

**MAISARAH ISLAMIC BANKING SERVICES -  
WINDOW OF BANK DHOFAR SAOG  
FINANCIAL STATEMENTS**

**31 DECEMBER 2015**

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

Head office, Ground Floor, Al Sahwa Tower – 1  
P.O. Box 1792  
PC 130  
Azaiba, Muscat  
Sultanate of Oman

**DRAFT**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
Bank Dhofar SAOG (the "Bank")**

We have audited the accompanying statement of financial position of Maisarah Islamic Banking Services (the "Islamic Window") as of 31 December 2015, and the related statements of income, changes in owners' equity, sources and uses of charity fund and cash flows for the year then ended 31 December 2015, and a summary of significant accounting policies and other explanatory information. These financial statements and the Bank's undertaking to operate its Islamic Window in accordance with Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Islamic Window as of 31 December 2015, the results of its operations, changes in owner's equity, sources and uses of charity fund and cash flows for the year then ended 31 December 2015 in accordance with the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Islamic Window and the Financial Accounting Standards issued by AAOIFI.

[Date]  
Muscat

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Statement of Financial Position**
*At 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>RO 000</b>	2014 <b>RO 000</b>
<b>Assets</b>			
Cash and balances with Central Bank of Oman	5	<b>30,462</b>	44,511
Due from banks and financial institutions	6	<b>32,447</b>	207
Murabaha receivables	7	<b>12,854</b>	20,312
Mudaraba financing	8	<b>11,642</b>	2,256
Diminishing Musharaka financing	9	<b>150,550</b>	79,859
Investments at fair value through equity	10	<b>16,593</b>	10,198
Investment at amortised cost	11	<b>10,000</b>	-
Ijarah Muntahia Bittamleek	12	<b>32,439</b>	29,113
Property and equipment	13	<b>1,208</b>	1,057
Other assets	14	<b>1,209</b>	4,280
<b>Total assets</b>		<b>299,404</b>	191,793
<b>Liabilities, equity of investment account holders and owners' equity</b>			
<b>Liabilities</b>			
Current accounts		<b>47,469</b>	14,897
Due to Head office and other banks	15	<b>52,325</b>	48,100
Qard Hasan from Head office	16	<b>10,227</b>	17,216
Customer Wakala deposits		<b>135,108</b>	72,725
Other liabilities	17	<b>5,422</b>	6,399
<b>Total liabilities</b>		<b>250,551</b>	159,337
<b>Equity of investment account holders</b>	18	<b>8,027</b>	9,230
<b>Owners' equity</b>			
Capital	19	<b>40,000</b>	25,000
Reserves		<b>229</b>	198
Retained Earnings / (Accumulated losses)		<b>597</b>	(1,972)
<b>Total owners' equity</b>		<b>40,826</b>	23,226
<b>Total liabilities, equity of investment account holders and owners' equity</b>		<b>299,404</b>	191,793
<b>Contingent liabilities and commitments</b>	26	<b>14,826</b>	16,204

The financial statements on pages 2 to 40 were approved by the Board of Directors on 26 January 2016 and were signed on their behalf by:

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 Chairman

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 Chief Islamic Banking Officer

The accompanying notes form an integral part of these financial statements. Report of the Auditors – page 1.

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Statement of Income**
*For the year ended 31 December 2015*

	<i>Note</i>	<b>2015</b>	2014
<b>Income</b>		<b>RO 000</b>	<b>RO 000</b>
Income from Islamic finances and investments	21	<b>8,278</b>	4,060
Income on Wakala placements		<b>5</b>	72
		<b>8,283</b>	4,132
<b>Less:</b>			
Return on equity of investment account holders		<b>(83)</b>	(25)
Return on customer Wakala deposits		<b>(1,710)</b>	(263)
Return on interbank Wakala deposit		<b>(161)</b>	(129)
		<b>(1,954)</b>	(417)
<b>Maisarah's share in income from investment as a Mudarib and Rabul Maal</b>		<b>6,329</b>	3,715
Revenue from banking services		<b>513</b>	556
Foreign exchange gain – net		<b>58</b>	25
<b>Total revenue</b>		<b>6,900</b>	4,296
<b>Staff costs</b>	22	<b>(2,252)</b>	(1,900)
<b>General and administrative expenses</b>	23	<b>(889)</b>	(759)
<b>Provision for financing impairment</b>	24	<b>(936)</b>	(1,208)
<b>Depreciation</b>	13	<b>(254)</b>	(199)
<b>Total expenses</b>		<b>(4,331)</b>	(4,066)
<b>Net profit for the year before taxation</b>		<b>2,569</b>	230

The accompanying notes form an integral part of these financial statements.  
Report of the Auditors – page 1.

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Statement of changes in owners' equity**  
*For the year ended 31 December 2015*

31 December 2015				
	Capital RO 000	Investment Revaluation Reserve RO 000	Retained Earnings / (Accumulated Losses) RO 000	Total RO 000
<b>Balance at 1 January 2015</b>	25,000	198	(1,972)	23,226
<b>Total comprehensive income for the year</b>				
Net profit for the year	-	-	2,569	2,569
<b>Other comprehensive income for the year</b>				
Fair value adjustments against fair value through equity investment	-	31	-	31
<b>Total comprehensive income</b>	<b>25,000</b>	<b>229</b>	<b>597</b>	<b>25,826</b>
Addition of capital during the year	15,000	-	-	15,000
<b>Balance as at 31 December 2015</b>	<b>40,000</b>	<b>229</b>	<b>597</b>	<b>40,826</b>
31 December 2014				
	Capital RO 000	Investment Revaluation Reserve RO 000	Accumulated losses RO 000	Total RO 000
Balance at 1 January 2014	12,500	-	(2,202)	10,298
<b>Total comprehensive income for the year</b>				
Net profit for the year	-	-	230	230
<b>Other comprehensive income for the year</b>				
Fair value adjustments against fair value through equity investment	-	198	-	198
<b>Total comprehensive income</b>	<b>12,500</b>	<b>198</b>	<b>(1,972)</b>	<b>10,726</b>
Addition of capital during the year	12,500	-	-	12,500
<b>Balance as at 31 December 2014</b>	<b>25,000</b>	<b>198</b>	<b>(1,972)</b>	<b>23,226</b>

The accompanying notes form an integral part of these financial statements.  
 Report of the Auditors – page 1.

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**


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**Statement of sources and uses of charity fund**
*For the year ended 31 December 2015*

	<b>2015</b>	<b>2014</b>
	<b>RO 000</b>	<b>RO 000</b>
<b>Sources of charity funds</b>		
Undistributed charity funds at beginning of the year	-	-
Shari'a non-compliant income	<b>7</b>	-
Donations	-	-
Total sources of funds during the year	<u><b>7</b></u>	<u>-</u>
<b>Uses of charity funds</b>		
University and school students	-	-
Philanthropic societies	-	-
Aid to needy families	-	-
Total uses of funds during the year	<u>-</u>	<u>-</u>
Undistributed charity funds at end of the year	<u><b>7</b></u>	<u>-</u>

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Report of the Auditors – page 1.

