foreign exchange profit, investment income and other income have also increased by 63.93% to RO 1.00 million six months ended June 2016 compared RO 0.61 million same period last year. The cost to income ratio for first half 2016 is at 47.20% compared to 46.75% first half 2015.

Maisarah Islamic Banking Services reported a strong 61.39% year-on-year increase in net profit before tax of RO 2.069 million compared to a net profit before tax of RO 1.282 million year-to-date June 2015.

Launch of New Products by Maisarah

During second quarter 2016, Maisarah launched Savings Account with Prize scheme for its customers under which the customer is eligible for the profit due on the account, in addition bank is giving away prizes to the customer from its own sources. The response from customers for this product has been encouraging.

Maisarah introduced its first ever Shariah compliant credit card during second quarter 2016.

Expansion of Maisarah Branch Network

Maisarah added five new branches during first half of 2016 doubling the branch network from five at 31st December 2015 to ten branches at 30th June 2016, increasing access and convenience for the customers.

Awards & Accolades:-

The Bank has been investing heavily on Customer initiatives and HR Training to be able to offer the best services and products in the Sultanate and the following excellence awards won during the first half of year 2016 are testimony to the Bank's unstinted efforts.

•No. 1 in Large Sized Banks Category at Best Banks Report by Oman Economic Review
•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
•Best Contact Centre Experience – Oman at the Customer Experience Benchmarking Index 2015 by Ethos Integrated Solutions.
•Best Mobile Banking Implementation in the Middle East at the Asian Banker Technology 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.

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 half of 2016.

The Board of Directors also thanks 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 SIX MONTH PERIOD ENDED 30 JUNE 2016

	Notes	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Assets				
Cash and balances with Central Bank of Oman	3	336,913	290,091	439,833
Loans, advances and financing to banks	4	313,531	251,704	138,036
Loans, advances and financing to customers	5	2,841,410	2,502,925	2,729,306
Available-for-sale investments	6	39,756	28,597	35,802
Held-to-maturity investments	7	158,722	219,795	169,391
Intangible asset	8	1,787	2,184	1,986
Property and equipment	9	8,633	9,312	8,795
Other assets		94,667	80,724	69,912
Total assets		3,795,419	3,385,332	3,593,061
Liabilities				
Due to banks	10	350,485	82,730	308,864
Deposits from customers	11	2,745,594	2,625,040	2,592,371
Other liabilities		118,828	116,472	111,422
Subordinated loans	12	103,875	103,875	103,875
Total liabilities		3,318,782	2,928,117	3,116,532
Shareholders' equity				
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	1,395	1,028	327
Retained earnings		29,077	50,921	45,484
Total equity attributable to the equity holders of the Bank		361,137	341,715	361,029
Perpetual Tier 1 Capital Securities	15	115,500	115,500	115,500
Total equity		476,637	457,215	476,529
Total liabilities and equity		3,795,419	3,385,332	3,593,061
Contingent liabilities	23	1,090,773	831,877	844,318
Net assets per share (Rials Omani)	16	0.213	0.221	0.234

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 SIX MONTH PERIOD ENDED 30 JUNE 2016

	Notes	Unaudited 6 months ended 30 June 2016 RO'000	Unaudited 6 months ended 30 June 2015 RO'000	Unaudited 3 months ended 30 June 2016 RO'000	Unaudited 3 months ended 30 June 2015 RO'000
Interest income		67,589	56,490	34,641	28,712
Interest expense		(19,471)	(17,025)	(10,795)	(8,539)
Net interest income	16	48,118	39,465	23,846	20,173
Income from islamic financing		5,563	3,335	2,975	1,811
Unrestricted investment account holders' share of profit		(1,924)	(777)	(1,089)	(428)
Net income from islamic financing activities		3,639	2,558	1,886	1,383
Fees and commission income		9,605	8,523	5,057	4,488
Fees and commission expense		(1,253)	(777)	(675)	(423)
Net fees and commission income		8,352	7,746	4,382	4,065
Other income	17	7,183	5,136	3,413	2,482
Operating income		67,292	54,905	33,527	28,103
Staff and administrative costs		(25,841)	(23,173)	(13,039)	(12,065)
Depreciation		(1,694)	(1,652)	(846)	(824)
Operating expenses		(27,535)	(24,825)	(13,885)	(12,889)
Profit from operations		39,757	30,080	19,642	15,214
Provision for loan impairment	5 & 19	(11,428)	(6,170)	(6,655)	(3,488)
Recoveries from allowance for loan impairment	5 & 19	3,058	2,620	2,032	1,209
Impairment of available-for-sale investments	19	(704)	(903)	(205)	(624)
Profit from operations after provision		30,683	25,627	14,814	12,311
Income tax expense		(4,516)	(3,000)	(2,205)	(1,461)
Profit for the period		26,167	22,627	12,609	10,850
Profit for the period		26,167	22,627	12,609	10,850
Other comprehensive income:					
<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		465	229	844	394
Reclassification adjustment on sale of available-for-sale investments		(101)	(58)	(70)	(12)
Impairment of available-for-sale investments		704	903	205	624
Other comprehensive income for the period		1,068	1,074	979	1,006
Total comprehensive income for the period		27,235	23,701	13,588	11,856
Earnings per share (basic and diluted) (Rials Omani)	20	0.013	0.013	0.005	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 SIX MONTH PERIOD ENDED 30 JUNE 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
Balances as at 1 January 2016		154,473	40,018	18,488	40,214	62,025	327	45,484	361,029	115,500	476,529
Total comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	26,167	26,167	-	26,167
Other comprehensive income for the period											
Net change in fair value of available-for-sale investments		-	-	-	-	-	465	-	465	-	465
Transfer to profit and loss on sale of available-for-sale investments		-	-	-	-	-	(101)	-	(101)	-	(101)
Impairment of available-for-sale investments		-	-	-	-	-	704	-	704	-	704
Total comprehensive income for the period		-	-	-	-	-	1,068	26,167	27,235	-	27,235
Transactions with owners recorded directly in equity											
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)	-	-	-
Balances as at 30th June 2016 (unaudited)		169,920	40,018	18,488	40,214	62,025	1,395	29,077	361,137	115,500	476,637

