



**Unaudited interim condensed financial statements
For the six month period ended 30 June 2022**

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 MONTHS ENDED

30 JUNE 2022

Dear Shareholders,

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present Bank's unaudited interim condensed financial statements for the six months ended 30 June 2022.

Oman's economy is observing a steady recovery and post pandemic growth. The recent increase in oil prices is also a contributing factor supporting the revival journey. In April 2022, Standard & Poor's (S&P) upgraded Oman's rating from B+ to BB- with stable outlook. This rating upgrade is a consequence of country's improved fiscal indicators and reduced public debt risk. Continued improvement in non-oil revenue and diversification of earning avenues are among the factor considered that led to an improvement in rating.

In April 2022, Moody's improved Bank Dhofar's long term bank deposit rating to Ba3 with stable outlook. Moody's cited Bank's sound capitalization, modest reliance on market funding and its brand value are some of other key factors that led to a rating upgrade.

Bank Dhofar SAOG - Financial Highlights

Bank's operating profit (before expected losses) has grown to RO 35.67 million for the period ended 30 June 2022 and recorded an increase of RO 6.30 million (21.4 per cent) compared to RO 29.37 million for the same period of financial year 2021.

For the periods ended 30 June 2022 and 30 June 2021, net interest income and income from Islamic financing reached to RO 59.05 million and RO 49.87 million respectively registering growth of RO 9.2 million (18.4 per cent). Non-funded income for the period, however, witnessed slight reduction contrast to comparative period. The Bank achieved non-funded income of RO 11.03 million for the period ended 30 June 2022 compared to RO 13.13 million for the same period of previous year. Total operating income of the Bank stood at RO 70.08 million for six months ended 30 June 2022 versus RO 62.99 million for the same period of financial year 2021, showing an increase of RO 7.1 million (11.2 per cent).

The Bank's net profit after tax for the period ended 30 June 2022 declined by 3.6 per cent to RO 16.45 million compared to RO 17.06 million for the comparative period of last year. The reduction in net profit is mainly attributable to incremental expected credit losses held by the management considering the post deferment economic scenario.

Total operating cost for the period ended 30 June 2022 was marginally higher (2.3 per cent) than comparative period and reached to RO 34.41 million compared to RO 33.62 million for same period of last year. The cost to income ratio has improved to 49.1 per cent compared to 53.4 per cent.

Net loans and advances including Islamic financing receivables witnessed a slight reduction of 0.5 per cent and reached to RO 3.32 billion as at 30 June 2022 when compared to RO 3.34 billion as at the 30 June 2021. Following the same trend, customer deposits including Islamic deposits, decreased by 3.4 per cent compared to comparative period of last year. In absolute terms, customer deposits reached to RO 2.95 billion as at 30 June 2022 compared to RO 3.06 billion as at 30 June 2021.

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During the period ended 30 June 2022, the Bank charged expected credit losses of RO 16.32 million to income statement which are 68.6 per cent higher than last year comparative period. This increase is attributable to the Bank's cautious and conservative approach to maintain adequate level of provisions against expected credit losses.

The earnings per share (EPS) for the six-months period ended 30 June 2022 was RO 0.004 and maintained at the same level compared to the corresponding period of financial year 2021.

Maisarah Islamic Banking Services - Financial Performance Highlights

Maisarah Islamic Banking Services, Bank's Islamic Banking Window, has achieved a remarkable growth in profitability during the half year ended 30 June 2022. As at 30 June 2022, Maisarah Islamic Banking Services posted a profit before tax of RO 5.39 million compared to RO 4.82 million as at 30 June 2021, reflecting strong growth of 11.83 per cent over last year.

Maisarah key financial metrics showed significant growth during the first half of 2022. The gross income from financing, placement and investment increased by 5.47 per cent to RO 17.36 million as at 30 June 2022 from RO 16.46 million reported during the same period last year. The net financing income (after cost of funds) as at 30 June 2022 increased by 10.85 per cent to RO 9.91 million as compared to RO 8.94 million reported at 30 June 2021. Maisarah's total revenue for the period ended 30 June 2022 stood at RO 10.83 million compared to RO 9.99 million at 30 June 2021, growth of 8.41 per cent.

As at 30 June 2022, Maisarah posted year to date Operating Profit (before ECL) of RO 6.50 million which is 14.64 per cent above the last year operating profit of RO 5.67 million. Cost to income ratio continues to improve and reduced to 39.98 per cent as at June 2022 from 43.24 per cent during the same period last year.

Maisarah gross financing portfolio has grown to RO 536.31 million at 30 June 2022 from RO 499.11 million at 30 June 2021, thus registering a growth of 7.45 per cent over last year.

The total customer deposits of Maisarah reached RO 432.70 million as at 30 June 2022, registering a growth of 12.00 per cent compared to RO 386.35 million as at 30 June 2021. Maisarah total assets increased by 4.40 per cent to RO 685.21 million at 30 June 2022 from RO 656.34 million at 30 June 2021.

Corporate Social Responsibility and Sustainability Initiatives

In continuation of its ongoing efforts to make significant contributions towards the community, Bank Dhofar supported the Omani Association for People with Hearing Impairment, to provide hearing aids for people with hearing impairment. Bank Dhofar has always placed a great importance on the development of the society, through supporting the organizations contribution to bring meaningful changes to individuals as well as community.

Recognitions and Awards

Being a customer centric and innovation focused organization, the Bank continue to develop and offer retail, corporate and investment banking solutions to enhance customer experience. This was evidenced by the fact that banks received the following awarded during 2022.

- Best Investment Bank - Sultanate of Oman by Global Banking & Finance Awards
- Straight-Through-Processing (STP) Award by CITI Bank
- Best Corporate Bank - Sultanate of Oman by International Business Magazine Awards

Acknowledgment

To conclude, I would like to convey my gratitude to all stakeholders for their invariable trust they have placed in the Board of Directors and the Executive Management of the Bank. I extend my thanks to Sharia Supervisory Board of Maisarah Islamic Banking Services. I also thank the Management and Staff for their relentless efforts and valuable contributions to move the bank forward and achieve its objectives.

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

Finally, the Board of Directors and all staff of the Bank would like to express our most sincere gratitude to His Majesty Sultan Haitham Bin Tarik for his timely decisions to support the economy that paved way for the sustainable economic recovery.

Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

		Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Assets				
Cash and balances with Central Bank of Oman	5	81,451	113,854	251,479
Investment securities	8	506,049	465,185	446,216
Loans, advances and financing to banks	6	244,578	285,301	125,098
Loans, advances and financing to customers (conventional)	7	2,796,737	2,847,416	2,855,580
Islamic financing receivables	7	524,278	489,898	490,643
Other assets		200,051	213,775	245,787
Deferred tax assets		3,421	5,342	3,420
Intangible asset	9	11,745	11,361	12,766
Property and equipment	10	7,915	9,292	7,797
Total assets		4,376,225	4,441,424	4,438,786
Liabilities				
Due to banks	11	449,896	420,277	460,889
Deposits from customers (Conventional)	12	2,520,381	2,669,908	2,538,622
Islamic customers deposits	12	432,697	386,352	437,017
Other liabilities		228,516	223,091	256,960
Tax Liabilities		7,795	9,649	9,422
Employee benefit obligations		1,285	2,170	2,357
Subordinated loans	13	35,000	35,000	35,000
Total liabilities		3,675,570	3,746,447	3,740,267
Shareholders' equity				
Share capital	14	299,635	299,635	299,635
Share premium		95,656	95,656	95,656
Legal reserve		64,538	62,025	64,538
Special reserve		16,988	17,488	16,988
Special reserve –restructured loans		1,281	1,281	1,281
Special impairment reserve IFRS 9		12,184	9,974	12,184
Special revaluation reserve - investment		(709)	(709)	(709)
Subordinated loan reserve		28,000	21,000	28,000
Investment revaluation reserve		(7,115)	(3,644)	(3,477)
Retained earnings		34,697	36,771	28,923
Total equity attributable to the equity holders of the Bank		545,155	539,477	543,019
Perpetual Tier 1 Capital Securities		155,500	155,500	155,500
Total equity		700,655	694,977	698,519
Total liabilities and equity		4,376,225	4,441,424	4,438,786
Contingent liabilities and commitments	20	659,104	590,623	569,225
Net assets per share (Rial Omani)	15	0.182	0.180	0.181

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

Eng. Abdul Hafidh Salim Rajab Al- Ojaili
Chairman

Abdul Hakeem Omar Al Ojaili
Chief Executive Officer

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

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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	Notes	Unaudited 6 months 30 June 2022 RO'000	Unaudited 6 months 30 June 2021 RO'000	Unaudited 3 months 30 June 2022 RO'000	Unaudited 3 months 30 June 2021 RO'000
Interest income	16	87,169	86,484	44,239	43,378
Interest expense	17	(38,641)	(45,556)	(19,486)	(23,129)
Net interest income		48,528	40,928	24,753	20,249
Income from Islamic financing / Investments	16	17,357	16,455	8,891	8,219
Unrestricted investment account holders' share of profit and profit expense	17	(6,839)	(7,514)	(3,514)	(3,819)
Net income from Islamic financing and Investment activities		10,518	8,941	5,377	4,400
Fees and commission income		9,825	9,225	5,740	3,978
Fees and commission expense		(1,949)	(1,836)	(994)	(926)
Net fees and commission income		7,876	7,389	4,746	3,052
Other operating income		3,156	5,736	1,671	2,308
Operating income		70,078	62,994	36,547	30,009
Staff and administrative costs		(30,879)	(30,100)	(15,573)	(12,602)
Depreciation		(3,531)	(3,521)	(1,772)	(1,779)
Operating expenses		(34,410)	(33,621)	(17,345)	(14,381)
Net Impairment losses on financial assets		(16,321)	(9,679)	(8,207)	(6,237)
Bad debts written-off		-	-	-	-
Profit from operations after provision		19,347	19,694	10,995	9,391
Income tax expense		(2,900)	(2,638)	(1,647)	(1,326)
Profit for the period		16,447	17,056	9,348	8,065
Other comprehensive income:					
Items that will not be reclassified to P&L:					
Movement in fair value reserve (FVOCI equity instrument)		(28)	107	(58)	174
Items that are or may be reclassified to profit or loss in subsequent periods:					
Movement in fair value reserves FVOCI debt instruments		(3,609)	(1,381)	(2,381)	(237)
Other comprehensive income / (loss) for the period		(3,637)	(1,274)	(2,439)	(63)
Total comprehensive income for the period		12,810	15,782	6,909	8,002
Earnings per share attributable to equity shareholders of the Bank (basic and diluted) (Rials Omani)	18	0.004	0.004	0.002	0.001