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Statement of cash flows**
*For the year ended 31 December 2015*

	2015 RO 000	2014 RO 000
<b>Cash flows from operating activities</b>		
Net profit for the year	2,569	230
<b>Adjustments for:</b>		
Depreciation	254	199
Depreciation on Ijarah assets	1,229	1,185
Provision for financing impairment	936	1,208
Investment risk reserve	-	-
Profit equalization reserve	2	-
<b>Operating profit before changes in operating assets and liabilities</b>	<b>4,990</b>	<b>2,822</b>
<b>Operating assets and liabilities:</b>		
Murabaha receivables	7,510	(20,324)
Ijarah Muntahia Bittamleek assets	(6,261)	(14,041)
Proceeds from sale of Ijarah Muntahia Bittamleek assets	1,646	1,006
Diminishing Musharaka financing	(71,522)	(70,308)
Mudaraba financing	(9,483)	(2,284)
Other asset	(490)	(104)
Other liabilities	1,237	(273)
Qard Hasan from Head Office	(7,447)	13,765
<b>Net cash used in operating activities</b>	<b>(79,820)</b>	<b>(89,741)</b>
<b>Cash flows from investing activities</b>		
Purchase of investments at fair value through equity	(6,364)	-
Purchase of investment at amortised cost	(10,000)	-
<b>Net cash used in investing activities</b>	<b>(16,364)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Current account	32,572	12,355
Customer Wakala deposit	62,383	72,725
Margin accounts	1,400	156
Unrestricted investment account holders	(1,205)	8,094
Capital	15,000	12,500
<b>Net cash from financing activities</b>	<b>110,150</b>	<b>105,830</b>
<b>Cash and cash equivalents during the year</b>	<b>13,966</b>	<b>16,089</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(3,382)</b>	<b>(19,471)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>10,584</b>	<b>(3,382)</b>
<b>Cash and cash equivalents at the end of the year comprise:</b>		
Cash and balances with CBO	30,462	44,511
Due from banks and financial institutions	32,447	207
Due to Head office and other banks	(52,325)	(48,100)
	<b>10,584</b>	<b>(3,382)</b>

The accompanying notes form an integral part of these financial statements.  
Report of the Auditors – page 1.

**Notes to the financial statements**

*For the year ended 31 December 2015*

**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Maisarah Islamic Banking Services ("Maisarah") was established in Sultanate of Oman as window of Bank Dhofar SAOG. Maisarah's operations commenced on 3 March 2013 and it currently operates through 5 branches in the Sultanate under the license issued by the Central Bank of Oman on 27 February 2013.

The principle activities of Maisarah is taking demand, saving and deposit accounts, providing Murabaha finance, Ijarah financing and other Shari'a compliant forms of financing as well as managing investor's money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities.

Maisarah's activities are regulated by the Central Bank of Oman ("CBO") and supervised by Shari'a Supervisory Board ("SSB") comprising of five members.

**2 BASIS OF PREPARATION****2.1 Statement of compliance**

The financial statements of Maisarah Islamic Banking Services are prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Financial Institutions ("AAOIFI"), the Shari'a rules and principles as determined by the SSB of Maisarah and the applicable laws and regulations issued by the CBO.

Maisarah complies with the requirements of AAOIFI, for matters for which no AAOIFI standards exist, Maisarah uses the relevant International Financial Reporting Standards ("IFRS") or International Accounting Standards ("IAS") as issued by International Accounting Standards Board ("IASB").

Statement of changes in restricted investment amount, statement of sources of funds in zakah and statement of sources and uses of funds in Qard Fund have not been presented as these are not applicable / relevant to Maisarah's operations.

**2.2 Basis of measurement**

The financial statements are prepared on a historical cost basis, except for certain investments carried at fair value through equity.

**2.3 Functional and presentation currency**

Items included in Maisarah's financial statements are measured using Rials Omani ("RO") which is the currency of the primary economic environment in which Maisarah operates. All financial information presented in Rial Omani has been rounded to the nearest thousands, unless mentioned otherwise.



**Notes to the financial statements***For the year ended 31 December 2015***2 BASIS OF PREPARATION (continued)****2.4 Use of estimates and judgements**

The preparation of financial statements in conformity with AAOIFI and IFRS requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 4.

**2.5 New standards, interpretations and amendments**

These financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the financial statements for the year ended 31 December 2014, except for amendment to FAS 23 which have been issued by AAOIFI and is effective from 1 January 2015.

**Amendment to FAS 23 – Consolidation**

The amendment introduced to FAS 23 is to give clarification on the way an Islamic financial institution (IFI) should determine if financial statements of an investee company, or a subsidiary, should be consolidated with its own. The amendment provides clarification that, in addition to the existing stipulations in the standard, control may also exist through rights arising from other contractual arrangement, voting rights of the IFI that give de facto power over an entity, potential voting rights, or a combination of these factors.

In terms of voting rights, the amendment also clarifies that an Islamic financial institution shall consider only substantive voting rights in its assessment of whether the institution has power over an entity. In order to be substantive, the voting rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. Determination of voting rights shall include current substantive voting rights and currently-exercisable voting rights.

The amendments and clarifications are effective for the annual financial periods ending on or after 31 December 2015. The transition provision requires retrospective application including restatement of previous period comparatives. The amendment had no impact on the financial statements of the Islamic Window.

**2.6 FAS 27 – Investment Accounts**

FAS 27 will replace FAS 5 - 'Disclosures of Bases for Profit Allocation between Owner's Equity and Investment Account Holders' and FAS 6 - 'Equity of Investment Account Holders and their Equivalent'. Upon adoption of this standard certain disclosures with respect to investment account holders and bases of profit allocation will be enhanced without having any significant impact on the financial statements of the Islamic Window. This standard is effective from 1 January 2016.

**Notes to the financial statements**

*For the year ended 31 December 2015*

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set below have been consistently applied in dealing with items that are considered material in relation to Maisarah's financial statements to the period presented.

**3.1 Foreign currency translations**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of income.

**3.2 Investments**

*Equity and debt type instruments at fair value through equity*

This includes all equity and debt type instruments that are not fair valued through statement of income. Subsequent to acquisition, investments designated at fair value through equity are re-measured at fair value with unrealised gains or losses recognised proportionately in owners' equity and equity of unrestricted investment account holders until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity or equity of investment account holders is recognised in statement of income.

**3.3 De-recognition of financial assets and liabilities**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar assets) is derecognized when:

- (i) the right to receive cash flows from the asset has expired;
- (ii) Maisarah has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- (iii) A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

**Notes to the financial statements***For the year ended 31 December 2015***3.4 Fair value measurement principles**

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

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

**3.5 Cash and cash equivalents**

Cash and cash equivalents as referred to in the statement of cash flows comprise cash in hand, balances with central bank (excluding mandatory reserves) and due from/ to banks and financial institutions with an original maturity of ninety days or less.

**3.6 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable or religious right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously in accordance with Shari'a principles and guidelines.

Income and expenses are presented on a net basis only for permitted transactions.

**3.7 Murabaha receivables**

Murabaha receivables are stated net of deferred profits, any amounts written off and provision for doubtful debts, if any.

In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customer on cost plus profit basis.

Murabaha receivables are sales on deferred payment terms. The Bank arranges a Murabaha transaction by buying goods (which represents the object of the Murabaha) and then sells these goods to Customer (beneficiary) after computing a margin of profit over cost. The sale price (cost plus the profit margin) is paid in instalments by the Customer over the agreed period. (Promise made in the Murabaha to the purchase orderer is not obligatory upon the customer or the Bank considers promise made in the Murabaha to the purchase orderer as obligatory).

**Notes to the financial statements**

For the year ended 31 December 2015

**3.8 Mudaraba**

Mudaraba is stated at the fair value of consideration given less any impairment.

Mudaraba is a partnership in profit whereby one party provides capital (Rab al-maal) and the other party provides labour (Mudarib).

In case mudaraba capital is lost or damaged without misconduct or negligence on the part of mudarib, then such losses are deducted from mudaraba capital and are treated as loss to the Bank. In case of termination or liquidation, unpaid portion by mudarib is recognised as receivable due from mudarib.