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 SIX MONTH PERIOD ENDED 30 JUNE 2016 (CONTINUED)

	Notes	Share capital	Share premium	Special reserve	Legal reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital security	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balances as at 1 January 2015		134,324	40,018	18,488	35,537	41,250	(46)	55,747	325,318	-	325,318
Total comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	22,627	22,627	-	22,627
Other comprehensive income for the period											
Net change in fair value of available-for-sale investments		-	-	-	-	-	229	-	229	-	229
Transfer to profit or loss on sale of available-for-sale investments		-	-	-	-	-	(58)	-	(58)	-	(58)
Impairment of available-for-sale investments		-	-	-	-	-	903	-	903	-	903
Total comprehensive income for the period		-	-	-	-	-	1,074	22,627	23,701	-	23,701
Transactions recorded directly in equity											
Proceeds from Perpetual Tier 1 capital securities	13	-	-	-	-	-	-	-	-	115,500	115,500
Perpetual Tier 1 issuance cost	13	-	-	-	-	-	-	(588)	(588)	-	(588)
Dividend paid for 2014		-	-	-	-	-	-	(6,716)	(6,716)	-	(6,716)
Bonus shares issued for 2014	13	20,149	-	-	-	-	-	(20,149)	-	-	-
Balance as at 30 June 2015 (Unaudited)		154,473	40,018	18,488	35,537	41,250	1,028	50,921	341,715	115,500	457,215

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

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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
Balances as at 1 January 2015		134,324	40,018	18,488	35,537	41,250	(46)	55,747	325,318		325,318
Total comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	46,765	46,765	-	46,765
Other comprehensive income for the year											
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
Total comprehensive income for the year		-	-	-	-	-	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)
Transactions with owners recorded directly in equity											
Dividend paid for 2014	13	-	-	-	-	-	-	(6,716)	(6,716)	-	(6,716)
Bonus shares issued for 2014	13	20,149	-	-	-	-	-	(20,149)	-	-	-
Balances as at 31 December 2015		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.

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INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

	Unaudited 30th June 2016 RO'000	Unaudited 30th June 2015 RO'000
Cash flows from operating activities		
Interest, financing income, commission and other receipts	83,090	69,832
Interest payments, return on Islamic Banking deposits	(18,626)	(16,383)
Cash payments to suppliers and employees	<u>(41,236)</u>	<u>(18,315)</u>
	23,228	35,134
Increase in operating assets		
Loans, advances and financing to customers	(120,475)	(251,780)
Loans, advances and financing to banks	(195,256)	(43,189)
Receipts from treasury bills and certificates of deposits (net)	<u>11,415</u>	<u>(69,807)</u>
	(304,316)	(364,776)
Increase / (decrease) in operating liabilities		
Deposits from customers	153,223	142,861
Due to banks	<u>42,672</u>	<u>(93,365)</u>
	195,895	49,496
Cash flow from/(used in) operating activities	<u>(85,193)</u>	<u>(280,146)</u>
Income tax paid	(6,212)	(5,392)
Net cash from/(used in) operating activities	<u>(91,405)</u>	<u>(285,538)</u>
Cash flows from/(used in) investing activities		
Investment income	1,701	1,318
Purchase of investments	(4,325)	(2,771)
Proceeds from sale of investments	735	981
Dividend received	574	597
Purchase of property and equipment	(1,077)	(922)
Proceeds from sale of property and equipment	<u>40</u>	<u>129</u>
Net cash from/(used in) investing activities	<u>(2,352)</u>	<u>(668)</u>
Cash flow used in financing activities		
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	<u>-</u>	<u>(588)</u>
Net cash used in financing activities	<u>(27,127)</u>	<u>108,196</u>
Net change in cash and cash equivalents	<u>(120,884)</u>	<u>(178,010)</u>
Cash and cash equivalents at the beginning of the period	<u>518,553</u>	<u>602,548</u>
Cash and cash equivalents at the end of the period	<u>397,669</u>	<u>424,538</u>
Cash and balances with Central Bank of Oman (Note 3)	336,913	290,091
Capital deposit with Central Bank of Oman	(500)	(500)
Loans, advances and financing to banks due within 90 days	41,899	136,827
Treasury bills within 90 days	19,995	-
Due to banks within 90 days	<u>(638)</u>	<u>(1,880)</u>
Cash and cash equivalents for the purpose of the statement of cash flows	<u>397,669</u>	<u>424,538</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 SIX MONTH PERIOD ENDED 30 JUNE 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 Six month period ended 30th June 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 Six month ended 30th June 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 Six month period ended 30th June 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 30th June 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