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

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve	Special revaluation reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
Notes	RO'000	RO'000	RO'000	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 2022	299,635	95,656	64,538	16,988	1,281	12,184	(709)	28,000	(3,477)	28,923	543,019	155,500	698,519
Profit for the period	-	-	-	-	-	-	-	-	-	16,447	16,447	-	16,447
Other comprehensive income for the period:													
Net changes of fair value reserve													
- FVOCI equity instruments	-	-	-	-	-	-	-	-	(28)	-	(28)	-	(28)
- FVOCI debt instruments	-	-	-	-	-	-	-	-	(3,609)	-	(3,609)	-	(3,609)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(3,637)	16,447	12,810	-	12,810
Revaluation perpetual additional Tier 1 coupon	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest exchange cost on perpetual Tier 1 coupon	-	-	-	-	-	-	-	-	-	(4,683)	(4,683)	-	(4,683)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	2	2	-	2
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend for 2021	14	-	-	-	-	-	-	-	-	(5,993)	(5,993)	-	(5,993)
Balances as at 30 June 2022	299,635	95,656	64,538	16,988	1,281	12,184	(709)	28,000	(7,114)	34,696	545,155	155,500	700,655

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 2022 (CONTINUED)

<i>Notes</i>	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve	Special revaluation reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
	RO'000	RO'000	RO'000	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 2021	299,635	95,656	62,025	17,488	1,281	12,184	(709)	21,000	(2,370)	34,174	540,364	155,500	695,864
Profit for the period										17,056	17,056	-	17,056
Other comprehensive income for the period:													
Net changes of fair value reserve													
- FVOCI equity instruments									107		107		107
- FVOCI debt instruments									(1,381)		(1,381)		(1,381)
Total comprehensive income for the period									(1,274)	17,056	15,782	-	15,782
Transfer to Retained Earnings						(2,210)				2,210			
Revaluation perpetual additional Tier 1 coupon													
Interest exchange cost on perpetual Tier 1 coupon										(4,684)	(4,684)		(4,684)
Transfer to retained earnings													
Transactions with owners recorded directly in equity													
Dividend for 2020	14									(11,985)	(11,985)		(11,985)
Balances as at 30 June 2021	299,635	95,656	62,025	17,488	1,281	9,974	(709)	21,000	(3,644)	36,771	539,477	155,500	694,977

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 2022 (CONTINUED)

Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Special reserve RO'000	Special reserve restructured loan RO'000	Special impairment reserve RO'000	Special revaluation reserve RO'000	Subordinated loans reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'000
Balance at 1 January 2021	299,635	95,656	62,025	17,488	1,281	12,184	(709)	21,000	(2,370)	34,174	540,364	155,500	695,864
Profit for the year	-	-	-	-	-	-	-	-	-	25,123	25,123	-	25,123
Other comprehensive income for the year:													
Net changes in fair value reserve									245	-	245	-	245
- FVOCI equity instrument	-	-	-	-	-	-	-	-	-	-	-	-	-
- FVOCI debt instruments	-	-	-	-	-	-	-	-	(1,352)	-	(1,352)	-	(1,352)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(1,107)	25,123	24,016	-	24,016
Transfer to special impairment reserve IFRS 9 (net of tax)													
Transfer to legal reserve	-	-	2,513	-	-	-	-	-	-	(2,513)	-	-	-
Transfer to subordinated loan reserve	-	-	-	-	-	-	-	7,000	-	(7,000)	-	-	-
Transfer to Retained Earnings	-	-	-	(500)	-	-	-	-	-	500	-	-	-
Perpetual Tier 1 capital securities:													
Payment towards perpetual addition coupon	-	-	-	-	-	-	-	-	-	(9,376)	(9,376)	-	(9,376)
Transactions with equity holders recorded directly in equity													
Dividend paid	14	-	-	-	-	-	-	-	-	(11,985)	(11,985)	-	(11,985)
Balances as at 31 December 2021	<u>299,635</u>	<u>95,656</u>	<u>64,538</u>	<u>16,988</u>	<u>1,281</u>	<u>12,184</u>	<u>(709)</u>	<u>28,000</u>	<u>(3,477)</u>	<u>28,923</u>	<u>543,019</u>	<u>155,500</u>	<u>698,519</u>

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 2022

	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	19,347	19,694
<i>Adjustment for:</i>		
Depreciation and amortisation	3,531	3,521
Net impairment on financial instruments	16,321	9,679
End of service benefits provision for the period	153	(66)
Gain/ (Loss) on sale investments	(3,689)	(2,114)
Operating profit before working capital changes	35,663	30,714
<i>Change in working capital:</i>		
Decrease in due to banks	(10,993)	(31,678)
Increase in due from banks	(144,529)	(62,464)
Increase in loans & advances and financing	8,887	(81,505)
Decrease in other assets	45,737	(37,202)
Decrease in customer deposits	(22,561)	194,945
Decrease in other liabilities	(29,444)	30,328
Cash used in operations	(117,240)	43,138
Taxes paid	(4,527)	(10,793)
End of service benefits paid	(224)	(86)
Net cash (used in) / from operating activities	(121,991)	32,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,628)	(2,729)
Net movement in Investment securities	(59,782)	(6,528)
Net cash used in investing activities	(62,410)	(9,257)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(5,993)	(11,985)
AT1 Coupon Cost	(4,683)	(4,684)
Net cash from financing activities	(10,676)	(16,669)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(195,077)	6,333
Cash and cash equivalents at 1 January	297,203	208,336
Cash and cash equivalents at 30 June	102,126	214,669
<i>Cash and cash equivalent comprise of:</i>		
Cash and balances with Central Bank of Oman	81,451	113,854
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks with a short term maturity of 3 months or less	21,175	101,315
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	102,126	214,669
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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 through a network of 65 branches (30 June 2021: 65 branches) which comprises of 10 Islamic branches (30 June 2021: 10 Islamic branches) and 55 conventional branches (30 June 2021: 55 conventional branches). The Bank’s Islamic Banking Window, “Maisarah Islamic Banking services” has an allocated capital of RO 70 Million (30 June 2021: RO 70 million) from the core paid up capital of the shareholders. The Bank has a primary listing of its ordinary shares on the Muscat Stock Exchange (“MSX”), and the Bank’s Additional Tier I Perpetual Bonds are listed on the Irish Stock Exchange (“ISE”) and Muscat Stock Exchange (“MSX”). The Bank’s principal place of business is its Head Office located at Central Business District (“CBD”), Muscat, Sultanate of Oman.

The Bank employed 1,493 employees as of 30 June 2022 (30 June 2021: 1,488 employees).

2 BASIS OF PREPARATION

2.1 Statement of compliance and basis of accounting

The unaudited interim condensed financial statements for the six-month period ended 30 June 2022 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 by the Capital Market Authority (CMA).

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Bank’s last annual financial statements as at and for the year ended 31 December 2020 (‘the last annual financial statements’).

They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank’s financial position and performance since the last annual financial statements.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial instruments at fair value through profit or loss (FVTPL) and financial instruments at fair value through other comprehensive income (FVOCI).

2.3 Functional and presentation currency

The financial statements are presented in Rial Omani (“RO”), which is the Bank’s functional (currency of primary economic environment in which the Bank operates) and presentation currency, rounded to the nearest million unless otherwise stated.

2.4 Use of estimates and judgments

In preparing these interim condensed financial statements in conformity with IFRSs requires management to make judgements 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

2.4 Use of estimates and judgments (continued)

The significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2021

3 Not Used – *Left blank intentionally*

4 Standards issued but not yet effective

A number of new or amended standards became applicable for the current reporting period. The Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

5. Cash and balances with Central Bank of Oman

	Unaudited	Unaudited	Audited
	30 June	30 June	31 December
	2022	2021	2021
	RO'000	RO'000	RO'000
Cash in hand	37,057	31,806	29,984
Balances with the Central Bank of Oman	44,394	39,698	144,495
Placements with Central Bank of Oman	-	42,350	77,000
	81,451	113,854	251,479

At 30 June 2022 cash and balances with Central bank of Oman includes capital deposit amounting to RO 0.5 million (30 June 2021- RO 0.5 million and 31 December 2021 – RO 0.5 million) as minimum reserve requirements. This is not available for day-to-day operations of the Bank and cannot be withdrawn without the Central Bank of Oman approval.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

6. Loans, advances and financing to banks

	Unaudited	Unaudited	Audited
	30 June	30 June	31 December
	2022	2021	2021
	RO'000	RO'000	RO'000
Syndicated loans to other banks	16,145	36,863	25,749
Placements with other banks	211,355	229,861	73,525
Current clearing accounts	17,322	19,537	26,974
	244,822	286,261	126,248
Less: impairment allowance	(244)	(960)	(1,150)
Net loans, advances and financing	244,578	285,301	125,098

7. Loans, advances and financing to Customer

(a) Conventional Banking

	Unaudited	Unaudited	Audited
	30 June	30 June	31 December
	2022	2021	2021
	RO'000	RO'000	RO'000
Loans	2,715,865	2,742,785	2,769,153
Overdraft	118,146	118,933	113,544
Loans against trust receipts	97,022	88,458	91,730
Bills discounted	34,990	33,121	29,160
Advances against credit cards	8,112	7,968	8,144
	2,974,135	2,991,265	3,011,731
Less: Impairment allowance including reserved interest	(177,398)	(143,849)	(156,151)
Net Loans, advances and financing to customers	2,796,737	2,847,416	2,855,580

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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

(b) Islamic Banking Window Financing	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Housing finance	159,025	164,889	161,969
Corporate finance	364,436	321,749	326,541
Consumer finance	13,781	13,208	13,581
	<u>537,242</u>	<u>499,846</u>	<u>502,091</u>
Less: Impairment allowance	<u>(12,964)</u>	<u>(9,948)</u>	<u>(11,448)</u>
Net financing to customers	<u>524,278</u>	<u>489,898</u>	<u>490,643</u>

(c) The movement in the impairment allowance is analysed below:	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
i. Allowance for loan impairment			
1 January	137,481	119,568	119,568
Allowance made during the period /year	24,495	14,906	34,636
Released to the profit or loss during the period / year	(5,325)	(6,969)	(10,294)
Written off during the period /year	<u>(825)</u>	<u>(1,370)</u>	<u>(6,429)</u>
Balance at the end of the period/year	<u>155,826</u>	<u>126,135</u>	<u>137,481</u>
ii. Reserved interest			
1 January	30,117	24,719	24,719
Reserved during the period/year	6,379	5,524	11,523
Recoveries to profit or loss during the period/year	(1,302)	(1,259)	(2,048)
Written-off during the period/year	<u>(658)</u>	<u>(1,321)</u>	<u>(4,077)</u>
Balance at the end of the period/year	<u>34,536</u>	<u>27,663</u>	<u>30,117</u>
Total impairment allowance	<u>190,362</u>	<u>153,798</u>	<u>167,598</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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

(c) The movement in the impairment allowance is analysed below (continued):

Disclosure requirements containing the risk classification –wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognized as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loans accounts for regulatory reporting purposes.