**3.9 Diminishing Musharaka**

Diminishing Musharaka is a contract, based on *Shirkat-ul-Mulk*, between the Bank and a customer for joint ownership of a fixed asset (e.g. house, land, plant or machinery). The Bank divides its share in the fixed asset into units and gradually transfers the ownership of these units to a customer (at carrying value). The use of Bank's share to the customer is based on an Ijarah agreement. Diminishing Musharaka is stated at the fair value of the consideration given, less any impairment.

**3.10 Ijarah Muntahia Bittamleek assets**

Ijarah Muntahia Bittamleek assets are initially recorded at cost. Ijarah Muntahia Bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the Ijarah (lease term), provided that all Ijarah instalments are settled.

Depreciation will be calculated as per Equal Monthly Instalment (EMI) method as per the terms agreed with customer.

**3.11 Property and equipment**

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

	<i>Years</i>
Furniture, fixtures and equipment	3 - 7
Motor vehicles	3 - 5
Computer equipment	4
Core banking system	10

**Notes to the financial statements***For the year ended 31 December 2015***3.11 Property and equipment (continued)**

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

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

**3.12 Equity of investment accountholders**

Equity of investment account holders are carried at cost plus profit and related reserves less amounts settled.

Equity of investment account holders' share of income is calculated based on the income generated from investment accounts after deducting Mudarib's share. Operating expenses are charged to shareholders' funds and not included in the calculation.

The basis applied by Maisarah in arriving at the equity of investment account holders' share of income is total income from jointly financed Islamic assets less shareholders' income. Pre-agreed profit share generated from equity of investment account holders is deducted as Mudarib's share after deducting profit equalisation reserve and the remaining amount is distributed to the equity of investment account holders after deducting investment risk reserve.

**3.13 Profit equalisation reserve**

Maisarah appropriates certain amount in excess of the profit to be distributed to equity of investment accounts before taking into consideration the Mudarib share of income. This will be used to maintain a certain level of return on investment for equity of investment account holders.

**3.14 Investment risk reserve**

Investment risk reserves are amounts appropriated out of the income of equity of investment account holders, after allocating the Mudarib's share, to cater against future losses for equity of investment account holders.

**Notes to the financial statements**

*For the year ended 31 December 2015*

**3.15 Provisions**

A provision is recognised in the statement of financial position when Maisarah has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated.

**3.16 Earnings prohibited by Shari'a**

All the funds mobilized and income earned by Maisarah is from Islamic sources. Maisarah is committed to avoid recognizing any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where Maisarah uses these funds for social welfare activities. It includes but not limited to cases/transactions classified by Shari'a as non-compliant income and approved by the SSB to be forfeited, interest paid by other banks on Nostro accounts, late payment fee received from the customer in financing and investment transaction.

**3.17 Zakah**

The responsibility of payment of zakah is on individual shareholders and investment account holders.

**3.18 Joint and self-financed**

Investments, financing and receivables that are jointly owned by Maisarah and the equity of investment accounts holders are classified under the caption "jointly financed" in the financial statements. Investments, financing and receivables that are financed solely by Maisarah are classified under "self-financed".

**3.19 Funds for Maisarah**

Maisarah functions with funds specifically available for Islamic Banking activities and there is no commingling of funds with conventional banking financial business.

**3.20 Revenue recognition****3.20.1 Murabaha receivables**

Profit from Murabaha receivables is recognised on time apportioned basis from the date of Murabaha contract. Income related to non-performing accounts is excluded from statement of income

**Notes to the financial statements**

*For the year ended 31 December 2015*

**3.20 Revenue recognition (continued)****3.20.2 Diminishing Musharaka (DM) Financing**

Income from Diminishing Musharaka is recognised when Bank's right to receive payment is established. The right to receive payment is established when a customer enters into an Ijarah agreement for acquiring Bank's ownership in the fixed asset. Income related to non-performing customers is excluded from statement of income.

**3.20.3 Mudaraba financing**

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas the losses are charged to statement of income on declaration by the Mudarib. Income related to non-performing accounts is excluded from statement of income.

**3.20.4 Ijarah Muntahia Bittamleek**

Income from Ijarah Muntahia Bittamleek assets is recognised on a time-apportioned basis over the lease term, net of depreciation. Income related to non-performing Ijarah Muntahia Bittamleek assets is excluded from statement of income.

**3.20.5 Dividends**

Dividends are recognised when the right to receive payment is established.

**3.20.6 Fee and Commission income**

Fee and commission income is recognised when earned.

**3.20.7 Maisarah's share as a Mudarib**

Maisarah's share as a Mudarib for managing equity of investment account holders is accrued based on the terms and conditions of the related Mudaraba agreements.

**3.20.8 Income allocation**

Income from jointly financed activities is allocated proportionately between equity of investment account holders in accordance to their pre-agreed assigned weightages and shareholders on the basis of the average balances outstanding during the year.

**3.21 Taxation**

Maisarah is Islamic Banking Window of Bank Dhofar SAOG, hence it is not taxable on a stand-alone basis as per the prevailing tax laws. Accordingly, no current tax and deferred tax has been accounted for in these financial statements.

Bank Dhofar SAOG is taxable on combined results i.e. including Maisarah's financial results, accounted for as per IFRS.

**Notes to the financial statements***For the year ended 31 December 2015***3.22 Employees' end of service benefits**

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

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

**3.23 Shari'a supervisory board**

All business activities, products, transactions, agreements, contracts and other relevant documents are subject to the supervision of the Shari'a Supervisory Board of Maisarah, which meets quarterly and consists of five prominent Shari'a scholars appointed by the Shareholders for a period of three years, namely:

Sr. No.	Name	Title
1	Sheikh Dr. Salim Bin Ali Bin Ahmed Al Dhahab	Chairman
2	Sheikh Dr. Mohammed bin Ali bin Mahmoud Al Lawati	Member
3	Sheikh Ahmed bin Awadh bin Abdul-Rahman Al-Hassaan	Member
4	Sheikh Dr. Abdullah bin Mubarak Al Abri	Member
5	Sheikh Dr. Mohammad Ameen Ali Qattan	Member

**3.24 Trade date accounting**

All "regular way" purchases and sales of financial assets are recognized on the trade date, i.e. that date Maisarah commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or convention in the market place.

**3.25 Segment reporting**

A segment is a distinguishable component of Maisarah that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Maisarah currently operates only in the Sultanate of Oman. Maisarah's primary format for reporting segmental information is business segments, based upon management and internal reporting structure. Maisarah's main business segments are retail banking, corporate banking, treasury and investments.



**Notes to the financial statements**

*For the year ended 31 December 2015*

**3.26 Fiduciary assets**

Assets held in trust or in a fiduciary capacity are not treated as assets of Maisarah in the statement of financial position.

**4 Critical accounting judgment and key sources of estimation uncertainty****(a) Going concern**

The Bank's management has made an assessment of the Islamic Window's ability to continue as a going concern and is satisfied that the Islamic Window's has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Islamic Window's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**(b) Impairment provisions against financing contracts with customers**

Management reviews its financing portfolio to assess impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of income, management makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of finances before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group that correlates with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

**(c) Impairment of investments at fair value through equity**

The Islamic Window treats investments carried at fair value through equity as impaired when there is a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Islamic Window evaluates factors, such as the historical share price volatility for comparable quoted equities and future cash flows and the discount factors for comparable unquoted equities.