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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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

3. Cash and balances with Central Bank of Oman

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Cash on hand	52,197	31,532	31,979
Balances with the Central Bank of Oman	133,988	155,659	237,684
Placements with Central Bank of Oman	150,728	-	170,170
Certificate of deposits with maturity of 90 days or less	-	102,900	-
	<u>336,913</u>	<u>290,091</u>	<u>439,833</u>

At 30 June 2016, cash and balances with Central bank of Oman included balances with the Central Bank of Oman amounting to RO 500,000 (30 June 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

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Syndicated loans to other banks	60,366	84,891	80,841
Less: impairment allowance (collective)	<u>(409)</u>	<u>(439)</u>	<u>(409)</u>
	59,957	84,452	80,432
Placements with other banks	244,625	153,600	48,090
Current clearing accounts	8,949	13,652	9,514
Net loans, advances and financing	<u>313,531</u>	<u>251,704</u>	<u>138,036</u>

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

Movement of the impairment allowance is set out below:

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 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)
Balance at the end of the period / year	<u>409</u>	<u>439</u>	<u>409</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

5. Loans, advances and financing to customers

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Overdrafts	146,397	132,524	149,261
Loans	2,349,608	2,146,400	2,299,290
Loans against trust receipts	118,576	89,890	111,700
Bills discounted	8,735	8,801	6,867
Advance against credit cards	7,638	7,625	7,684
Others	60,132	36,268	43,207
Islamic Banking Window financing	259,800	174,245	209,915
Gross Loans, advances and financing	2,950,886	2,595,753	2,827,924
Less: Impairment allowance	(109,476)	(92,828)	(98,618)
Net loans, advances and financing	2,841,410	2,502,925	2,729,306

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	11,428	6,170	14,335
Released to the statement of comprehensive income during the period / year	(3,058)	(2,620)	(5,522)
Written off during the period / year	(106)	(259)	(890)
Balance at the end of the period / year	73,074	60,178	64,810

(b) Reserved interest

Balance at beginning of the period / year	33,808	30,717	30,717
Reserved during the period / year	3,310	2,872	6,042
Released to the statement of comprehensive income during the period / year	(456)	(465)	(763)
Written-off during the period / year	(260)	(474)	(2,188)
Balance at the end of the period / year	36,402	32,650	33,808

Total impairment allowance

	109,476	92,828	98,618
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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 SIX MONTH PERIOD ENDED 30 JUNE 2016

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

Bank has not written off any loan as technical write off during the six month period ended 30th June 2016 (30 June 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 109,476 thousand (30 June 2015 – RO 92,828 thousand (31 December 2015 - RO 98,618 thousand), a collective provision was recorded on a portfolio basis amounting to RO 41,210 thousand as of 30 June 2016 (30 June 2015 - RO 34,911 thousand, 31 December 2015 - RO 37,792 thousand).

At 30 June 2016, impaired loans and advances on which interest has been reserved amount to RO 74,935 thousand (30 June 2015 - RO 63,156 thousand, 31 December 2015 - RO 64,933 thousand and loans and advances on which interest is not being accrued amount to RO 1,475 thousand (30 June 2015 - RO 1,309 thousand, 31 December 2015 – RO 973 thousand).