At 30 June 2022

		(Amounts in RO '000)							
Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
	Stage 1	2,558,320	38,603	11,566	27,037	2,519,717	2,546,754	-	-
Standard	Stage 2	466,622	6,173	24,847	(18,674)	460,449	441,775	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,024,942	44,776	36,413	8,363	2,980,166	2,988,529	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	291,008	4,106	29,665	(25,559)	286,902	261,343	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		291,008	4,106	29,665	(25,559)	286,902	261,343	-	-
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	8,001	1,955	2,869	(914)	5,789	5,132	-	257
Subtotal		8,001	1,955	2,869	(914)	5,789	5,132	-	257
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	25,975	10,783	10,708	75	14,237	15,267	-	955
Subtotal		25,975	10,783	10,708	75	14,237	15,267	-	955
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	161,451	111,517	76,181	35,336	16,620	85,270	-	33,314
Subtotal		161,451	111,517	76,181	35,336	16,620	85,270	-	33,314
Total loans and advances		3,511,377	173,137	155,836	17,301	3,303,714	3,355,541	-	34,526
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,797,086	179	3,977	(3,798)	1,796,907	1,793,109	-	-
	Stage 2	299,040	-	6,220	(6,220)	299,040	292,820	-	-
	Stage 3	4,165	-	-	-	4,165	4,165	-	-
Subtotal		2,100,291	179	10,197	(10,018)	2,100,112	2,090,094	-	-
	Stage 1	4,355,406	38,782	15,543	23,239	4,316,624	4,339,863	-	-
Total (30 June 2022)	Stage 2	1,056,670	10,279	60,732	(50,453)	1,046,391	995,938	-	-
	Stage 3	199,592	124,255	89,758	34,497	40,811	109,834	-	34,526
	Total	5,611,668	173,316	166,033	7,283	5,403,826	5,445,635	-	34,526

* Net of provision and reserve interest as per CBO norms

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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

(c) Allowance for loan impairment (conventional and Islamic) (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

At 30 June 2021

		(Amounts in RO '000)							
Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
	Stage 1	2,718,787	38,030	20,832	17,198	2,680,757	2,697,955	-	-
Standard	Stage 2	333,699	4,209	5,081	(872)	329,490	328,618	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,052,486	42,239	25,913	16,326	3,010,247	3,026,573	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	267,029	3,456	21,293	(17,837)	263,573	245,736	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		267,029	3,456	21,293	(17,837)	263,573	245,736	-	-
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	14,479	3,107	6,051	(2,944)	10,959	8,428	-	413
Subtotal		14,479	3,107	6,051	(2,944)	10,959	8,428	-	413
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	16,362	4,844	5,731	(887)	10,571	10,631	-	947
Subtotal		16,362	4,844	5,731	(887)	10,571	10,631	-	947
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	140,755	97,369	64,981	32,388	17,083	75,774	-	26,303
Subtotal		140,755	97,369	64,981	32,388	17,083	75,774	-	26,303
Total loans and advances		3,491,111	151,015	123,969	27,046	3,312,433	3,367,142	-	27,663
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	2,020,870	279	7,213	(6,934)	2,020,591	2,013,657	-	-
	Stage 2	280,637	-	7,273	(7,273)	280,637	273,364	-	-
	Stage 3	5,057	1,450	2,166	(716)	3,607	2,891	-	-
Subtotal		2,306,564	1,729	16,652	(14,923)	2,304,835	2,289,912	-	-
	Stage 1	4,739,657	38,309	28,045	10,264	4,701,348	4,711,612	-	-
Total (30 June 2021)	Stage 2	881,365	7,665	33,647	(25,982)	873,700	847,718	-	-
	Stage 3	176,653	106,770	78,929	27,841	42,220	97,724	-	27,663
	Total	5,797,675	152,744	140,621	12,123	5,617,268	5,657,054	-	27,663

* Net of provision and reserve interest as per CBO norms

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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

(c) Allowance for loan impairment (conventional and Islamic) (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

At 31 December 2021

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L in the YTD	Reserve interest as per CBO norms for the YTD
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	2,608,026	38,544	20,015	18,529	2,569,482	2,588,011	-	-
	Stage 2	443,462	6,034	9,157	(3,123)	437,428	434,305	-	-
	Stage 3	-	-	-	-	-	-	-	-
	Subtotal	3,051,488	44,578	29,172	15,406	3,006,910	3,022,316	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	282,681	3,993	25,774	(21,781)	278,688	256,907	-	-
	Stage 3	-	-	-	-	-	-	-	-
	Subtotal	282,681	3,993	25,774	(21,781)	278,688	256,907	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	16,073	4,571	6,669	(2,098)	11,177	9,404	-	325
	Subtotal	16,073	4,571	6,669	(2,098)	11,177	9,404	-	325
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	13,321	5,613	5,086	527	6,840	8,235	-	868
	Subtotal	13,321	5,613	5,086	527	6,840	8,235	-	868
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	150,259	102,242	70,780	31,462	19,093	79,479	-	28,924
	Subtotal	150,259	102,242	70,780	31,462	19,093	79,479	-	28,924
Total loans and advances		3,513,822	160,997	137,481	23,516	3,322,708	3,376,341	-	30,117
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,887,346	179	7,630	(7,451)	1,887,167	1,879,716	-	-
	Stage 2	313,357	-	5,422	(5,422)	313,357	307,935	-	-
	Stage 3	7,202	-	-	-	7,202	7,202	-	-
	Subtotal	2,207,905	179	13,052	(12,873)	2,207,726	2,194,853	-	-
Total (31 December 2021)	Stage 1	4,495,372	38,723	27,645	11,078	4,456,649	4,467,727	-	-
	Stage 2	1,039,500	10,027	40,353	(30,326)	1,029,473	999,147	-	-
	Stage 3	186,855	112,426	82,535	29,891	44,312	104,320	-	30,117
	Total	5,721,727	161,176	150,533	10,643	5,530,434	5,571,194	-	30,117

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

(d) Restructured Loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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

(d) Restructured Loans (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

At 30 June 2022

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	126,773	1,294	2,011	(717)	125,479	124,762	-	-
	Stage 2	273,112	2,741	18,982	(16,241)	270,371	254,130	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		399,885	4,035	20,993	(16,958)	395,850	378,892	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	14,184	7,328	7,008	320	4,813	7,176	-	2,043
Sub total		14,184	7,328	7,008	320	4,813	7,176	-	2,043
Total (30 June 2022)	Stage 1	126,773	1,294	2,011	(717)	125,479	124,762	-	-
	Stage 2	273,112	2,741	18,982	(16,241)	270,371	254,130	-	-
	Stage 3	14,184	7,328	7,008	320	4,813	7,176	-	2,043
	Total	414,069	11,363	28,001	(16,638)	400,663	386,068	-	2,043

* Net of provision and reserve interest as per CBO norms

At 30 June 2021

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	31,058	298	368	(70)	30,760	30,690	-	-
	Stage 2	128,755	5,007	10,761	(5,754)	123,748	117,994	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		159,813	5,305	11,129	(5,824)	154,508	148,684	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	5,758	3,136	2,379	757	1,349	3,379	-	1,273
Sub total		5,758	3,136	2,379	757	1,349	3,379	-	1,273
Total (30 June 2021)	Stage 1	31,058	298	368	(70)	30,760	30,690	-	-
	Stage 2	128,755	5,007	10,761	(5,754)	123,748	117,994	-	-
	Stage 3	5,758	3,136	2,379	757	1,349	3,379	-	1,273
	Total	165,571	8,441	13,508	(5,067)	155,857	152,063	-	1,273

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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

(d) Restructured Loans (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

At 31 December 2021

(Amounts in RO '000)

Asset Classification as per CBO Norms 31 December 2021 (1)	Asset Classification as per IFRS 9 (2)	Gross Carrying Amount (3)	Provision required as per CBO Norms (4)	Provision held as per IFRS 9 (5)	Difference between CBO provision required, and provision held (6) = (4)-(5)	Net Carrying Amount as per CBO norms* (7) = (3)-(4)-(10)	Net Carrying Amount as per IFRS 9 (8) = (3)-(5)	Interest recognised in P&L (9)	Reserve interest as per CBO norms (10)
	Stage 1	57,314	565	475	90	56,749	56,839	-	-
Classified as performing	Stage 2	145,761	7,437	13,490	(6,053)	138,324	132,271	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		203,075	8,002	13,965	(5,963)	195,073	189,110	-	-
	Stage 1	-	-	-	-	-	-	-	-
Classified as non-performing	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	7,113	4,248	3,906	342	1,650	3,207	-	1,215
Sub total		7,113	4,248	3,906	342	1,650	3,207	-	1,215
	Stage 1	57,314	565	475	90	56,749	56,839	-	-
	Stage 2	145,761	7,437	13,490	(6,053)	138,324	132,271	-	-
Total (31 December 2021)	Stage 3	7,113	4,248	3,906	342	1,650	3,207	-	1,215
	Total	210,188	12,250	17,871	(5,621)	196,723	192,317	-	1,215

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

7. Loans, advances and financing to customer (continued)

(d) Restructured Loans (continued)

Impairment charge and provisions held (continued)

30 June 2022

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net recoveries)	-	(16,321)	(16,321)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	173,316	166,033	7,283
Gross NPL ratio	5.57%	5.57%	-
Net NPL ratio	1.04%	2.03%	(0.99%)

Gross NPL (Non-performing Loans) are 5.57% and Net NPL is 2.03% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 34.53 million.

30 June 2021

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net recoveries)	-	(9,679)	(9,679)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	152,744	140,621	12,123
Gross NPL ratio	4.92%	4.92%	-
Net NPL ratio	1.11%	1.92%	(0.81%)

Gross NPL (Non-performing Loans) are 4.92% and Net NPL is 1.92% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 27.633 million.