**(d) Useful life of property and equipment and Ijarah Muntahia Bittamleek**

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**5 Cash and balances with Central Bank of Oman**

	2015	2014
	<i>RO 000</i>	<i>RO 000</i>
Cash in hand	607	508
Balances with Central Bank of Oman	29,855	44,003
	<u>30,462</u>	<u>44,511</u>

**6 Due from banks and financial institutions**

	2015		Total
	Self-Financed	Jointly Financed	
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Wakala placement	2,663	32	2,695
Qard Hasan placement	29,260	-	29,260
Current clearing account	492	-	492
	<u>32,415</u>	<u>32</u>	<u>32,447</u>

	2014		Total
	Self-Financed	Jointly Financed	
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Wakala placement	-	-	-
Qard Hasan placement	-	-	-
Current clearing account	207	-	207
	<u>207</u>	<u>-</u>	<u>207</u>

**7 Murabaha receivables**

	2015		Total
	Self-Financed	Jointly Financed	
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Gross Murabaha receivables	13,643	163	13,806
Less: Unearned income	(745)	(9)	(754)
	<u>12,898</u>	<u>154</u>	<u>13,052</u>
Less: Impairment on portfolio basis (note 23)	(196)	(2)	(198)
	<u>12,702</u>	<u>152</u>	<u>12,854</u>

	2014		Total
	Self-Financed	Jointly Financed	
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Gross Murabaha receivables	20,753	205	20,958
Less: Unearned income	(392)	(4)	(396)
	<u>20,361</u>	<u>201</u>	<u>20,562</u>
Less: Impairment on portfolio basis (note 23)	(248)	(2)	(250)
	<u>20,113</u>	<u>199</u>	<u>20,312</u>

Murabaha receivables past due but not impaired amounts to RO 139 thousand (2014: RO 11 thousand).

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**8 Mudaraba financing**

	Self-Financed	2015 Jointly Financed	Total
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Mudaraba financing	11,628	139	11,767
Less: Impairment on portfolio basis (note 23)	(124)	(1)	(125)
	<u>11,504</u>	<u>138</u>	<u>11,642</u>

	Self-Financed	2014 Jointly Financed	Total
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Mudaraba financing	2,262	22	2,284
Less: Impairment on portfolio basis (note 23)	(28)	-	(28)
	<u>2,234</u>	<u>22</u>	<u>2,256</u>

Mudaraba financing past due but not impaired amounts to RO(000) Nil (2014: Nil).

**9 Diminishing Musharaka financing**

	Self-Financed	2015 Jointly Financed	Total
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Diminishing Musharaka	150,456	1,799	152,255
Less: Impairment on portfolio basis (note 23)	(1,685)	(20)	(1,705)
	<u>148,771</u>	<u>1,779</u>	<u>150,550</u>

	Self-Financed	2014 Jointly Financed	Total
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Diminishing Musharaka	79,942	791	80,733
Less: Impairment on portfolio basis (note 23)	(865)	(9)	(874)
	<u>79,077</u>	<u>782</u>	<u>79,859</u>

Diminishing Musharaka past due but not impaired amounts to RO 6,108 thousand (2014: RO 245 thousand).

**Fair value of collaterals**

Upon initial recognition of Diminishing Musharaka, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**10 Investment at fair value through equity**

	Self-Financed	2015 Jointly Financed	Total
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Local listed Sukuk	10,077	121	10,198
Sovereign Sukuk	6,319	76	6,395
	<u>16,396</u>	<u>197</u>	<u>16,593</u>

	Self-Financed	2014 Jointly Financed	Total
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Local listed Sukuk	10,098	100	10,198

During the year, Maisarah has invested RO 6.3 million in Sovereign Sukuk issued by Sovereign Sukuk SAOC. At 31 December 2015, the market value of the Sovereign Sukuk was RO 1.005 per unit. At 31 December 2015, the market value of the Modern Sukuk was RO 197.5 per unit (2014:RO 197.5 per unit).

**11 Investment at amortised cost**

	Self-Financed	2015 Jointly Financed	Total
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Sovereign Sukuk	9,882	118	10,000

During the year, Maisarah has invested RO 10 million in Sovereign Sukuk issued by Sovereign Sukuk SAOC.

**12 Ijarah Muntahia Bittamleek**

	Self-Financed	2015 Jointly Financed	Total
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
<i>Cost</i>			
At 1 January	17,451	13,250	30,701
Additions	6,187	74	6,261
Disposals	(1,721)	(21)	(1,742)
At 31 December	<u>21,917</u>	<u>13,303</u>	<u>35,220</u>
<i>Accumulated depreciation</i>			
At 1 January	993	253	1,246
Charge for the period	1,214	15	1,229
Disposals	(95)	(1)	(96)
At 31 December	<u>2,112</u>	<u>267</u>	<u>2,379</u>
Net book value at 31 December	<u>19,805</u>	<u>13,036</u>	<u>32,841</u>
Less: Impairment on portfolio basis (note 23)	(397)	(5)	(402)
<b>Net Ijarah Muntahia Bittamleek</b>	<u><u>19,408</u></u>	<u><u>13,031</u></u>	<u><u>32,439</u></u>

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**12 Ijarah Muntahia Bittamleek (continued)**

	Self-Financed RO 000	2014 Jointly Financed RO 000	Total RO 000
<i>Cost</i>			
At 1 January	4,814	13,125	17,939
Additions	13,903	138	14,041
Disposals	(1,266)	(13)	(1,279)
At 31 December	17,451	13,250	30,701
<i>Accumulated depreciation</i>			
At 1 January	90	244	334
Charge for the period	1,173	12	1,185
Disposals	(270)	(3)	(273)
At 31 December	993	253	1,246
Net book value at 31 December	16,458	12,997	29,455
Less: Impairment on portfolio basis (note 23)	(339)	(3)	(342)
Net Ijarah Muntahia Bittamleek	16,119	12,994	29,113

Ijarah Muntahia Bittamleek past due but not impaired amounts to RO 1,066 thousand (2014: Nil).

**13 Property and equipment**

	2015				
	Furniture , fixtures & equipment RO 000	Motor vehicles RO 000	Computer equipment RO 000	Capital work in progress RO 000	Total RO 000
<i>Cost</i>					
At 1 January	283	28	1,037	25	1,373
Additions	293	14	79	62	448
Disposals / Transfers	(3)	-	-	(42)	(45)
At 31 December	573	42	1,116	45	1,776
<i>Accumulated depreciation</i>					
At 1 January	(86)	(12)	(218)	-	(316)
Provided during the year	(104)	(12)	(138)	-	(254)
Reversal of depreciation	2	-	-	-	2
At 31 December	(188)	(24)	(356)	-	(568)
<b>Net book value at 31 December</b>	<b>385</b>	<b>18</b>	<b>760</b>	<b>45</b>	<b>1,208</b>

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**13 Property and equipment (continued)**

	2014				Total RO 000
	Furniture , fixtures & equipment RO 000	Motor vehicles RO 000	Computer equipment RO 000	Capital work in progress RO 000	
<i>Cost</i>					
At 1 January	192	18	971	15	1,196
Additions	94	10	66	30	200
Disposals / Transfers	(3)	-	-	(20)	(23)
At 31 December	283	28	1,037	25	1,373
<i>Accumulated depreciation</i>					
At 1 January	(29)	(4)	(85)	-	(118)
Provided during the year	(58)	(8)	(133)	-	(199)
Reversal of depreciation	1	-	-	-	1
At 31 December	(86)	(12)	(218)	-	(316)
Net book value at 31 December	197	16	819	25	1,057

**14 Other assets**

	2015 RO 000	2014 RO 000
Ijarah rental receivables	23	21
Other profit receivables	522	220
Prepayments	110	63
Others	219	16
Acceptances	335	3,960
<b>Total</b>	<b>1,209</b>	<b>4,280</b>

**15 Due to Head office and other banks**

	2015 RO 000	2014 RO 000
Due to Head office	-	25,000
Due to other banks	52,325	23,100
<b>Total</b>	<b>52,325</b>	<b>48,100</b>

Due to Head office and other banks comprises of Wakala deposits.