6. Available-for-sale investments

	Unaudited 30 June 2016		Unaudited 30 June 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
a) Equity instruments						
Quoted on the Muscat Securities Market						
Banking and investments	5,578	5,638	1,267	1,265	3,723	3,684
Services	5,158	5,350	4,809	5,002	5,063	5,041
Industrial	9,228	9,552	9,794	9,705	8,948	8,584
	19,964	20,540	15,870	15,972	17,734	17,309
Unquoted						
Omani companies	2,034	2,655	1,699	2,427	1,377	1,900
	21,998	23,195	17,569	18,399	19,111	19,209
b) Sukuk						
Quoted on the Muscat Securities Market						
	10,000	10,198	10,000	10,198	10,000	10,198
Unquoted						
Omani companies	6,363	6,363	-	-	6,364	6,395
	16,363	16,561	10,000	10,198	16,364	16,593
Total	38,361	39,756	27,569	28,597	35,475	35,802

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

7. Held-to-maturity investments

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Treasury bills with maturity of above 90 days	19,995	115,186	39,236
Government Development Bonds	128,727	104,609	120,155
	148,722	219,795	159,391
Local quoted sukuk Govt.	10,000	-	10,000
	158,722	219,795	169,391

8. Intangible asset

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Goodwill net of impairment	1,787	2,184	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

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Conventional	7,097	8,190	7,587
Islamic window	1,536	1,122	1,208
	8,633	9,312	8,795

10. Due to banks

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Interbank borrowings	349,847	80,850	307,175
Payable on demand	638	1,880	1,689
	350,485	82,730	308,864

At 30 June 2016, no borrowing with any banks represented 20% or more of the Bank's total inter-bank borrowings (30 June 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 SIX MONTH PERIOD ENDED 30t JUNE 2016

11. Deposits from customers

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Current accounts	695,556	795,669	715,302
Savings accounts	442,197	434,438	435,759
Time deposits / certificate of deposits	1,348,589	1,226,311	1,227,648
Margin accounts	63,627	24,335	21,504
Islamic Banking Window deposits	195,625	144,287	192,158
	<u>2,745,594</u>	<u>2,625,040</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 1,105,762 thousand (30 June 2015 - RO 1,141,306 thousand, 31 December 2015 – RO 1,097,497 thousand).

12. Subordinated loan

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Subordinated loan - US Dollar	28,875	28,875	28,875
Subordinated loan - RO	75,000	75,000	75,000
	<u>103,875</u>	<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 June 2016, the issued and paid up share capital comprise 1,699,201,401 shares of par value RO 0.100 each. (30 June 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 SIX MONTH PERIOD ENDED 30 JUNE 2016

13. Share capital (continued)

Shareholders

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

	Unaudited 30 June 2016		Unaudited 30 June 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	175,285,229	10.3%	157,676,944	10.2%	157,714,879	10.2%
Total	1,005,152,963	59.1%	912,102,159	59.0%	912,140,094	59.0%
Others	694,048,438	40.9%	632,626,387	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 June 2016.

On 21st 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 SIX MONTH PERIOD ENDED 30 JUNE 2016

14. Reserves (continued)

(c) Investment revaluation reserve

The movements in the investments revaluation reserve is analysed below:

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Balance at beginning of the period / year	327	(46)	(46)
Increase/decrease in fair value	465	229	(2,238)
Net transfer to profit or loss on sale of available-for-sale investments	(101)	(58)	(131)
Impairment of available-for-sale investment	704	903	2,742
Balance at the end of the period / year	<u>1,395</u>	<u>1,028</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 was on due date. 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:

	Unaudited 30 June 2016	Unaudited 30 June 2015	Audited 31 December 2015
Net assets (RO'000)	<u>361,137</u>	<u>341,715</u>	<u>361,029</u>
Weighted average 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>0.213</u>	<u>0.221</u>	<u>0.234</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

17. Net interest income

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000
Loans, advances and financing to customers	65,840	55,264
Debt investments	31	248
Money market placements	1,713	973
Others	5	5
Total interest income	67,589	56,490
Deposits from customers	(17,521)	(16,487)
Money market deposits	(1,950)	(538)
Total interest expense	(19,471)	(17,025)
Net interest income	48,118	39,465

18. Other income

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000
Foreign exchange	2,744	1,005
Investment income (a)	2,956	2,251
Miscellaneous income	1,483	1,880
	7,183	5,136

(a) Investment income

	Unaudited 30th June 2016 RO'000	Unaudited 30th June 2015 RO'000
Investment income		
Dividend income- available-for-sale investments	574	597
Income on Sukuk	539	251
Gain of disposal of available-for-sale investments	77	85
Interest income on Government Development Bonds/Other bonds	1,766	1,318
	2,956	2,251

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

19. Impairment of financial assets

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000
Provision for loan impairment	11,428	6,170
Provision for inter banks loans impairment	-	-
Impairment of available-for-sale investments	704	903
	<u>12,132</u>	<u>7,073</u>
Recoveries from provision for loan impairment	<u>(3,058)</u>	<u>(2,620)</u>
	<u><u>9,074</u></u>	<u><u>4,453</u></u>

20. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per share is based on profit for the Six month period ended 30 June attributable to ordinary shareholders as follows:

	Unaudited 30 June 2016	Unaudited 30 June 2015
Profit for the year (RO)	26,167,000	22,627,000
Less : Additional Tier 1 Coupon	(3,956,000)	-
Less : Perpetual Tier 1 issuance cost	-	(588,000)
Profit for the period attributable to equity holders of the bank after coupon and issuance cost on Tier 1 capital securities	<u>22,211,000</u>	<u>22,039,000</u>
	<u>1,699,201,401</u>	<u>1,699,201,401</u>
Weighted average number of shares outstanding at the end of the period		
	<u>0.013</u>	<u>0.013</u>
Earnings per share basic and diluted (RO)		

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 weighted average 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 second quarter of 2016.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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:

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Loans, advances and financing			
Directors and shareholders holding 10% or more interest in the Bank	44,289	21,471	34,559
Other related parties	12,229	11,234	11,943
	56,518	32,705	46,502
Subordinated loans			
Directors and shareholders holding 10% or more interest in the Bank	48,663	48,663	48,663
Other related parties	40,775	40,775	40,775
	89,438	89,438	89,438
Deposits and other accounts			
Directors and shareholders holding 10% or more interest in the Bank	238,147	322,386	257,649
Other related parties	101,241	72,886	82,517
	339,388	395,272	340,166
Contingent liabilities and commitments			
Directors and shareholders holding 10% or more interest in the Bank	150	129	142
Other related parties	1,715	1,989	1,618
	1,865	2,118	1,760
Remuneration paid to Directors			
Chairman			
– remuneration paid	16	17	16
– sitting fees paid	10	10	10
Other Directors			
– remuneration paid	103	116	103
– sitting fees paid	53	46	71
	182	179	200
Other transactions			
Rental payment to related parties	248	183	468
Other transactions	58	54	79
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	30	26	32

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Total exposure:			
Direct	60,913	35,971	50,310
Indirect	1,865	2,118	1,760
	62,778	38,089	52,070
Number of members	27	28	27

23. Contingent liabilities

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

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Letters of credit	144,796	139,331	133,358
Guarantees and performance bonds	945,977	692,546	710,960
	1,090,773	831,877	844,318

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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
30th June 2016						
Cash and balances with Central Bank of Oman	336,413	-	-	-	500	336,913
Loans, advances and financing to banks	63,268	172,131	68,392	9,740	-	313,531
Loans, advances and financing to customers	165,512	380,855	141,365	736,629	1,417,049	2,841,410
Available-for-sale investments	-	-	23,195	16,561	-	39,756
Held-to-maturity investments	19,995	7,198	-	102,737	28,792	158,722
Intangible asset	-	-	-	-	1,787	1,787
Property and equipment	-	-	-	-	8,633	8,633
Other assets	9,196	56,343	20,626	30	8,472	94,667
Total assets	594,384	616,527	253,578	865,697	1,465,233	3,795,419
Due to banks	106,843	-	48,651	194,991	-	350,485
Deposits from customers	262,966	501,894	456,504	947,846	576,384	2,745,594
Other liabilities	24,521	57,217	26,016	9,981	1,093	118,828
Subordinated loans	-	50,000	-	25,000	28,875	103,875
Total equity	-	-	26,167	-	450,470	476,637
Total liabilities and equity	394,330	609,111	557,338	1,177,818	1,056,822	3,795,419

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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
30 June 2015						
Cash and balances with Central Bank of Oman	289,591	-	-	-	500	290,091
Loans, advances and financing to banks	156,437	45,319	26,009	23,939	-	251,704
Loans, advances and financing to customers	196,408	358,963	113,637	600,301	1,233,616	2,502,925
Available-for-sale investments	-	-	-	10,198	18,399	28,597
Held-to-maturity investments	64,790	56,261	-	72,898	25,846	219,795
Intangible asset	-	-	-	-	2,184	2,184
Property and equipment	-	-	-	-	9,312	9,312
Other assets	51,139	7,528	15,953	-	6,104	80,724
Total assets	758,365	468,071	155,599	707,336	1,295,961	3,385,332
Due to banks	1,880	26,950	15,400	38,500	-	82,730
Deposits from customers	286,625	550,385	372,594	575,906	839,530	2,625,040
Other liabilities	75,366	8,555	19,979	6,158	6,414	116,472
Subordinated loans	-	-	-	75,000	28,875	103,875
Shareholders' equity	-	-	22,627	-	434,588	457,215
Total liabilities and shareholders' equity	363,871	585,890	430,600	695,564	1,309,407	3,385,332

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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
Total assets	745,568	391,138	197,299	849,671	1,409,385	3,593,061
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
Total liabilities and equity	437,591	521,095	483,568	853,167	1,297,640	3,593,061