31 December 2021

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net recoveries)	-	(24,651)	(24,651)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	161,176	150,533	10,643
Gross NPL ratio	5.11%	5.11%	-
Net NPL ratio	1.06%	1.91%	(0.85%)

Gross NPL (Non-performing Loans) are 5.11% and Net NPL is 1.91% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 30.12 million.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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

Stage wise exposure, allowance for expected credit losses and net exposures (continued)

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at 30 June 2022:

	<i>RO'000</i>			
	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	44,394	-	-	44,394
Due from Banks	279,576	-	-	279,576
Sovereign	317,810	-	-	317,810
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	45,092	-	-	45,092
Loans and advances	2,558,320	757,630	195,427	3,511,377
Accrued profit	21,550	8,930	-	30,480
Total funded gross exposure	3,267,659	766,560	195,427	4,229,646
Letters of credit/guarantee	549,581	105,357	4,165	659,103
Acceptance	140,286	9,731	-	150,017
Loan commitment / unutilised limits	397,880	175,022	-	572,902
Total non-funded gross exposure	1,087,747	290,110	4,165	1,382,022
Total gross exposure	4,355,406	1,056,670	199,592	5,611,668
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	244	-	-	244
Sovereign	-	-	-	-
Investment Securities at amortized cost	80	-	-	80
Investment Securities at FVOCI	6	-	-	6
Loans and advances	11,566	54,512	89,758	155,836
Accrued profit	51	150	-	201
Total funded impairment	11,947	54,662	89,758	156,367
Letters of credit/guarantee	2,551	4,948	-	7,499
Acceptance	176	18	-	194
Loan commitment/unutilised limits	869	1,104	-	1,973
Total non-funded impairment	3,596	6,070	-	9,666
Total impairment	15,543	60,732	89,758	166,033
Net exposure				
Central Bank balances	44,394	-	-	44,394
Due from Banks	279,332	-	-	279,332
Sovereign	317,810	-	-	317,810
Investment Securities at amortized Cost	837	-	-	837
Investment Securities at FVOCI	45,086	-	-	45,086
Loans and advances	2,546,754	703,118	105,669	3,355,541
Accrued Profit	21,499	8,780	-	30,279
Total funded net exposure	3,255,712	711,898	105,669	4,073,279
Letter of credit/guarantee	547,030	100,409	4,165	651,604
Acceptance	140,110	9,713	-	149,823
Loan commitment / unutilised limits	397,011	173,918	-	570,929
Total net non-funded exposure	1,084,151	284,040	4,165	1,372,356
Total net exposure	4,339,863	995,938	109,834	5,445,635

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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

Stage wise exposure, allowance for expected credit losses and net exposures (continued)

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2022				
- Due from banks	1,150	-	-	1,150
- Loans and advances to customers	20,015	34,931	82,535	137,481
- Investment securities at FVOCI (Debt)	247	-	-	247
- Loan commitments and financial guarantees	3,534	4,054	-	7,588
- Acceptances	899	16	-	915
- Unutilised	1,669	1,140	-	2,809
- Interest accrued	131	212	-	343
Total	<u>27,645</u>	<u>40,353</u>	<u>82,535</u>	<u>150,533</u>
Net transfer between stages				
- Loans and advances to customers	(80)	(5,476)	5,556	-
- Loan commitments and financial guarantees	(8)	8	-	-
-Unutilised	63	(63)	-	-
Total	<u>(25)</u>	<u>(5,531)</u>	<u>5,556</u>	<u>-</u>
Charge for the Period (net)				
- Due from banks	(906)	-	-	(906)
- Loans and advances to customers	(8,369)	25,057	2,489	19,177
- Investment securities at FVOCI (Debt)	(161)	-	-	(161)
- Loan commitments and financial guarantees	(975)	886	-	(89)
- Acceptances	(723)	2	-	(721)
- Unutilised	(864)	27	-	(837)
- Interest accrued	(79)	(63)	-	(142)
Total	<u>(12,077)</u>	<u>25,909</u>	<u>2,489</u>	<u>16,321</u>
Written-off			(822)	(822)
Closing Balance – as at 30 June 2022				
- Due from banks	244	-	-	244
- Loans and advances to customers	11,566	54,512	89,758	155,836
- Investment securities at FVOCI (Debt)	86	-	-	86
- Loan commitments and financial guarantees	2,551	4,948	-	7,499
- Acceptances	176	18	-	194
- Unutilised	869	1,104	-	1,973
- Interest accrued	51	150	-	201
Total net exposure	<u>15,543</u>	<u>60,732</u>	<u>89,758</u>	<u>166,033</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

7. Loans, advances and financing to customers (continued) Stage wise exposure, allowance for expected credit losses and net exposures (continued)

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at 30 June 2021:

	Stage 1	Stage 2	Stage 3	RO'000 Total
Gross exposure				
Central Bank balances	81,548	-	-	81,548
Due from Banks	286,261	-	-	286,261
Sovereign	422,475	-	-	422,475
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	34,042	-	-	34,042
Loans and advances	2,718,787	600,728	171,596	3,491,111
Accrued profit	34,524	10,091	55	44,670
Total funded gross exposure	3,578,554	610,819	171,651	4,361,024
Letters of credit/guarantee	492,209	93,413	5,002	590,624
Acceptance	140,674	6,982	-	147,656
Loan commitment / unutilised limits	528,220	170,151	-	698,371
Total non-funded gross exposure	1,161,103	270,546	5,002	1,436,651
Total gross exposure	4,739,657	881,365	176,653	5,797,675
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	960	-	-	960
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	243	-	-	243
Loans and advances	20,832	26,374	76,763	123,969
Accrued profit	133	182	-	315
Total funded impairment	22,168	26,556	76,763	125,487
Letters of credit/guarantee	3,059	5,961	2,166	11,186
Acceptance	519	19	-	538
Loan commitment/unutilised limits	2,299	1,111	-	3,410
Total non-funded impairment	5,877	7,091	2,166	15,134
Total impairment	28,045	33,647	78,929	140,621
Net exposure				
Central Bank balances	81,548	-	-	81,548
Due from Banks	285,301	-	-	285,301
Sovereign	422,475	-	-	422,475
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	33,799	-	-	33,799
Loans and advances	2,697,955	574,354	94,833	3,367,142
Accrued Profit	34,391	9,909	55	44,355
Total funded net exposure	3,556,386	584,263	94,888	4,235,537
Letter of credit/guarantee	489,150	87,452	2,836	579,438
Acceptance	140,155	6,963	-	147,118
Loan commitment / unutilised limits	525,921	169,040	-	694,961
Total net non-funded exposure	1,155,226	263,455	2,836	1,421,517
Total net exposure	4,711,612	847,718	97,724	5,657,054

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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

Stage wise exposure, allowance for expected credit losses and net exposures (continued)

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2021				
- Due from banks	454	-	-	454
- Loans and advances to customers	17,626	33,714	68,228	119,568
- Investment securities at FVOCI (Debt)	238	-	-	238
- Loan commitments and financial guarantees	2,598	5,739	-	8,337
- Acceptances	341	15	-	356
- Unutilised	2,001	958	-	2,959
- Interest accrued	111	289	-	400
Total	<u>23,369</u>	<u>40,715</u>	<u>68,228</u>	<u>132,312</u>
Net transfer between stages				
- Loans and advances to customers	1576	(10,914)	9,338	-
- Loan commitments and financial guarantees	66	(66)	-	-
-Unutilised	69	(69)	-	-
Total	<u>1,711</u>	<u>(11,049)</u>	<u>9,338</u>	<u>-</u>
Charge for the Period (net)				
- Due from banks	506	-	-	506
- Loans and advances to customers	1,630	3,574	567	5,771
- Investment securities at FVOCI (Debt)	5	-	-	5
- Loan commitments and financial guarantees	395	288	2,166	2,849
- Acceptances	178	4	-	182
- Unutilised	229	222	-	451
- Interest accrued	22	(107)	-	(85)
Total	<u>2,965</u>	<u>3,981</u>	<u>2,733</u>	<u>9,679</u>
Written-off			(1,370)	(1,370)
Closing Balance – as at 30 June 2021				
- Due from banks	960	-	-	960
- Loans and advances to customers	20,832	26,374	76,763	123,969
- Investment securities at FVOCI (Debt)	243	-	-	243
- Loan commitments and financial guarantees	3,059	5,961	2,166	11,186
- Acceptances	519	19	-	538
- Unutilised	2,299	1,111	-	3,410
- Interest accrued	133	182	-	315
Total net exposure	<u><u>28,045</u></u>	<u><u>33,647</u></u>	<u><u>78,929</u></u>	<u><u>140,621</u></u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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

Stage wise exposure, allowance for expected credit losses and net exposures (continued)

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at 31 December 2021:

				<i>RO'000</i>
	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	221,495	-	-	221,495
Due from Banks	126,248	-	-	126,248
Sovereign	404,041	-	-	404,041
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	36,192	-	-	36,192
Loans and advances	2,608,026	726,143	179,653	3,513,822
Accrued Interest	32,460	12,770	54	45,284
Acceptances	175,018	6,080	-	181,098
Total funded gross exposure	3,604,397	744,993	179,707	4,529,097
Letters of credit/guarantee	463,445	98,632	7,148	569,225
Loan commitment / unutilised limits	427,530	195,875	-	623,405
Total non-funded gross exposure	890,975	294,507	7,148	1,192,630
Total gross exposure	4,495,372	1,039,500	186,855	5,721,727
Allowance for expected credit losses				
Central Bank balances	-	-	-	-
Due from Banks	1,150	-	-	1,150
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	247	-	-	247
Loans and advances	20,015	34,931	82,535*	137,481
Accrued Interest	131	212	-	343
Acceptances	899	16	-	915
Total funded allowance for expected credit losses	22,442	35,159	82,535	140,136
Letters of credit/guarantee	3,534	4,054	-	7,588
Loan commitment/unutilised limits	1,669	1,140	-	2,809
Total non-funded allowance for expected credit losses	5,203	5,194	-	10,397
Total allowance for expected credit losses	27,645	40,353	82,535	150,533
Net exposure				
Central Bank balances	221,495	-	-	221,495
Due from Banks	125,098	-	-	125,098
Sovereign	404,041	-	-	404,041
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	35,945	-	-	35,945
Loans and advances	2,588,011	691,212	97,118	3,376,341
Accrued Interest	32,329	12,558	54	44,941
Acceptances	174,119	6,064	-	180,183
Total funded net exposure	3,581,955	709,834	97,172	4,388,961
Letters of credit/guarantee	459,911	94,578	7,148	561,637
Loan commitment / unutilised limits	425,861	194,735	-	620,596
Total net non-funded exposure	885,772	289,313	7,148	1,182,233
Total net exposure	4,467,727	999,147	104,320	5,571,194