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**16 Qard Hasan from Head Office**

	<b>2015</b>	<b>2014</b>
	<i>RO 000</i>	<i>RO 000</i>
Qard e Hasan from Head Office (16.1)	<b>9,360</b>	5,733
Current clearing account (16.2)	<b>867</b>	11,483
<b>Total</b>	<b><u>10,227</u></b>	<b><u>17,216</u></b>

16.1 This amount represents profit-free Qard Hasan facility obtained on real need basis from Head Office for a specific period as part of its liquidity management.

16.2 This amount represents the vostro account of parent bank opened with Maisarah.

**17 Other liabilities**

	<b>2015</b>	<b>2014</b>
	<i>RO 000</i>	<i>RO 000</i>
Payables	<b>2,197</b>	1,474
Accrued expenses	<b>451</b>	519
Profit payables	<b>870</b>	288
Margins received	<b>1,556</b>	156
Others	<b>6</b>	2
Charity Payable	<b>7</b>	-
Acceptances contra	<b>335</b>	3,960
<b>Total</b>	<b><u>5,422</u></b>	<b><u>6,399</u></b>

**18 Equity of investment accountholders**

	<b>2015</b>	<b>2014</b>
	<i>RO 000</i>	<i>RO 000</i>
Saving account	<b>7,985</b>	9,157
Term deposit	<b>40</b>	73
Profit Equalisation reserve	<b>2</b>	-
Investment Risk Reserve	<b>-</b>	-
<b>Total</b>	<b><u>8,027</u></b>	<b><u>9,230</u></b>

There is no restricted investment at reporting date.

***Basis of distribution of the profit between owners' equity and equity of investment accountholders***

The investment profits are distributed between owners' equity and equity of investment account holders for the period ended 31 December 2015 and 2014 as follows:

	<b>Percentage</b>
Equity of investment account holders share	60%
Mudarib' s share	40%

## MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG

### Notes to the financial statements

For the year ended 31 December 2015

#### 18 Equity of investment accountholders (continued)

The investment risk reserve is deducted from investment account holders share after allocating the Mudarib' s share of profit as per the approved policy in order to cater against future losses of equity of investment account holders. Investment risk reserve will revert to the investment account holders as per terms and conditions of Mudaraba contract.

The profit equalization reserve is the amount Maisarah appropriates in excess of the profit to be distributed to equity of investment account holders before allocating the Mudarib share of income to maintain a certain level of return. Profit equalization reserve will revert to owner's equity and equity of investment accountholders as per terms and condition of Mudaraba contract. Equity of investment account holders funds are commingled with Maisarah's funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits. The administration expenses are only charged on the Maisarah expenses.

#### 19 Capital

During 2015, Head office has increased the assigned capital to RO 40 million (2014: RO 25 million) to Maisarah from the core paid up capital of the shareholders.

#### 20 Fiduciary assets

There were no funds under management with Maisarah (2014: RO Nil).

#### 21 Income from Islamic finances and investments

	2015 RO 000	2014 RO 000
Murabaha receivables	453	322
Mudaraba	249	83
Ijarah muntahia bittamleek - net*	1,411	1,134
Diminishing Musharaka	5,565	2,014
Profit on investments at fair value through equity	543	507
Profit on investment at amortised cost	57	-
<b>Total</b>	<b>8,278</b>	<b>4,060</b>

\* Depreciation on Ijarah Muntahia Bitamleek amounts to RO 1,210 thousand (2014: RO 928 thousand).



**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**22 Staff costs**

	2015 <i>RO 000</i>	2014 <i>RO 000</i>
Salaries and allowances	1,963	1,663
Other personnel cost	266	214
Non-Omani employee terminal benefit	23	23
<b>Total</b>	<b>2,252</b>	<b>1,900</b>

**23 General and administrative expenses**

	2015 <i>RO 000</i>	2014 <i>RO 000</i>
Occupancy cost	335	252
Operating and administration cost	554	507
<b>Total</b>	<b>889</b>	<b>759</b>

**24 Provision for financing impairment**

In accordance with the directives of CBO, the movement in the financing impairment provision is analysed as below:

	2015 <i>RO 000</i>	2014 <i>RO 000</i>
<b>A- Impairment provision on portfolio basis</b>		
Balance at the beginning of the year	1,494	286
Provided during the year	936	1,208
<b>Balance at the end of the year</b>	<b>2,430</b>	<b>1,494</b>
<b>B- Impairment provision on specific basis</b>		
Balance at the beginning of the year	-	-
Provided during the year	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

**25 Related parties transactions**

In the ordinary course of business, Maisarah conducts transactions with certain of its Directors, members of Shari'a Supervisory Board, shareholders and companies over which they are able to exert significant influence. The aggregate amounts of balances with such related parties are as follows:

	2015 <i>RO 000</i>	2014 <i>RO 000</i>
<b>Finances</b>		
Directors, members of Shari'a Supervisory Board and shareholders holding 10% or more interest in the Bank	505	331
<b>Deposits and other accounts</b>		
Directors, members of Shari'a Supervisory Board and shareholders holding 10% or more interest in the Bank	17,133	7,019

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**


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**Notes to the financial statements**
*For the year ended 31 December 2015*
**25 Related parties transactions (continued)**

	2015 <i>RO 000</i>	2014 <i>RO 000</i>
<b>Remuneration paid to Directors &amp; Shari'a Supervisor</b>		
Chairman		
– remuneration proposed	6	6
– sitting fees paid	3	3
Other Members		
– remuneration proposed	16	16
– sitting fees paid	7	8
<b>Other transactions</b>		
Rental payment to a related party	231	35
Other transactions	-	-
<b>Key management compensation</b>		
Salaries and other benefits	112	103
End of service benefits	4	3

**26 Contingent liabilities and commitments**
**(a) Credit related contingent items**

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

	2015 <i>RO 000</i>	2014 <i>RO 000</i>
Letters of credit	4,512	10,223
Guarantees	10,314	5,981
<b>Total</b>	<u>14,826</u>	<u>16,204</u>

**(b) Capital and investment commitments**

	2015 <i>RO 000</i>	2014 <i>RO 000</i>
<b>Contractual commitments for property and equipment</b>	<u>109</u>	<u>57</u>

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**

For the year ended 31 December 2015

**27 Islamic financial derivatives**

Forward exchange contracts represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. The values of the derivative instruments held are set out as below:

	2015 RO 000	2014 RO 000
	<b>Contract / Notional Amount</b>	
<b>Forward exchange contracts</b>		
Currency forward - purchase contracts	30,032	30,965
Currency forward - sale contracts	30,040	30,964

As at 31 December 2015, fair value of the exchange contracts remains equivalent to its notional amount.

**28 Fair value information**

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and fair value estimates. As at the reporting date the fair values of Maisarah's financial instruments are not significantly different from their carrying values.

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).

Fair value information	Level 1	Level 2	2015 Level 3	Total
	RO 000	RO 000	RO 000	RO 000
Investments at fair value through Equity	6,395	10,198	-	16,593
<b>Total</b>	<b>6,395</b>	<b>10,198</b>	<b>-</b>	<b>16,593</b>

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**28 Fair value information (continued)**

Fair value information	2014			Total RO 000
	Level 1 RO 000	Level 2 RO 000	Level 3 RO 000	
Investment at fair value through Equity	--	10,198	--	10,198
<b>Total</b>	<b>--</b>	<b>10,198</b>	<b>--</b>	<b>10,198</b>

**29 Financial risk management**

The important types of financial risks to which Maisarah is exposed are credit risk, liquidity risk and market risk. The risk management division of Maisarah is an independent and dedicated unit reporting directly to the Risk Management Committee (“RMC”) of the Board. The division’s primary responsibility is to assess, monitor and recommend strategies for control of credit, market and operational risk. The absence of any direct or indirect reporting lines and permanent membership in all Maisarah’s committees are among the factors which reflect the independence of the Risk Management Division’s working and the key role it plays within Maisarah.