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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
30th June 2016								
Cash and balances with Central Bank of Oman	0.3%	150,728	-	-	-	500	185,685	336,913
Loans, advances and financing to banks	0.9%	73,717	239,814	-	-	-	-	313,531
Loans, advances and financing to customers	5.1%	165,512	380,855	141,365	736,629	1,417,049	-	2,841,410
Available-for-sale investments	4.7%	-	-	-	16,561	-	23,195	39,756
Held-to-maturity investments	2.8%	19,995	7,198	-	102,737	28,792	-	158,722
Intangible asset	-	-	-	-	-	-	1,787	1,787
Property and equipment	-	-	-	-	-	-	8,633	8,633
Other assets	-	-	-	-	-	-	94,667	94,667
Total assets		409,952	627,867	141,365	855,927	1,446,341	313,967	3,795,419
Due to banks	1.3%	106,843	-	52,501	191,141	-	-	350,485
Deposits from customers	1.3%	84,879	386,618	384,289	745,088	44,937	1,099,783	2,745,594
Other liabilities	-	-	-	-	-	-	118,828	118,828
Subordinated loans	5.2%	-	50,000	-	53,875	-	-	103,875
Total equity	-	-	-	26,167	115,500	-	334,970	476,637
Total liabilities and equity		191,722	436,618	462,957	1,105,604	44,937	1,553,581	3,795,419
On-balance sheet gap		218,230	191,249	(321,592)	(249,677)	1,401,404	(1,239,614)	
Cumulative interest sensitivity gap		218,230	409,479	87,887	(161,790)	1,239,614	-	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 June 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
30 June 2015								
Cash and balances with Central Bank of Oman	0.1%	102,900	-	-	-	500	186,691	290,091
Loans, advances and financing to banks	1.0%	175,558	76,146	-	-	-	-	251,704
Loans, advances and financing to customers	5.0%	196,408	358,963	113,637	600,301	1,233,616	-	2,502,925
Available-for-sale investments	5.0%	-	-	-	10,198	-	18,399	28,597
Held-to-maturity investments	1.3%	64,790	56,261	-	72,898	25,846	-	219,795
Intangible asset		-	-	-	-	-	2,184	2,184
Property and equipment		-	-	-	-	-	9,312	9,312
Other assets		-	-	-	-	-	80,724	80,724
Total assets		539,656	491,370	113,637	683,397	1,259,962	297,310	3,385,332
Due to banks	1.0%	-	80,850	-	-	-	1,880	82,730
Deposits from customers	1.2%	569,778	485,384	355,042	442,747	52,795	719,294	2,625,040
Other liabilities		-	-	-	-	-	116,472	116,472
Subordinated loans	5.2%	-	-	-	75,000	28,875	-	103,875
Shareholders 'equity		-	-	22,627	-	434,588	-	457,215
Total liabilities and shareholders' equity		569,778	566,234	377,669	517,747	516,258	837,646	3,385,332
On-balance sheet gap		(30,122)	(74,864)	(264,032)	165,650	743,704	(540,336)	
Cumulative interest sensitivity gap		(30,122)	(104,986)	(369,018)	(203,368)	540,336	-	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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
Total assets		476,296	388,755	135,123	829,557	1,394,265	369,065	3,593,061
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
Total equity		-	46,765	-	-	115,500	314,264	476,529
Total liabilities and equity		288,900	398,886	419,546	771,973	189,539	1,524,217	3,593,061
On-balance sheet gap		187,396	(10,131)	(284,423)	57,584	1,204,726	(1,155,152)	
Cumulative interest sensitivity gap		187,396	177,265	(107,158)	(49,574)	1,155,152	-	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

24. Risk Management (continued)

(ii) Market risk (continued)

(b) Foreign currency exposures

	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Audited 31 December 2015 RO'000
Net assets denominated in US Dollars	71,558	31,291	131,257
Net assets denominated in other foreign currencies	17,976	2,856	10,843
	<u>89,534</u>	<u>34,147</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
30th June 2016						
Personal	-	1,351,844	-	617,353	-	264
Corporate	313,940	1,516,149	33,393	1,022,479	350,485	1,068,849
Government	-	82,893	165,085	1,105,762	-	21,660
	<u>313,940</u>	<u>2,950,886</u>	<u>198,478</u>	<u>2,745,594</u>	<u>350,485</u>	<u>1,090,773</u>
30th June 2015						
Personal	-	1,187,414	-	582,249	-	346
Corporate	252,143	1,301,940	113,810	901,485	82,730	808,331
Government	-	106,399	134,582	1,141,306	-	23,200
	<u>252,143</u>	<u>2,595,753</u>	<u>248,392</u>	<u>2,625,040</u>	<u>82,730</u>	<u>831,877</u>
31 December 2015						
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 SIX MONTH PERIOD ENDED 30 JUNE 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 SIX month period ended 30th June 2016 is **13.84%** (30th June 2015 – 16.47%, 31 December 2015 - 14.70%).