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

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

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2021				
- Due from banks	454	-	-	454
- Loans and advances to customers	17,626	33,714	68,228	119,568
- Investment securities at FVOCI (Debt)	238	-	-	238
- Loan commitments and financial guarantees	2,598	5,739	-	8,337
- Acceptances	341	15	-	356
- Unutilised	2,001	958	-	2,959
- Interest accrued	111	289	-	400
Total	23,369	40,715	68,228	132,312
Net transfer between stages				
- Loans and advances to customers	386	(11,351)	10,965	-
- Loan commitments and financial guarantees	24	(24)	-	-
-Unutilised	39	(39)	-	-
-Interest Accrued	-	-	-	-
Total	448	(11,413)	10,965	-
Charge for the Year (net of recoveries)				
- Due from banks	697	-	-	697
- Loans and advances to customers	2,003	12,568	9,771	24,342
- Investment securities at FVOCI (Debt)	9	-	-	9
- Letter of credit and financial guarantees	912	(1,661)	-	(749)
- Acceptances	558	1	-	559
- Unutilised	(371)	221	-	(150)
- Interest accrued	20	(77)	-	(57)
Total	3,828	11,052	9,771	24,651
Written-off	-	-	(6,429)	(6,429)
Closing Balance – as at 31 December 2021				
- Due from banks	1,150	-	-	1,150
- Loans and advances to customers	20,015	34,931	82,535	137,481
- Investment securities at FVOCI (Debt)	247	-	-	247
- Loan commitments and financial guarantees	3,534	4,054	-	7,588
- Acceptances	899	16	-	915
- Unutilised	1,669	1,140	-	2,809
- Interest accrued	131	212	-	343
Total expected credit loss	27,645	40,353	82,535	150,533

Stage wise exposure, allowance for expected credit losses and net exposures (continued)

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 30 June 2022

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

Reconciliation of financial assets and liabilities

						<i>RO'000</i>
30th June 2022	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	81,451	81,451
Loans and advances to banks	6	-	-	-	244,578	244,578
Loans and advances to customers	7	-	-	-	3,321,015	3,321,015
Investment securities	8	2,776	2,452	138,943	361,878	506,049
Other assets		-	-	-	200,051	200,051
		<u>2,776</u>	<u>2,452</u>	<u>138,943</u>	<u>4,208,973</u>	<u>4,353,144</u>
Due to banks	11	-	-	-	449,896	449,896
Deposits from customers	12	-	-	-	2,953,078	2,953,078
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		-	-	-	228,516	228,516
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,666,490</u>	<u>3,666,490</u>

						<i>RO'000</i>
30 June 2021	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	113,854	113,854
Loans and advances to banks	6	-	-	-	285,301	285,301
Loans and advances to customers	7	-	-	-	3,337,314	3,337,314
Investment securities	8	2,927	95,234	2,581	364,443	465,185
Other assets		2,262	-	-	216,855	219,117
		<u>5,189</u>	<u>95,234</u>	<u>2,581</u>	<u>4,317,767</u>	<u>4,420,771</u>
Due to banks	11	-	-	-	420,277	420,277
Deposits from customers	12	-	-	-	3,056,260	3,056,260
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		-	-	-	234,910	234,910
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,746,447</u>	<u>3,746,447</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 30 June 2022

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

Reconciliation of financial assets and liabilities (continued)

31 December 2021	Notes	FVTPL	FVOCI – equity instruments	FVOCI – debt instrument	Amortised cost	<i>RO'000</i> Total carrying amount
Cash and balances with CBO	5	-	-	-	251,479	251,479
Loans and advances to banks	6	-	-	-	125,098	125,098
Loans and advances to customers	7	-	-	-	3,346,223	3,346,223
Investment securities	8	2,823	2,490	116,753	324,150	446,216
Other assets	11	6,601	-	-	238,925	245,526
		9,424	2,490	116,753	4,285,875	4,414,542
Due to banks	12	-	-	-	460,889	460,889
Deposits from customers	13	-	-	-	2,975,639	2,975,639
Subordinated liabilities	15	-	-	-	35,000	35,000
Other liabilities	14	5,053	-	-	254,264	259,317
		5,053	-	-	3,725,792	3,730,845

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

8. Investments securities

	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Equity investments:			
Measured at FVTPL	1,707	1,732	1,649
Measured at FVOCI	2,472	2,581	2,490
Gross equity investments	4,179	4,313	4,139
Less: Impairment losses on investments	-	-	-
Net equity investments	4,179	4,313	4,139
Debt investments:			
Designated at FVTPL	1,069	1,195	1,174
Measured at FVOCI	139,009	95,477	117,000
Measured at amortized cost	361,878	364,443	324,150
Gross debt investments	501,956	461,115	442,324
Total investment securities	506,135	465,428	446,463
Less: Impairment loss allowance	(86)	(243)	(247)
Total investment securities	506,049	465,185	446,216
	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Investment securities measured as at FVTPL	2,776	2,927	2,823
Investment securities measured at FVOCI	141,395	97,815	119,243
Debt investments measured at amortised cost	361,878	364,443	324,150
	506,049	465,185	446,216

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 30 June 2022	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	277	-	277
Unit funds	-	-	-	-
Financial services sector	-	282	-	282
Industrial sector	-	1,396	-	1,396
	-	1,955	-	1,955
Unquoted Equities:				
Local securities	1,707	517	-	2,224
Unit funds	-	-	-	-
Gross Equity investments	1,707	2,472	-	4,179
Quoted Debt:				
Government Bonds and Sukuk	-	94,314	321,878	416,192
Foreign Bonds	1,069	385	-	1,454
Local Bonds and Sukuks	-	44,310	-	44,310
Treasury Bills	-	-	40,000	40,000
Gross debt investments	1,069	139,009	361,878	501,956
Total Investment Securities	2,776	141,481	361,878	506,135
Less: Impairment losses on investments	-	(86)	-	(86)
	2,776	141,395	361,878	506,049

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments RO 000's	FVOCI Equity investment RO 000's	Amortised cost RO 000's	FVTPL RO 000's	Total RO 000's
At 1 January 2022	117,000	2,490	324,150	2,823	446,463
Additions	25,663	-	48,000	5	73,668
Disposals and redemption	-	(10)	(10,000)	-	(10,010)
Gain /(loss) from change in fair value	(3,609)	(28)	-	(52)	(3,689)
Amortization of discount / premium	(25)	-	(272)	-	(297)
At 30 June 2021	139,029	2,452	361,878	2,776	506,135
Less: Impairment losses on investments	(86)	-	-	-	(86)
30 June 2022	138,943	2,452	361,878	2,776	506,049

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 30 June 2021	FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	288	-	288
Unit funds	-	-	-	-
Financial services sector	-	209	-	209
Industrial sector	-	1,512	-	1,512
		<u>2,009</u>		<u>2,009</u>
Unquoted Equities:				
Local securities	-	572	-	572
-Unit funds	1,732	-	-	1,732
	<u>1,732</u>	<u>572</u>		<u>2,304</u>
Gross Equity investments	<u>1,732</u>	<u>2,581</u>		<u>4,313</u>
Quoted Debt:				
Government Bonds and Sukuk	-	68,311	324,443	392,754
Foreign Bonds	1,195	402	-	1,597
Local Bonds and Sukuks	-	26,764	-	26,764
Treasury Bills	-	-	40,000	40,000
Gross debt investments	<u>1,195</u>	<u>95,477</u>	<u>364,443</u>	<u>461,115</u>
Total Investment Securities				
Less: Impairment losses on investments		(243)		(243)
	<u>2,927</u>	<u>97,815</u>	<u>364,443</u>	<u>465,185</u>

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments RO 000's	FVOCI Equity investment RO 000's	Amortised cost RO 000's	FVTPL RO 000's	Total RO 000's
At 1 January 2021	115,057	3,276	335,602	4,120	458,055
Additions			34,972	5	34,977
Disposals and redemption	(20,050)	(802)	(6,131)	(1,243)	(28,226)
Gain/(Loss) from change in fair value	495	107	-	45	647
Amortization of discount / premium	(25)	-	-	-	(25)
Total Investment Securities	<u>95,477</u>	<u>2,581</u>	<u>364,443</u>	<u>2,927</u>	<u>465,428</u>
Less: Impairment losses on investments	(243)	-	-	-	(243)
At 30 June 2021	<u>95,234</u>	<u>2,581</u>	<u>364,443</u>	<u>2,927</u>	<u>465,185</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 31 December 2021	FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	286	-	286
Financial services sector	-	199	-	199
Industrial sector	-	1,488	-	1,488
	<u>-</u>	<u>1,973</u>	<u>-</u>	<u>1,973</u>
Unquoted Equities:				
Local securities	-	517	-	517
Unit funds	1,649	-	-	1,649
	<u>1,649</u>	<u>517</u>	<u>-</u>	<u>2,166</u>
Gross Equity investments	<u>1,649</u>	<u>2,490</u>	<u>-</u>	<u>4,139</u>
Quoted Debt:				
Government Bonds and sukuk				
Foreign Bonds	-	80,808	323,233	404,041
Local bonds and sukuks	1,174	395	-	1,569
Treasury Bills	-	35,797	917	36,714
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross debt investments	<u>1,174</u>	<u>117,000</u>	<u>324,150</u>	<u>442,324</u>
Total Investment Securities				
Less: Impairment losses on investments	-	(247)	-	(247)
	<u>2,823</u>	<u>119,243</u>	<u>324,150</u>	<u>446,216</u>

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments RO 000's	FVOCI Equity investment RO 000's	Amortised cost RO 000's	FVTPL RO 000's	Total RO 000's
At 1 January 2021	115,057	3,276	335,602	4,120	458,055
Additions	21,474	-	64,706	5	86,185
Disposals and redemption	(20,051)	(1,031)	(76,158)	(1,348)	(98,588)
Gain /(loss) from change in fair value	570	245	-	46	861
Amortisation of discount and premium	(50)	-	-	-	(50)
At 31 December 2020	<u>117,000</u>	<u>2,490</u>	<u>324,150</u>	<u>2,823</u>	<u>446,463</u>
Less: Impairment losses on investments	(247)	-	-	-	(247)
31 December 2020	<u>116,753</u>	<u>2,490</u>	<u>324,150</u>	<u>2,823</u>	<u>446,216</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIXMONTH PERIOD ENDED 30 JUNE 2022

9. Intangible asset

Software

	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Cost			
1 January	32,980	28,506	28,506
Additions	969	1,248	4,474
Disposals	(193)	-	-
	<u>33,756</u>	<u>29,754</u>	<u>32,980</u>
Depreciation			
1 January	20,214	16,702	16,703
Charge for the year	1,808	1,691	3,511
Disposals	(11)	-	-
	<u>22,011</u>	<u>18,393</u>	<u>20,214</u>
Carrying Value	<u>11,745</u>	<u>11,361</u>	<u>12,766</u>

10. Property and equipment

	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Conventional	7,409	8,899	6,732
Islamic window	506	393	1,065
	<u>7,915</u>	<u>9,292</u>	<u>7,797</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

11. Due to banks

	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Syndicated Inter bank borrowings	279,125	325,325	308,000
Interbank borrowings	145,737	87,250	152,615
Payable on demand	25,034	7,702	274
	<u>449,896</u>	<u>420,277</u>	<u>460,889</u>

At 30 June 2022 Inter Bank borrowings with two bank represented 20% or more of the Bank's total inter-bank borrowings (30 June 2021 and 31 December 2021: two banks). The Bank has not had any defaults of principal, interest or other breaches during the year on its borrowed funds.