The risk management framework is pivoted on a host of committees involving the executive management and the Board of Directors (“the Board”) for approval and reporting purposes. The Board has the overall authority for approval of strategies and policies, which it exercises through its various sub-committees. RMC of the Board is responsible for reviewing and recommending to the full Board, approval risk policies and procedures. RMC also reviews the risk profile of Maisarah as presented to it by the Risk Management Division and appraises the full Board in its periodic meetings.

**Credit risk**

The most important risk to which Maisarah is exposed is credit risk. To manage the level of credit risk, Maisarah deals with counter-parties of good credit. Board Credit Committee is the final credit approving authority of Maisarah which is mainly responsible for approving all credit proposals beyond the authority level of the management. RMC is the management decision making body which is empowered to consider all credit related issues upto certain limits.

Credit risk is managed by the Risk Management Division (“RMD”) through a system of independent risk assessment in credit proposals before they are considered by the appropriate approving authorities. Maisarah has in place a risk grading system for analysing the risk associated with credit. This facilitates the approving authorities in making their credit decision. Maximum counterparty/group exposures are limited to 15% of the Bank’s capital base as stipulated by CBO and where a higher limit is required for projects of national importance prior CBO approval is obtained. Individual country limits using Moody’s, S&P and Fitch ratings have also been set up to ensure portfolio diversification in terms of sovereign risk ratings and geographical exposure. These limits are approved by the Board. Retail financing is strictly in accordance with the CBO guidelines. The analysis of credit portfolio is provided below. It is pertinent to mention that the credit portfolio consists of all standard accounts and there is no impairment in the portfolio.

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**29 Financial risk management (continued)**
**Credit risk (continued)**
**(a) Geographical concentrations**

	2015	
	Due from banks and financial institutions <i>RO 000</i>	Due to Banks and financial Institutions <i>RO 000</i>
Sultanate of Oman	31,955	35,000
Other GCC Countries	238	-
Europe and North America	254	-
Africa and Asia	-	17,325
	<b>32,447</b>	<b>52,325</b>

  

	2014	
	Due from banks and financial institutions <i>RO 000</i>	Due to Banks and financial Institutions <i>RO 000</i>
Sultanate of Oman	-	25,000
Other GCC Countries	183	3,850
Europe and North America	24	-
Africa and Asia	-	19,250
	<b>207</b>	<b>48,100</b>

**(b) Customer concentrations**
**Customer concentrations on asset (Gross)**

	2015				
	Due from banks and financial institutions <i>RO 000</i>	Murabaha receivables <i>RO 000</i>	Mudaraba Financing <i>RO 000</i>	Diminishing Musharaka financing <i>RO 000</i>	Ijarah Muntahia Bittamleek <i>RO 000</i>
Retail	-	3,162	-	57,905	32,841
Corporate	32,447	9,890	11,767	94,350	-
	<b>32,447</b>	<b>13,052</b>	<b>11,767</b>	<b>152,255</b>	<b>32,841</b>

  

	2014				
	Due from banks and financial institutions <i>RO 000</i>	Murabaha receivables <i>RO 000</i>	Mudaraba Financing <i>RO 000</i>	Diminishing Musharaka financing <i>RO 000</i>	Ijarah Muntahia Bittamleek <i>RO 000</i>
Retail	-	1,557	-	20,722	29,455
Corporate	207	19,005	2,284	60,011	-
	<b>207</b>	<b>20,562</b>	<b>2,284</b>	<b>80,733</b>	<b>29,455</b>

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**29 Financial risk management (continued)**
**Credit risk (continued)**
**(c) Economic sector concentrations**

	2015			
	Murabaha receivables	Mudaraba Financing	Diminishing Musharaka Financing	Ijarah Muntahia Bittamleek
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Personal	3,162	-	57,905	32,841
Construction	236	4,270	58,602	-
Manufacturing	-	-	1,582	-
Other services	9	2,457	29,869	-
Others	9,645	5,040	4,297	-
	<b>13,052</b>	<b>11,767</b>	<b>152,255</b>	<b>32,841</b>

  

	2014			
	Murabaha receivables	Mudaraba Financing	Diminishing Musharaka Financing	Ijarah Muntahia Bittamleek
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
Personal	1,557	-	20,722	29,455
Construction	-	1,694	40,392	-
Manufacturing	11,584	-	1,724	-
Other services	-	2	15,718	-
Others	7,421	588	2,177	-
	<b>20,562</b>	<b>2,284</b>	<b>80,733</b>	<b>29,455</b>

**(d) Gross credit exposure**

	2015	
	Total gross exposure	Monthly average gross exposure
	<i>RO 000</i>	<i>RO 000</i>
Murabaha receivables	13,052	16,341
Mudaraba financing	11,767	5,281
Diminishing Musharaka Financing	152,255	119,611
Ijarah Muntahia Bittamleek	<b>32,841</b>	<b>30,480</b>

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**29 Financial risk management (continued)**
**Credit risk (continued)**
**(d) Gross credit exposure (continued)**

	2014	
	Total gross exposure	Monthly average gross exposure
	RO 000	RO 000
Murabaha receivables	20,562	15,685
Mudaraba financing	2,284	1,781
Diminishing Musharaka Financing	80,733	42,853
Ijarah Muntahia Bittamleek	29,455	24,674

**(e) Industry type distribution of exposures by major types of credit exposures:**

	2015				
	Murabaha receivables	Mudaraba financing	Diminishing Musharaka Financing	Ijarah Muntahia Bittamleek	Off balance sheet exposures
	RO 000	RO 000	RO 000	RO 000	RO 000
Import trade	9,448	4,035	51	-	7,092
Export trade	-	-	-	-	121
Wholesale & retail trade	-	350	550	-	-
Mining & quarrying	38	655	3,479	-	-
Construction	236	4,270	58,602	-	7,004
Manufacturing	-	-	1,582	-	182
Transport & communication	99	-	184	-	-
Services	9	2,457	29,869	-	427
Retail	3,162	-	57,905	32,841	-
Others	60	-	33	-	-
	<b>13,052</b>	<b>11,767</b>	<b>152,255</b>	<b>32,841</b>	<b>14,826</b>

	2014				
	Murabaha receivables	Mudaraba financing	Diminishing Musharaka Financing	Ijarah Muntahia Bittamleek	Off balance sheet exposures
	RO 000	RO 000	RO 000	RO 000	RO 000
Import trade	7,311	301	-	-	16,204
Export trade	-	-	-	-	-
Wholesale & retail trade	-	-	-	-	-
Mining & quarrying	-	287	2,080	-	-
Construction	-	1,694	40,392	-	-
Manufacturing	11,584	-	1,724	-	-
Transport & communication	-	-	97	-	-
Services	-	2	15,718	-	-
Retail	1,557	-	20,722	29,455	-
Others	110	-	-	-	-
	<b>20,562</b>	<b>2,284</b>	<b>80,733</b>	<b>29,455</b>	<b>16,204</b>

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**29 Financial risk management (continued)**
**Credit risk (continued)**
**(f) Residual contractual maturities of the portfolio by major types of credit exposures:**