Capital structure	Unaudited 30th June 2016	Unaudited 30th June 2015	Audited 31 December 2015
	RO'000	RO'000	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	28,294	6,866
Proposed bonus shares	-	-	15,447
CET I/Tier I Capital	333,575	318,060	337,531
Additional Tier I regulatory adjustments:			
Deferred tax Assets	(62)		(62)
Goodwill	(1,787)	(2184)	(1,986)
Negative investment revaluation reserve	(489)	(74)	(804)
Total CET 1 capital	331,237	315,133	334,679
Additional Tier I capital (AT1)	115,500	115,500	115,500
Total Tier 1 Capital (T1=CET1+AT1)	446,737	430,633	450,179
TIER II CAPITAL			
Investment revaluation reserve	754	697	444
Collective provision	41,619	35,350	38,201
Subordinated loan	33,100	62,625	33,100
Total Tier II capital	75,473	98,672	71,745
Total eligible capital	522,210	529,305	521,924
Risk weighted assets			
Banking book	3,503,121	2,982,971	3,239,902
Trading book	70,315	51,216	111,079
Operational risk	198,703	178,817	198,703
Total	3,772,139	3,213,004	3,549,684
Total Tier 1 Capital (T1=CET1+AT1)	446,737	430,633	450,179
Tier II capital	75,473	98,672	71,745
Tier III capital	-	-	-
Total regulatory capital	522,210	529,305	521,924
Common Equity Tier 1 ratio	8.78%	9.81%	9.43%
Tier I capital ratio	11.84%	13.40%	12.68%
Total capital ratio	13.84%	16.47%	14.70%

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE TSIX MONTH PERIOD ENDED 30 JUNE 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 June 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
Cash and balances with Central Bank of Oman	336,913	-	-	-	336,913	336,913
Loan, advances and financing to banks	313,531	-	-	-	313,531	313,531
Loan, advances and financing to customers	2,841,410	-	-	-	2,841,410	2,841,410
Available-for-sale investments	-	39,756	-	-	39,756	39,756
Held-to-maturity investments	-	-	158,722	-	158,722	158,722
	3,491,854	39,756	158,722	-	3,690,332	3,690,332
Due to banks	-	-	-	350,485	350,485	350,485
Deposits from customers	-	-	-	2,745,594	2,745,594	2,745,594
Subordinated loans	-	-	-	103,875	103,875	103,875
	-	-	-	3,199,954	3,199,954	3,199,954
As of 30 June 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	290,091	-	-	-	290,091	290,091
Loan, advances and financing to banks	251,704	-	-	-	251,704	251,704
Loan, advances and financing to customers	2,502,925	-	-	-	2,502,925	2,502,925
Available-for-sale investments	-	28,597	-	-	28,597	28,597
Held-to-maturity investments	-	-	219,795	-	219,795	219,795
	3,044,720	28,597	219,795	-	3,293,112	3,293,112
Due to banks	-	-	-	82,730	82,730	82,730
Deposits from customers	-	-	-	2,625,040	2,625,040	2,625,040
Subordinated loans	-	-	-	103,875	103,875	103,875
	-	-	-	2,811,645	2,811,645	2,811,645

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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 June 2016	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Assets				
Derivatives	-	1,274	-	1,274
Available-for-sale investments				
Equity instruments	20,540	2,655	-	23,195
Sukuk	6,363	10,198	-	16,561
Total assets	<u>26,903</u>	<u>14,127</u>	<u>-</u>	<u>41,030</u>
Liabilities				
Derivatives	-	218	-	218

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

26. Fair value information (continued)

At 30 June 2015	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Assets				
Derivatives	-	1,050	-	1,050
<i>Available-for-sale investments</i>				
Equity instruments	15,972	-	2,427	18,399
Sukuk	-	10,198	-	10,198
Total assets	15,972	11,248	2,427	29,647
Liabilities				
Derivatives	-	1,243	-	1,243
At 31 December 2015				
Assets				
Derivatives	-	165	-	165
<i>Available-for-sale investments</i>				
Equity instruments	16,882	-	2,327	19,209
Sukuk	6,395	10,198	-	16,593
Total assets	23,277	10,363	2,327	35,967
Liabilities				
Derivatives	-	295	-	295

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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

27. Segmental information

The Bank is organised into three main business segments:

- a) Retail banking – incorporating private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- b) Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products; and
- c) 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 June 2016	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	39,063	32,295	1,794	73,152
Other revenues	3,446	6,237	5,852	15,535
Segment operating revenues	<u>42,509</u>	<u>38,532</u>	<u>7,646</u>	<u>88,687</u>
Interest, Islamic Window Deposit expenses	<u>(7,245)</u>	<u>(9,703)</u>	<u>(4,447)</u>	<u>(21,395)</u>
Net operating income	35,264	28,829	3,199	67,292
Segment cost				
Operating expenses including depreciation	(13,582)	(12,179)	(1,774)	(27,535)
Impairment for loans and investment net recoveries from allowance for loans impairment	(4,236)	(4,134)	(704)	(9,074)
Profit from operations after provision	<u>17,446</u>	<u>12,516</u>	<u>721</u>	<u>30,683</u>
Tax expenses	<u>(2,568)</u>	<u>(1,842)</u>	<u>(106)</u>	<u>(4,516)</u>
Profit for the period	<u>14,878</u>	<u>10,674</u>	<u>615</u>	<u>26,167</u>
Segment assets	<u>1,441,190</u>	<u>1,776,354</u>	<u>687,760</u>	<u>3,905,304</u>
Less: Impairment allowance	<u>(50,375)</u>	<u>(59,101)</u>	<u>(409)</u>	<u>(109,885)</u>
Total segment assets	<u>1,390,815</u>	<u>1,717,253</u>	<u>687,351</u>	<u>3,795,419</u>
Segment liabilities	<u>642,137</u>	<u>2,221,363</u>	<u>455,282</u>	<u>3,318,782</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