12. Deposits from customers - Conventional Banking

	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Current accounts	646,733	746,293	754,317
Savings accounts	414,820	493,972	485,352
Time and certificate deposits	1,446,645	1,415,477	1,287,917
Margin accounts	12,183	14,166	11,036
	<u>2,520,381</u>	<u>2,669,908</u>	<u>2,538,622</u>

Deposits from customers - Islamic Banking

	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Current accounts	139,615	114,653	153,436
Savings accounts	55,892	61,650	64,443
Time deposits	237,190	210,049	219,138
	<u>432,697</u>	<u>386,352</u>	<u>437,017</u>

Consolidated Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1.103 Billion (30 June 2021 - RO 962.90 million, 31 December 2021 – RO 1,119.10 million)

13. Subordinated loan

	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Subordinated loan - RO	35,000	35,000	35,000
	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

14. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (30 June 2021: 5,000,000,000 ordinary shares of RO 0.100 each).

At 30 June 2022, the issued and paid up share capital comprise 2,996,351,436 ordinary shares of RO 0.100 each (30 June 2021: 2,996,351,436 ordinary shares of RO 0.100 each).

The Board of Directors in their meeting held on 27th January 2022 proposed a total cash dividend of 2%, (2 (two) baizas per share, total of RO 5.993 million) (2020: 4%; RO 11.985 million) and nil bonus share issue distribution for the year ended 31st December 2021 (2020: Nil). However, the Bank received CBO approval for cash dividend of 2%, (2 (two) baizas per share, total of RO 5.993 million) for the year 2022. The shareholders' in the Annual General Meeting held on 22nd March 2022, approved the cash dividend of 2% and this has been paid in March 2022.

Shareholders

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

	Unaudited 30th June 2022		Unaudited 30th June 2021		Audited 31st December 2021	
	No of shares	%	No of shares	%	No. of shares	%
Dhofar International Development and Investment Company SAOG	730,570,498	24.38%	730,570,498	24.4%	730,570,498	24.4%
Eng. Abdul Hafidh Salim Rajab Al Ojaili and his related Companies	703,266,215	23.47%	702,766,215	23.5%	702,766,215	23.5%
Civil Service Employees Pension Fund	313,949,510	10.48%	317,090,211	10.6%	316,992,297	10.6%
Total	1,747,786,223	58.33%	1,750,426,924	58.5%	1,750,329,010	58.5%
Others	1,248,565,213	41.67%	1,245,924,512	41.5%	1,246,022,426	41.5%
	2,996,351,436	100%	2,996,351,436	100%	2,996,351,436	100%

The Bank's Islamic Banking Window, "Maisarah" Islamic Banking Services has an allocated capital of RO 70 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 30 June 2022 (30 June 2021 : RO 70 million)

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

14. Share capital (Continued)

Tier 1 USD Securities

Tier 1 USD Securities

On 27 May 2015, the Bank issued Perpetual Tier 1 USD Capital Securities (the “Tier 1 USD Securities”), amounting to USD 300,000,000. This Tier 1 USD Securities is listed in Irish Stock Exchange (now traded as Euronext Dublin).

The Tier 1 USD 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 USD Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion on 27 May 2020 (the “First Call Date”) or on any interest payment date thereafter subject to the prior consent of the regulatory authority. However, due to the prevailing Covid-19 global pandemic and market conditions at that time, the Bank was not able to exercise the option at the First Call Date.

The Tier 1 USD 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. As specified in the terms and conditions of Tier 1 USD Securities, the interest for the five year reset period is at fixed annual rate of 5.519% from the First Call Date. Interest will be payable semi-annually in arrears and treated as deduction from equity.

Tier 1 RO Securities

On 27 December 2018, the Bank issued Perpetual Tier 1 RO Capital Securities (the “Tier 1 RO Securities”), amounting to OMR 40,000,000, denominated in Riyal Omani. This Tier 1 RO Securities is listed on Muscat Stock Exchange.

The Tier 1 RO 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 RO Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion on 27 December 2023 (the “First Call Date”) or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

15. 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 end by the number of shares outstanding at period end as follows:

	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
Net assets (RO)	545,155,000	539,477,000	543,019,000
Number of shares outstanding at the end of the period / year	2,996,351,436	2,996,351,436	2,996,351,436
Net assets per share (RO)	0.182	0.180	0.181

16. Interest income/ Income from Islamic Financing

	Unaudited 6 months 30 June 2022 RO'000	Unaudited 6 months 30 June 2021 RO'000	Unaudited 3 months 30 June 2022 RO'000	Unaudited 3 months 30 June 2021 RO'000
Conventional Banking				
Loans and advances	75,150	74,093	38,258	37,130
Due from banks	2,177	3,692	970	1,794
Investments	9,842	8,699	5,011	4,454
Total	87,169	86,484	44,239	43,378
Islamic Banking				
Islamic financing receivables	14,883	14,182	7,637	7,079
Islamic due from banks	5	4	4	1
Investments	2,469	2,269	1,250	1,139
Total	17,357	16,455	8,891	8,219

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

17. Interest expense / distribution to depositors

	Unaudited 6 months 30 June 2022 RO'000	Unaudited 6 months 30 June 2021 RO'000	Unaudited 3 months 30 June 2022 RO'000	Unaudited 3 months 30 June 2021 RO'000
Conventional Banking				
Customers' deposits / Subordinated liabilities / mandatory convertible bonds	(32,762)	(40,678)	(15,761)	(20,729)
Bank borrowings	(5,879)	(4,878)	(3,725)	(2,400)
Total	<u>(38,641)</u>	<u>(45,556)</u>	<u>(19,486)</u>	<u>(23,129)</u>
	Unaudited 6 months 30 June 2022 RO'000	Unaudited 6 months 30 June 2021 RO'000	Unaudited 3 months 30 June 2022 RO'000	Unaudited 3 months 30 June 2021 RO'000
Islamic Banking				
Islamic customer deposits	<u>(6,456)</u>	<u>(6,661)</u>	<u>(3,286)</u>	<u>(3,349)</u>
Islamic bank borrowing	<u>(383)</u>	<u>(853)</u>	<u>(228)</u>	<u>(470)</u>
Total	<u><u>(6,839)</u></u>	<u><u>(7,514)</u></u>	<u><u>(3,514)</u></u>	<u><u>(3,819)</u></u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

18. 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 30th June 2022 attributable to ordinary shareholders as follows:

	Unaudited 30 June 2022	Unaudited 30 June 2021
Profit for the period (RO) ('000)	16,447	17,056
Less : Additional Tier 1 Coupon	(4,683)	(4,684)
Profit for the period attributable to equity holders of the Bank ('000)	<u>11,764</u>	<u>12,372</u>
Weighted average number of shares outstanding during the period	<u>2,996,351,436</u>	<u>2,996,351,436</u>
Earnings per share basic and diluted (RO)	<u>0.004</u>	<u>0.004</u>

Earnings per share (basic and diluted) have been derived by dividing the profit for the period attributable to equity holders of the bank after coupon on Tier I capital securities by the weighted average number of shares outstanding during the period. As there are no dilutive potential shares issued by Bank, the diluted earnings per share is identical to the basic earnings per share.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

19. 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 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Loans, advances and financing			
Directors and shareholders holding 10% or more interest in the Bank	-	-	-
Directors, shareholders (holding 20% or more interest in the Bank)	49,407	51,521	53,728
Other related parties	62,172	58,181	63,788
	<u>111,579</u>	<u>109,702</u>	<u>117,516</u>
Subordinated loans			
Directors and shareholders holding 10% or more interest in the Bank	-	-	-
Directors, shareholders (holding 20% or more interest in the Bank)	15,000	15,000	15,000
Other related parties	14,000	14,000	14,000
	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>
Deposits and other accounts			
Directors and shareholders holding 10% or more interest in the Bank	80,967	224,299	75,906
Directors, shareholders (holding 20% or more interest in the Bank)	66,382	88,054	54,117
Other related parties	294,423	150,794	211,388
	<u>441,772</u>	<u>463,147</u>	<u>341,411</u>
Contingent liabilities and commitments			
Directors and shareholders holding 10% or more interest in the Bank	-	-	-
Directors, shareholders (holding 20% or more interest in the Bank)	3,857	3,843	3,100
Other related parties	6,235	12,204	16,950
	<u>10,092</u>	<u>16,047</u>	<u>20,050</u>
Remuneration paid to Directors			
Chairman			
– remuneration paid	19	36	36
– sitting fees paid	5	4	10
Other Directors			
– remuneration paid	131	264	264
– sitting fees paid	44	36	74
	<u>199</u>	<u>340</u>	<u>384</u>
Other transactions			
Rental payment to related parties	248	279	539
Insurance	1,091	1,346	1,970
Other transactions	-	101	101
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	42	41	53

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

19. Related parties' transactions (continued)

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

Single borrower and senior members

	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
(a) Senior members			
Total exposure:			
Direct	116,623	115,539	123,432
Indirect	<u>10,092</u>	<u>16,047</u>	<u>20,050</u>
	<u><u>126,715</u></u>	<u><u>131,586</u></u>	<u><u>143,482</u></u>
Number of members	<u><u>41</u></u>	<u><u>40</u></u>	<u><u>41</u></u>

20. Contingent liabilities

Letters of credit, guarantees and other commitments provided by the Bank to the customers are as follows:

	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Letters of credit	88,786	75,936	68,983
Guarantees and performance bonds	<u>570,318</u>	<u>514,687</u>	<u>500,242</u>
	<u><u>659,104</u></u>	<u><u>590,623</u></u>	<u><u>569,225</u></u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

21. Disaggregation of net fees and commission income

	Retail banking	Corporate banking	Treasury and investment banking	Total
	RO'000	RO'000	RO'000	RO'000
30 June 2022				
Fee Income				
Transactional services	3,192	439	-	3,631
Trade services	6	2,874	-	2,880
Syndication and other financing related services	442	2,067	590	3,099
Advisory and asset management services	-	8	207	215
	3,640	5,388	797	9,825
Fee Expense				
Transactional Services	(1,205)	-	(127)	(1,332)
Syndication and Other Financing related services	-	-	(617)	(617)
	(1,205)	-	(744)	(1,949)
Net fee and commission income	2,435	5,388	53	7,876

	Retail banking	Corporate banking	Treasury and investment banking	Total
	RO'000	RO'000	RO'000	RO'000
30 June 2021				
Fee Income				
Transactional services	3,752	517	-	4,269
Trade services	-	1,892	-	1,892
Syndication and other financing related services	329	2,809	121	3,259
Advisory and asset management services	-	4	-	4
	4,081	5,222	121	9,424
Fee Expense				
Transactional Services	(782)	-	-	(782)
Syndication and Other Financing related services	-	-	(1,253)	(1,253)
	(782)	-	(1,253)	(2,035)
Net fee and commission income	3,299	5,222	(1,132)	7,389