	Murabaha receivables <i>RO 000</i>	Mudaraba financing <i>RO 000</i>	Diminishing Musharaka Financing <i>RO 000</i>	Ijarah Muntahia Bittamleek <i>RO 000</i>	Off Balance sheet exposures <i>RO 000</i>
<b>31 December 2015</b>					
Upto 1 month	7,908	11,767	-	-	8,833
1 - 3 months	891	-	-	-	2,464
3 - 6 months	660	-	489	-	178
6 - 9 months	31	-	835	-	1,119
9 - 12 months	53	-	53	-	664
1 - 3 years	440	-	4,599	117	1,488
3 - 5 years	754	-	9,569	449	-
Over 5 years	2,315	-	136,710	32,275	80
	<b>13,052</b>	<b>11,767</b>	<b>152,255</b>	<b>32,841</b>	<b>14,826</b>
	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>	<i>RO 000</i>
<b>31 December 2014</b>					
Upto 1 month	6,676	2,284	-	-	10,525
1 - 3 months	4,922	-	10	-	4,553
3 - 6 months	7,297	-	-	-	577
6 - 9 months	-	-	-	-	343
9 - 12 months	-	-	-	-	-
1 - 3 years	128	-	1,909	-	191
3 - 5 years	489	-	5,695	319	15
Over 5 years	1,050	-	73,119	29,136	-
	<b>20,562</b>	<b>2,284</b>	<b>80,733</b>	<b>29,455</b>	<b>16,204</b>

**(g) Distribution of past due and not past due financing by type of industry:  
2015**

	Performing Murabaha receivables <i>RO 000</i>	Performing Mudaraba Financing <i>RO 000</i>	Performing Diminishing Musharaka Financing <i>RO 000</i>	Performing Ijarah Muntahia Bittamleek <i>RO 000</i>	General provisions made during the year <i>RO 000</i>
Import trade	9,448	4,035	51	-	(147)
Wholesale & retail trade	-	350	550	-	(10)
Mining & quarrying	38	655	3,479	-	(46)
Construction	236	4,270	58,602	-	(688)
Manufacturing	-	-	1,582	-	(17)
Transport & communication	99	-	184	-	(3)
Services	9	2,457	29,869	-	(353)
Retail	3,162	-	57,905	32,841	(1,165)
Others	60	-	33	-	(1)
	<b>13,052</b>	<b>11,767</b>	<b>152,255</b>	<b>32,841</b>	<b>(2,430)</b>



**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**29 Financial risk management (continued)**
**Credit risk (continued)**
**(g) Distribution of past due and not past due financing by type of industry (continued):**

	2014				
	Performing Murabaha receivables	Performing Mudaraba Financing	Performing Diminishing Musharaka Financing	Performing Ijarah Muntahia Bittamleek	General provisions made during the year
	RO 000	RO 000	RO 000	RO 000	RO 000
Import trade	7,311	301	-	-	(83)
Wholesale & retail trade	-	-	-	-	-
Mining & quarrying	-	287	2,080	-	(26)
Construction	-	1,694	40,392	-	(456)
Manufacturing	11,584	-	1,724	-	(144)
Transport & communication	-	-	97	-	(1)
Services	-	2	15,718	-	(171)
Retail	1,557	-	20,722	29,455	(612)
Others	110	-	-	-	(1)
	<u>20,562</u>	<u>2,284</u>	<u>80,733</u>	<u>29,455</u>	<u>(1,494)</u>

**(h) Maximum exposure to credit risk without consideration of collateral held:**

During the year there is no credit exposure provided without collateral (2014: RO Nil).

**Liquidity risk**

Liquidity risk is the potential inability to meet Maisarah's liabilities as they become due, because of the difficulty in liquidating assets (market liquidity risk) or in obtaining adequate funding (funding liquidity risk). It arises when Maisarah is unable to generate cash to cope with a decline in deposits or increase in assets.

Maisarah's liquidity risk management is governed by the treasury risk policy document approved by the Board of Directors as well as the provisions of relevant CBO guidelines on liquidity risk management. Maisarah monitors its liquidity risk through cash flow approach. Under cash flow approach Maisarah generates Maturity of Assets and Liabilities (MAL) report which captures all the maturing assets and liabilities into various pre-set time buckets ranging from one month to five years. The mismatches in various time buckets indicate liquidity gap and Maisarah strictly adheres to the CBO set limit of 15% of cumulative liabilities (outflows) on mismatches (liquidity gaps) in time buckets upto one year. In addition, Maisarah has also set up internal limit on mismatches in time buckets beyond one year.

Treasury department of Maisarah controls and monitors the liquidity risk and ensures that the window is not exposed to undue liquidity risk and at the same time makes optimum use of its funds. Middle office in Risk Management Division also monitors the liquidity position of Maisarah.

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**29 Financial risk management (continued)**
**Liquidity risk (continued)**
**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>31 December 2015</b>						
Cash and balances with Central Bank of Oman ("CBO")	30,462	-	-	-	-	30,462
Due from banks and financial institutions	32,447	-	-	-	-	32,447
Murabaha receivables - net	9,543	355	412	2,193	351	12,854
Mudaraba financing – net	588	1,177	1,177	5,884	2,816	11,642
Diminishing Musharaka financing – net	3,786	13,905	15,621	66,170	51,068	150,550
Investments at fair value through equity	-	-	-	16,593	-	16,593
Investment at amortised cost	-	-	-	10,000	-	10,000
Ijarah Muntahia Bittamleek– net	240	1,199	1,439	11,222	18,339	32,439
Property and equipment – net	-	-	-	-	1,208	1,208
Other asset	729	151	-	-	329	1,209
<b>Total assets</b>	<b>77,795</b>	<b>16,787</b>	<b>18,649</b>	<b>112,062</b>	<b>74,111</b>	<b>299,404</b>
Due to Head office and other banks	52,325	-	-	-	-	52,325
Qard Hasan from Head Office	867	-	-	9,360	-	10,227
Customer Wakala Deposit	25,552	75,371	15	34,170	-	135,108
Current accounts	9,494	16,614	9,494	-	11,867	47,469
Other liabilities	4,026	696	311	-	389	5,422
Equity of unrestricted investment account holders	399	798	808	4,022	2,000	8,027
Owner's equity	-	-	-	-	40,826	40,826
<b>Total liabilities and account holders &amp; owners' equity</b>	<b>92,663</b>	<b>93,479</b>	<b>10,628</b>	<b>47,552</b>	<b>55,082</b>	<b>299,404</b>

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**29 Financial risk management (continued)**
**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 2014						
Cash and balances with Central Bank of Oman ("CBO")	44,511	-	-	-	-	44,511
Due from banks and financial institutions	207	-	-	-	-	207
Murabaha receivables - net	6,891	12,183	118	1,057	63	20,312
Mudaraba financing – net	114	228	221	1,142	551	2,256
Diminishing Musharaka financing – net	1,483	7,423	8,666	41,633	20,654	78,859
Investments at fair value through equity	-	-	-	10,198	-	10,198
Investment at amortised cost	-	-	-	-	-	-
Ijarah Muntahia Bittamleek– net	209	1,046	1,170	9,900	16,788	29,113
Property and equipment – net	-	-	-	-	1,057	1,057
Other asset	4,201	-	-	-	79	4,280
<b>Total assets</b>	<b>57,616</b>	<b>20,880</b>	<b>10,175</b>	<b>63,930</b>	<b>39,192</b>	<b>191,793</b>
Due to Head office and other banks	48,100	-	-	-	-	48,100
Qard Hasan from Head Office	-	-	-	17,216	-	17,216
Customer Wakala Deposit	-	53,700	15,025	4,000	-	72,725
Current accounts	2,979	5,214	2,979	-	3,724	14,896
Other liabilities	6,275	55	31	-	39	6,400
Equity of unrestricted investment account holders	508	939	916	4,578	2,289	9,230
Owner's equity	-	-	-	-	23,226	23,226
<b>Total liabilities and account holders &amp; owners' equity</b>	<b>57,862</b>	<b>59,908</b>	<b>18,951</b>	<b>25,794</b>	<b>29,278</b>	<b>191,793</b>

**Market risk**

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

**(a) Currency risk**

Maisarah is exposed to currency risk through its transactions in foreign currencies. The major foreign currency to which Maisarah is exposed is the US Dollar which is effectively pegged to Rial Omani. Presently Maisarah does not have major foreign exchange exposure. There is only one placement in US dollar which has been financed through Wakala deposit of the same tenure.