27. Segmental information (continued)

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

At 30 June 2016	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	2,308	3,254	1	5,563
Other revenues	155	317	528	1,000
Segment operating revenues	<u>2,463</u>	<u>3,571</u>	<u>529</u>	<u>6,563</u>
Profit expenses holders' share of profit	<u>(147)</u>	<u>(1,445)</u>	<u>(332)</u>	<u>(1,924)</u>
Net operating income	2,316	2,126	197	4,639
Segment cost				
Operating expenses including depreciation	(907)	(1,278)	-	(2,185)
Impairment allowance	(111)	(274)	-	(385)
Profit for the period	<u>1,298</u>	<u>574</u>	<u>197</u>	<u>2,069</u>
Segment assets	108,433	154,213	98,894	361,540
Less: Impairment allowance	<u>(1,276)</u>	<u>(1,539)</u>	<u>-</u>	<u>(2,815)</u>
Total segment assets	<u>107,157</u>	<u>152,674</u>	<u>98,894</u>	<u>358,725</u>
Segment liabilities	<u>28,722</u>	<u>169,144</u>	<u>102,995</u>	<u>300,861</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

27. Segmental information (continued)

At 30 June 2015	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	33,061	25,457	1,307	59,825
Other revenues	3,816	5,051	4,015	12,882
	<u>36,877</u>	<u>30,508</u>	<u>5,322</u>	<u>72,707</u>
Interest, Islamic Window Deposit expenses	<u>(6,005)</u>	<u>(8,270)</u>	<u>(3,527)</u>	<u>(17,802)</u>
Net operating income	30,872	22,238	1,795	54,905
Segment cost				
Operating expenses including depreciation	(12,306)	(10,884)	(1,635)	(24,825)
Impairment for loans and investment net recoveries from allowance for loans impairment	(3,354)	(196)	(903)	(4,453)
Profit from operations after provision	<u>15,212</u>	<u>11,158</u>	<u>(743)</u>	<u>25,627</u>
Tax expenses	<u>(1,781)</u>	<u>(1,306)</u>	<u>87</u>	<u>(3,000)</u>
Profit for the period	<u>13,431</u>	<u>9,852</u>	<u>(656)</u>	<u>22,627</u>
Segment assets	1,259,900	1,562,311	656,388	3,478,599
Less: Impairment allowance	<u>(42,203)</u>	<u>(50,625)</u>	<u>(439)</u>	<u>(93,267)</u>
Total segment assets	<u>1,217,697</u>	<u>1,511,686</u>	<u>655,949</u>	<u>3,385,332</u>
Segment liabilities	<u>639,722</u>	<u>2,100,964</u>	<u>187,431</u>	<u>2,928,117</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

27. Segmental information (continued)

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

At 30 June 2015	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	1,427	1,904	4	3,335
Other revenues	89	230	293	612
	<u>1,516</u>	<u>2,134</u>	<u>297</u>	<u>3,947</u>
Segment operating revenues	1,516	2,134	297	3,947
Unrestricted investment account holders' share of profit	-	(700)	(77)	(777)
	<u>-</u>	<u>(700)</u>	<u>(77)</u>	<u>(777)</u>
Net operating income	1,516	1,434	220	3,170
Segment cost				
Operating expenses including depreciation	(634)	(846)	(2)	(1,482)
Impairment allowance	(290)	(116)	-	(406)
	<u>(924)</u>	<u>(962)</u>	<u>(2)</u>	<u>(1,888)</u>
Net profit during of the period	<u>592</u>	<u>472</u>	<u>218</u>	<u>1,282</u>
Segment assets	74,241	101,711	64,480	240,432
Less: Impairment allowance	<u>(871)</u>	<u>(1,029)</u>	<u>-</u>	<u>(1,900)</u>
Total segment assets	<u>73,370</u>	<u>100,682</u>	<u>64,480</u>	<u>238,532</u>
Segment liabilities	<u>7,734</u>	<u>139,076</u>	<u>52,214</u>	<u>199,024</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 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 SIX MONTH PERIOD ENDED 30 JUNE 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)
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>
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>