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

21. Disaggregation of net fees and commission income (continued)

	Retail banking	Corporate banking	Treasury and investment banking	Total
31 December 2021	RO'000	RO'000	RO'000	RO'000
Fee Income				
Transactional services	7,461	21	-	7,482
Trade services	-	3,784	57	3,841
Syndication and other financing related services	782	4,448	1,244	6,474
Advisory and asset management services	-	109	-	109
	8,243	8,362	1,301	17,906
Fee Expense				
Transactional Services	(1,409)	-	-	(1,409)
Syndication and Other Financing related services	-	-	(1,050)	(1,050)
	(1,409)	-	(1,050)	(2,459)
Net fee and commission income	6,834	8,362	251	15,447

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

22. Risk Management

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

(a) Credit Risk

Customer concentrations

	Assets			Liabilities		
	Gross loans and financing to banks	Gross Loans, advances and financing to customers	Investment Securities	Deposits from customers	Due to banks	Contingent liabilities
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
30 June 2022						
Personal	-	1,256,852	-	729,383	-	-
Corporate	244,822	1,627,033	51,942	1,120,258	449,896	658,697
Government	-	627,492	454,193	1,103,437	-	407
	244,822	3,511,377	506,135	2,953,078	449,896	659,104
30 June 2021						
Personal	-	1,246,661	-	765,310	-	376
Corporate	286,261	1,782,496	32,674	1,328,048	420,277	589,361
Government	-	461,220	432,754	962,902	-	886
	286,261	3,490,377	465,428	3,056,260	420,277	590,623
31 December 2021						
Personal	-	1,260,349	-	801,147	-	1,674
Corporate	126,248	1,804,372	41,505	1,055,394	460,889	567,308
Government	-	449,101	404,958	1,119,098	-	243
	126,248	3,513,822	446,463	2,975,639	460,889	569,225

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

22. Risk Management (continued)

Credit Risk (continued)

Credit Quality Analysis

The financial assets have been segregated into various portfolios like exposure to Banks, Sovereign, Wholesale Banking and Retail customers. Exposure to Retail customer includes personal loans, housing loans and credit cards. Exposure to Wholesale Banking customer includes exposure other than retail and bank exposure.

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The following table provides the exposure to non-trading financial assets measured at amortized cost & FVOCI. Exposure to financial asset includes outstanding as at 30 June 2022:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
30 June 2022				
<i>Exposure</i>				
Banks	523,171	2,896	-	526,067
Sovereigns	317,810	-	-	317,810
Wholesale banking	2,282,472	1,037,446	138,299	3,458,217
Retail banking	1,185,944	16,328	61,293	1,263,565
Investments	46,009	-	-	46,009
Total	4,355,406	1,056,670	199,592	5,611,668
Provision for expected credit losses	15,543	60,732	89,758	166,033
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
30 June 2021				
<i>Exposure</i>				
Banks	361,034	1	-	361,035
Sovereigns	429,719	-	-	429,719
Wholesale banking	2,544,365	867,410	115,129	3,526,904
Retail banking	1,369,292	13,954	61,524	1,444,770
Investments	35,247	-	-	35,247
Total	4,739,657	881,365	176,653	5,797,675
Provision for expected credit losses	28,045	33,647	78,929	140,621
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31 December 2021				
<i>Exposure</i>				
Banks	539,930	390	-	540,320
Sovereigns	404,041	-	-	404,041
Wholesale banking	2,302,494	1,026,136	126,457	3,455,087
Retail banking	1,211,798	12,974	60,398	1,285,170
Investments	37,109	-	-	37,109
Total	4,495,372	1,039,500	186,855	5,721,727
Provision for expected credit losses	27,645	40,353	82,535	150,533

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

22. Risk Management (continued)

Credit Risk (continued)

Inputs, assumptions and techniques used for estimating impairment

a. Significant increase in credit risk (SICR)

The assessment of SICR since origination of a financial asset considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking information. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap.

For retail exposures, a significant increase in credit risk cannot be assessed using forward looking information at an individual account level. Therefore, the assessment is done at the segment level. Segment migration thresholds exist for each PD model by product which considers the proportionate change in PD as well as the absolute change in PD. The thresholds used for PD migration are reviewed and assessed at least annually, unless there is a significant change in credit risk management practices in which case the review is brought forward.

For non-retail exposures the Bank uses an internal risk rating scale (IG codes) for its non-retail exposures. All non-retail exposures have an IG code assigned that reflects the probability of default of the borrower. Both borrower specific and non-borrower specific (i.e. macroeconomic) forward looking information is considered and reflected in the IG rating. Significant increase in credit risk is evaluated based on the migration of the exposures among IG codes.

Incorporation of forward looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 25% probability of occurring. External information considered includes economic data and forecasts published by monetary authorities and selected private-sector forecasters. A comprehensive review is performed at least annually on the design of the scenarios by the Bank's senior management.

B. Liquidity risk

The Central Bank of Oman has issued guidelines on the implementation of Basel III liquidity framework which are Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The Bank is in compliance of the regulatory limit of LCR as at 30 June 2022, with LCR of 147.83% calculated on weighted average value for the period ended (30 June 2021: 138.86%) (31st December 2021: 154.09%).

The Net Stable Funding Ratio (NSFR) is a longer-term structural ratio designed to address liquidity mismatches and reduce funding risk over a one-year horizon. It is effective January 2018, with a minimum ratio of 100% as per the regulatory guidance. The Bank is meeting the regulatory limit of NSFR as at 30 June 2022, with a NSFR of 111.93% calculated on weighted average value for the period ended (30 June 2020: 114.73%) (31st December 2021: 117.02%).

The full report on LCR and NSFR is disclosed by the Bank in its website under the Investors Relations section.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

22. Risk Management (continued)

A. Liquidity risk (continued)

Maturity profile of assets and liabilities

30 June 2022	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
Cash and balances with Central Bank of Oman	80,951	-	-	-	500	81,451
Loan and advances to customer	166,176	334,175	249,235	692,053	1,879,377	3,321,015
Loans and advances to banks	123,713	120,865	-	-	-	244,578
Investment securities	40,990	25,125	55,542	255,671	128,721	506,049
Other assets	25,314	-	147,982	-	49,836	223,132
Total Assets Funded	437,144	480,165	452,759	947,724	2,058,434	4,376,225
Spot and Forward Purchases (notional value)	346,933	319,137	295,183	231,892	-	1,193,144
Total Assets Funded and Non Funded	784,077	799,302	747,942	1,179,616	2,058,434	5,569,369
Due to banks	85,403	79,472	96,250	188,772	-	449,896
Deposits from customers	223,090	644,668	670,306	844,672	570,342	2,953,078
Other liabilities	69,028	3,406	139,003	5,045	21,114	237,596
Subordinated loans				35,000		35,000
Total liabilities	377,521	727,546	905,559	1,073,489	591,456	3,675,570
Spot and Forward Purchases (notional value)	346,680	319,026	294,818	231,209	-	1,191,733
Loan commitments	583,444					583,444
Letter of credit	763,64					763,64
Guarantees and performance bonds	557,486					557,486
Total Liabilities Funded and Non Funded	1,941,495	1,046,572	1,200,377	1,304,698	591,456	6,084,597
Cumulative Liabilities	1,941,495	2,988,066	4,188,443	5,493,141	6,084,597	
Gap	(1,157,417)	(247,270)	(452,436)	(125,082)	1,466,977	
Cumulative Gap	(1,157,417)	(1,404,687)	(1,857,123)	(1,982,206)	(515,228)	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

22. Risk Management (continued)

A. Liquidity risk (continued)

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
30 June 2021	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	113,354	-	-	-	500	113,854
Loan and advances to customer	142,005	391,226	366,542	889,568	1,547,973	3,337,314
Loans and advances to banks	108,042	175,334	1,925	-	-	285,301
Investment securities	40,000	5,509	10,087	240,601	168,988	465,185
Other assets	45,404	-	146,608	-	47,758	239,771
Total Assets Funded	448,807	572,069	525,162	1,130,169	1,765,219	4,441,425
Spot and Forward Purchases (notional value)	356,507	521,226	541,944	31,136	-	1,450,813
Total Assets Funded and Non Funded	805,313	1,093,295	1,067,106	1,161,305	1,765,219	5,892,238
Due to banks	48,877	53,775	192,500	125,125	-	420,277
Deposits from customers	260,000	913,131	564,566	710,240	608,324	3,056,260
Other liabilities	59,942	617	144,219	8,417	21,716	234,910
Subordinated loans	-	-	-	35,000	-	35,000
Total liabilities	368,818	967,523	901,285	878,781	630,040	3,746,447
Spot and Forward Purchases (notional value)	355,246	520,706	538,869	30,800	-	1,445,621
Loan commitments	698,371	-	-	-	-	698,371
Letter of credit	75,936	-	-	-	-	75,936
Guarantees and performance bonds	514,687	-	-	-	-	514,687
Total Liabilities Funded and Non Funded	2,013,058	1,488,229	1,440,154	909,581	630,040	6,481,063
Cumulative Liabilities	2,013,058	3,501,287	4,941,442	5,851,023	6,481,063	
Gap	(1,207,745)	(394,934)	(373,048)	251,723	1,135,179	
Cumulative Gap	(1,207,745)	(1,602,679)	(1,975,727)	(1,724,004)	(588,825)	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

22. Risk Management (continued)

A. Liquidity risk (continued)

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
31 December 2021	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	250,979	-	-	-	500	251,479
Loan and advances to customer	169,023	507,969	171,014	762,567	1,735,650	3,346,223
Loans and advances to banks	46,223	56,552	22,323	-	-	125,098
Investments FVTPL	-	-	-	-	2,823	2,823
Investments FVOCI Debt Instrument	-	-	10	89,628	27,115	116,753
Investments FVOCI-Equity	-	-	-	-	2,490	2,490
Investments at amortized cost	-	-	-	213,935	110,215	324,150
Other assets	46,399	-	181,098	-	18,290	245,787
Total Assets Funded	512,624	564,521	374,445	1,066,130	1,897,083	4,414,803
Spot and Forward Purchases (notional value)	472,119	731,465	154,973	120,537	-	1,479,094
Total Assets Funded and Non Funded	984,743	1,295,986	529,418	1,186,667	1,897,083	5,893,897
Future Interest cash inflows	15,439	70,126	70,623	415,065	331,237	902,490
Due to banks	119,009	201,355	9,625	130,900	-	460,889
Deposits from customers	274,992	679,501	554,497	861,068	605,581	2,975,639
Other liabilities	66,185	9973	181,649	5,515	5,417	268,739
Subordinated loans	-	-	-	35,000	-	35,000
Total liabilities	460,186	890,829	745,771	1,032,483	610,998	3,740,267
Spot and Forward Purchases (notional value)	470,398	730,512	154,707	119,350	-	1,474,967
Loan commitments	623,405	-	-	-	-	623,405
Letter of credit	68,983	-	-	-	-	68,983
Guarantees and performance bonds	500,242	-	-	-	-	500,242
Total Liabilities Funded and Non Funded	2,123,214	1,621,341	900,478	1,151,833	610,998	6,407,864
Future Interest cash outflows	4,823	53,749	43,590	142,112	620,832	865,106
Cumulative Liabilities	2,123,214	3,744,555	4,645,033	5,796,866	6,407,864	
Gap	1,138,471	325,355	371,060	(34,834)	(1,286,085)	
Cumulative Gap	1,138,471	1,463,826	1,834,886	1,800,052	513,967	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

23. 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

Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for six-month period ended 30 June 2022 is 17.15% (30 June 2020 – 17.37%, 31 December 2021 – 17.74%).