**Notes to the financial statements***For the year ended 31 December 2015***29 Financial risk management (continued)****Market risk (continued)****(b) Profit rate risk**

Profit rate risk (PRR) is the risk that Maisarah will incur a financial loss as a result of mismatch in the profit rates on assets & investment accountholders. The profit distribution to investment accountholders is based on profit sharing agreements. However, the profit sharing agreements will result in displaced commercial risk when Maisarah results do not allow it to distribute profits in line with the market rates.

Maisarah has a detailed profit distribution policy in place which details the process and management of profit distribution, including setting up of profit equalization & investment risk reserve. The responsibility of profit rate risk management rests with the Maisarah's Asset and Liability Management Committee (ALCO).

**Profit rate sensitivity gap**

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

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**29 Financial risk management (continued)**
**Market risk (continued)**
**Profit rate sensitivity gap (continued)**

	Effective average profit rates %	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- profit bearing RO 000	Total RO 000
<b>31 December 2015</b>								
Cash and balances with Central Bank of Oman		-	-	-	-	-	30,462	30,462
Due from banks and financial institutions	0.11%	2,695	-	-	-	-	29,752	32,447
Murabaha receivables	2.79%	9,543	355	412	2,193	351	-	12,854
Mudaraba financing	5.41%	11,642	-	-	-	-	-	11,642
Diminishing Musharaka Financing	4.80%	3,786	13,905	15,621	66,170	51,068	-	150,550
Investments at fair value through equity	4.84%	-	-	-	16,593	-	-	16,593
Investment at amortised cost	3.50%	-	-	-	10,000	-	-	10,000
Ijara Muntahia Bittamleek – net	4.65%	240	1,199	1,439	11,222	18,339	-	32,439
Property and equipment – net		-	-	-	-	-	1,208	1,208
Other asset		-	-	-	-	-	1,209	1,209
<b>Total assets</b>		<b>27,906</b>	<b>15,459</b>	<b>17,472</b>	<b>106,178</b>	<b>69,758</b>	<b>62,631</b>	<b>299,404</b>
Due to Head office and other banks	0.62%	52,325	-	-	-	-	-	52,325
Qard Hasan from Head office		-	-	-	-	-	10,227	10,227
Customer Wakala deposit	1.57%	25,552	75,371	15	34,170	-	-	135,108
Current accounts	1.11%	7,017	12,279	7,017	-	8,774	12,382	47,469
Other liabilities		3,842	545	311	-	724	-	5,422
Equity of unrestricted investment account holders	1.02%	-	-	10	30	-	7,987	8,027
Owner's equity		-	-	-	-	40,826	-	40,826
Equity of account holders & Total liabilities and shareholders' equity		<b>88,736</b>	<b>88,195</b>	<b>7,353</b>	<b>34,200</b>	<b>50,324</b>	<b>30,596</b>	<b>299,404</b>
<b>On-balance sheet gap</b>		<b>(60,380)</b>	<b>(72,736)</b>	<b>10,119</b>	<b>71,978</b>	<b>19,434</b>	<b>32,035</b>	<b>-</b>
<b>Cumulative profit sensitivity gap</b>		<b>(60,380)</b>	<b>(133,566)</b>	<b>(123,447)</b>	<b>(51,469)</b>	<b>(32,035)</b>	<b>-</b>	<b>-</b>

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**29 Financial risk management (continued)**
**Market risk (continued)**
**Profit rate sensitivity gap (continued)**

	Effective average profit rates	Due on demand and within 30 days	Due within 1 to 6 months	Due within 7 to 12 months	Due within 1 to 5 years	Due after 5 years	Non-profit bearing	Total
	%	RO 000	RO 000	RO 000	RO 000	RO 000	RO 000	RO 000
31 December 2014								
Cash and balances with Central Bank of Oman	-	-	-	-	-	-	44,511	44,511
Due from banks and financial institutions	0.53%	207	-	-	-	-	-	207
Murabaha receivables	2.34%	6,891	12,183	118	1,057	63	-	20,312
Mudaraba financing	7.51%	114	228	221	1,142	551	-	2,256
Diminishing Musharaka Financing	4.95%	1,483	7,423	8,666	41,633	20,654	-	78,859
Investments at fair value through equity	5.00%	-	-	-	10,198	-	-	10,198
Investment at amortised cost	-	-	-	-	-	-	-	-
Ijara Muntahia Bittamleek – net	4.68%	209	1,046	1,170	9,900	16,788	-	29,113
Property and equipment – net	-	-	-	-	-	-	1,057	1,057
Other asset	-	-	-	-	-	-	4,280	4,280
<b>Total assets</b>		<b>8,904</b>	<b>20,880</b>	<b>10,175</b>	<b>63,930</b>	<b>38,056</b>	<b>49,848</b>	<b>191,793</b>
Due to Head office and other banks	0.20%	48,100	-	-	-	-	-	48,100
Qard Hasan from Head office	-	-	-	-	-	-	17,216	17,216
Customer Wakala deposit	1.24%	-	53,700	15,025	4,000	-	-	72,725
Current accounts	-	-	-	-	-	-	14,896	14,896
Other liabilities	-	-	-	-	-	-	6,400	6,400
Equity of unrestricted investment account holders	0.85%	508	939	916	4,578	2,289	-	9,230
Owner's equity	-	-	-	-	-	-	23,226	23,226
Equity of account holders & Total liabilities and shareholders' equity	-	48,608	54,639	15,941	8,578	2,289	61,738	191,793
On-balance sheet gap		(39,704)	(33,759)	(5,766)	55,352	35,767	(11,890)	-
Cumulative profit sensitivity gap		(39,704)	(73,463)	(79,229)	(23,877)	11,890	-	-

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**29 Financial risk management (continued)**
**(c) Equity risk**

Presently Maisarah is not exposed to any equity price risk.

**Operational risk**

Maisarah has adopted the Basic Indicator Approach under Basel II for the purpose of measuring capital charge for Operational Risk. The approach requires Maisarah to provide 15% of the average three years gross annual income as capital charge for operational risk.

**30 Segmental information**

Maisarah is organised into three main business segments:

- (1) Retail banking – incorporating private customer current accounts, savings account, term deposits, murabaha and ijarah muntahia bittamleek;
- (2) Corporate banking – incorporating current accounts, savings account, term deposits and diminishing musharaka financing; and
- (3) Treasury & investments

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. Profit charged for these funds is based on Maisarah'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.

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

**MAISARAH ISLAMIC BANKING SERVICES - WINDOW OF BANK DHOFAR SAOG**
**Notes to the financial statements**
*For the year ended 31 December 2015*
**30 Segmental information (continued)**

31 December 2014	Retail banking RO 000	Corporate banking RO 000	Treasury and investments RO 000	Total RO 000
Segment operating revenues	1,537	2,016	72	3,625
Other revenues	89	467	532	1,088
Total segment operating revenues	1,626	2,483	604	4,713
Profit expenses	(26)	(262)	(129)	(417)
Net operating income	1,600	2,221	475	4,296
Segment cost				
Operating expenses including depreciation	(1,211)	(1,590)	(57)	(2,858)
Provision for impairment	(427)	(781)	-	(1,208)
Net profit / (loss) for the year before tax	(38)	(150)	418	230
Segment assets	52,091	85,857	55,339	193,287
Less: Provision for impairment	(612)	(882)	-	(1,494)
Total segment assets	51,479	84,975	55,339	191,793
Segment liabilities	1,797	91,275	66,265	159,337