Capital structure	Unaudited 30 June 2022 RO'000	Unaudited 30 June 2021 RO'000	Audited 31 December 2021 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	299,635	299,635	299,635
Legal reserve	64,538	62,025	64,538
Share premium	95,656	95,656	95,656
Special reserve	16,988	17,488	16,988
Subordinated bonds and loan reserve	28,000	21,000	28,000
Retained earnings	22,930	24,399	22,930
CET I/Tier I Capital	527,747	520,203	527,747
Additional Tier I regulatory adjustments:			
Deferred tax Assets	(3,421)	(5,340)	(3,420)
Negative investment revaluation reserve	(8,309)	(5,556)	(5,627)
Total CET 1 capital	516,017	509,307	518,700
Additional Tier I capital (AT1)	155,500	155,500	155,500
Total Tier 1 Capital (T1=CET1+AT1)	671,517	664,807	674,200
TIER II CAPITAL			
Investment revaluation reserve	220	541	649
General provision	31,162	34,985	39,108
Subordinated loan	-	14,000	-
Total Tier II capital	31,382	49,526	39,757
Total eligible capital	702,899	714,333	713,957
Risk weighted assets			
Banking book	3,780,376	3,759,358	3,719,641
Trading book	79,159	84,568	64,345
Operational risk	240,038	267,556	240,038
Total	4,099,572	4,111,482	4,024,024
Total Tier 1 Capital (T1=CET1+AT1)	671,517	664,807	674,200
Tier II capital	31,382	49,526	39,757
Total regulatory capital	702,899	714,333	713,957
Common Equity Tier 1 ratio	12.59%	12.39%	12.89%
Tier I capital ratio	16.38%	16.17%	16.75%
Total capital ratio	17.15%	17.37%	17.74%

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

24. Fair value information

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 2022	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial asset					
Investments at FVOCI	140,878	-	517	141,395	144,564
Investments at FVTPL	1,069	-	1,707	2,776	3,160
Forward foreign exchange contracts	-	-	-	-	-
Total assets	141,947	-	2,224	144,171	147,724
At 30 June 2021					
	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial assets					
Investments at FVOCI	97,457	-	572	98,030	102,761
Investments at FVTPL	1,195	-	1,732	2,927	3,255
Forward foreign exchange contracts	-	-	-	-	-
Total assets	98,652	-	2,304	100,957	106,016
At 31 December 2021					
	Level 1 RO '000	Level 2 RO '000	Level 3 RO '000	Total RO '000	Cost RO '000
Financial assets					
Investments at FVOCI	118,973	-	517	119,490	122,967
Investments at FVTPL	1,174	-	1,649	2,823	3,155
Derivative financial instruments					
Forward foreign exchange contracts	-	2,291	-	2,291	-
IRS customer	-	4,310	-	4,310	-
Total	120,147	6,601	2,166	128,914	126,122
	118,973	-	517	119,490	122,967

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 2022

24. Fair value information

At 30 June 2022	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
Derivatives:			
Currency forward - purchase contracts	1,008,318	-	366,650
Currency forward - sales contracts	1,006,907	1,504,530	-
Interest rate swaps – purchase contracts	121,340	3,046	-
Interest rate swaps – sales contracts	121,340	-	3,046
		Fair value increase / decrease	
At 30 June 2021	Contract / notional amount RO'000	Assets RO'000	Liabilities RO'000
Derivatives:			
Currency forward - purchase contracts	1,285,263	3,336	-
Currency forward - sales contracts	1,279,834	-	1,163
Interest rate swaps – purchase contracts	132,182	5,853	-
Interest rate swaps – sales contracts	132,182	-	5,853
		Fair value increase / decrease	
At 31 December 2021	Contract / notional amount RO'000	Assets RO'000	Liabilities RO'000
Derivatives:			
Currency forward - purchase contracts	1,511,919	1,511,919	-
Currency forward - sales contracts	1,507,691	-	1,507,691
Interest rate swaps – purchase contracts	63,134	4,310	-
Interest rate swaps – sales contracts	63,134	-	4,310

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

25 . 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.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

25. Segmental information (continued)

Included in the segment information the consolidated results of the Bank as below:

At 30 June 2022	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	35,054	53,252	16,220	104,526
Other revenues	3,862	5,399	1,771	11,032
	<u>38,916</u>	<u>58,651</u>	<u>17,991</u>	<u>115,558</u>
Segment operating revenues	38,916	58,651	17,991	115,558
Interest, Islamic Window Deposit expenses	(11,520)	(25,584)	(8,376)	(45,480)
	<u>27,396</u>	<u>33,067</u>	<u>9,615</u>	<u>70,078</u>
Net operating income	27,396	33,067	9,615	70,078
Segment cost				
Operating expenses including depreciation	(16,619)	(14,157)	(3,634)	(34,410)
Impairment for loans and investment net recoveries from allowance for loans impairment	2,104	(20,040)	1,615	(16,321)
	<u>12,881</u>	<u>(1,130)</u>	<u>7,596</u>	<u>19,347</u>
Profit from operations after provision	12,881	(1,130)	7,596	19,347
Tax expenses	(1,931)	169	(1,138)	(2,900)
	<u>10,950</u>	<u>(961)</u>	<u>6,458</u>	<u>16,447</u>
Profit for the period	10,950	(961)	6,458	16,447
Segment assets	1,350,802	2,463,046	753,384	4,567,232
Less: Impairment allowance	(54,119)	(136,551)	(337)	(191,007)
	<u>1,296,683</u>	<u>2,326,495</u>	<u>753,047</u>	<u>4,376,225</u>
Total segment assets	1,296,683	2,326,495	753,047	4,376,225
Segment liabilities	766,327	2,386,016	523,227	3,675,570

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

25. Segmental information (continued)

Included in the segment information the consolidated results of the Bank as below:

At 30 June 2021	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	33,870	53,172	15,897	102,939
Other revenues	3,448	5,464	4,213	13,125
	<u>37,318</u>	<u>58,636</u>	<u>20,110</u>	<u>116,064</u>
Interest, Islamic Window Deposit expenses	<u>(12,521)</u>	<u>(30,381)</u>	<u>(10,168)</u>	<u>(53,070)</u>
Net operating income	<u>24,797</u>	<u>28,255</u>	<u>9,942</u>	<u>62,994</u>
Segment cost				
Operating expenses including depreciation	(15,817)	(14,975)	(2,829)	(33,621)
Impairment for loans and investment net recoveries from allowance for loans impairment	(4,048)	(4,664)	(967)	(9,697)
	<u>4,932</u>	<u>8,616</u>	<u>6,146</u>	<u>19,694</u>
Tax expenses	<u>(661)</u>	<u>(1,154)</u>	<u>(823)</u>	<u>(2,638)</u>
Profit for the period	<u>4,271</u>	<u>7,462</u>	<u>5,323</u>	<u>17,056</u>
Segment assets	1,352,552	2,480,490	763,697	4,596,739
Less: Impairment allowance	<u>(56,869)</u>	<u>(97,240)</u>	<u>(1,206)</u>	<u>(155,315)</u>
Total segment assets	<u>1,295,683</u>	<u>2,383,250</u>	<u>762,491</u>	<u>4,441,424</u>
Segment liabilities	<u>816,520</u>	<u>2,476,095</u>	<u>453,832</u>	<u>3,746,447</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

25. Segmental information (continued)

Included in the segment information the consolidated results of the Bank is as below:

At 31 December 2021	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	68,591	106,791	31,338	206,720
Other revenues (net of commission expense)	7,151	9,596	7,276	24,023
Total	75,742	116,387	38,614	230,743
Interest, Islamic Window Deposit expenses	(28,764)	(57,450)	(18,083)	(104,297)
Net operating income	46,978	58,937	20,531	126,446
Segment cost				
Operating expenses including depreciation	(35,035)	(31,576)	(5,729)	(72,340)
Impairment for loans and investment net recoveries from allowance for loans impairment	(4,834)	(18,331)	(1,486)	(24,651)
Profit from operations after provision	7,109	9,030	13,316	29,455
Income tax expenses	(1,046)	(1,328)	(1,958)	(4,332)
Net profit for the year	<u>6,063</u>	<u>7,702</u>	<u>11,358</u>	<u>25,123</u>
Segment assets	1,418,703	2,601,875	588,461	4,609,039
Less: Allowance for expected credit losses	(56,123)	(112,723)	(1,407)	(170,253)
Total segment assets	<u>1,362,580</u>	<u>2,489,152</u>	<u>587,054</u>	<u>4,438,786</u>
Segment liabilities	832,353	2,351,371	546,146	3,729,870
Add: Allowance for expected credit losses	3	8,796	1,598	10,397
Segment liabilities	<u>832,356</u>	<u>2,360,167</u>	<u>547,744</u>	<u>3,740,267</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

26. Comparative figures

Certain corresponding amounts have been reclassified to conform to the presentation for the current year. Such reclassifications are considered as restatements as per IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors as set out below:

A. Cash and cash equivalents

Due from banks with a short term maturity of 3 months or less were previously presented under due from banks instead of cash and cash equivalents within the statement of cash flows. These items are reclassified from due from banks to cash and cash equivalents as set out below:

	2021 – revised	2021 – original
Cash and cash equivalents comprises of:	RO'000	RO'000
Cash and balances with Central Bank of Oman	113,854	113,854
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks with a short term maturity of 3 months or less	101,315	-
Cash and cash equivalents as of 30 June 2021	214,669	113,354

These changes did not impact on other line items within the statement of cash flows apart from operating cash flows or on the other primary statements.