



**Unaudited interim condensed financial statements
For the three-month period ended 31 March 2021**

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 QUARTER ENDED

31st MARCH 2021

Dear Shareholders,

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present to you the Bank's Financial Statements for the year-to-date ended 31st March 2021.

The Bank's Financial Performance year-to-date March 2021

The bank reported a net profit of RO 8.99 million for the year-to-date (YTD) 31st March 2021 compared to RO 8.80 million for same period of last year, a year-on-year Increase of 2.16%. Total assets of the Bank reached RO 4.51 billion in March 2021 as compared to RO 4.36 billion at end of 31st March 2020, 3.44% increase. The Net Loans, Advances and Financing to customers increased 3.76% to reach RO 3.31 billion as at 31st of March 2021 compared to RO 3.19 billion as at 31st of March 2020. Supporting the loan book growth, total customer deposits increased by 0.32% year-on-year from RO 3.10 billion as of 31st of March 2020 to RO 3.11 billion as of 31st of March 2021. Bank's growth in loans and financing book is on a cautious approach factoring in the continued challenges of Covid19 global pandemic.

The Net interest income and income from Islamic Financing activities for first quarter 2021 reported RO 25.22 million as compared to RO 26.20 million, showing decrease of 3.74% year-on-year. Non-funded income such as fees and commissions, foreign exchange profit, investment income etc. also showing an increase, by 59.55% during first quarter 2021, reaching RO 7.77 million compared to RO 4.87 million of first quarter 2020. Total operating income reports strong year-on-year growth of 6.18%, reaching RO 32.99 million for year-to-date 31st March 2021 as against RO 31.07 million same period last year. Operating expenses increased to RO 19.24 million YTD March 2021 compared to RO 18.56 million YTD March 2020, increase of 3.66%. The cost to income ratio reduced, year-on-year, to 58.32% from 59.74%.

Net provisions (Expected Credit Loss 'ECL') increased to RO 3.44 million during Q1-2021 as against RO 2.17 million during Q1-2020, an increase of RO 1.27 million. Year-on-year increase of net provisions reflects market conditions as the Covid19 global pandemic started unravelling after first quarter of last year. However, Gross NPL (Non-performing loans) decreased to 4.55% as at 31st March 2021 from 4.57% as at 31st March 2020. Net NPL, net of interest reserve is 3.80% at 31st March 2021 vs. 3.78% at 31st March 2020; Net NPL, net of interest reserve and ECL provision is 1.80% as at 31st March 2021 compared to 2.04% at 31 March 2020. NPL is based on funded non-performing exposure over total funded exposure.

The earnings per share (EPS) for year-to-date March 2021 are RO 0.003 as compared to RO 0.003 for year-to-date March 2020.

Maisarah Financial Performance Highlights: -

Maisarah Islamic Banking Services continues strong performance during first quarter ended March 2021, with significant growth in earning assets, financing, deposits and the operating profit. During the quarter gross financing portfolio has grown from RO 469.80 million at March 2020 to RO 499.08

million at March 2021, a growth of 6.23%. The gross Sukuk investment portfolio increased by 31.32% from RO 62.49 million at March 2020 to RO 82.06 million at March 2021.

As at March 2021 the total customer deposit reached RO 394.38 million, increased by 2.35% compared to RO 385.34 million at same period last year. The total assets have increased by 18.29% to RO 654.16 million at 31 March 2021 from RO 553.00 million at 31 March 2020.

The Net Financing income from Financing, Placement and Investment after cost of funds increased 25.76% year-on-year reaching RO 4.54 million during three-month period ended March 2021 against RO 3.61 million at same period last year. Non-Funded income increased by 65.85% to RO 0.68 million as at March 2021 from RO 0.41 million at March 2020. Maisarah total operating income of RO 5.22 million YTD March 2021, increased 30.17%, compared to RO 4.01 million at March 2020.

Maisarah 's YTD March 2021 Operating Profit (before ECL/provisions) increased 46.41% to reach RO 3.06 million compared to RO 2.09 million of previous year same period. Cost to income ratio have improved to 41.40% from 47.99%, year-on-year first quarter 2021.

Profit before tax increased significantly by 83.33% to reach RO 2.86 million YTD March 2021 compared to RO 1.56 million YTD March 2020.

Awards & Accolades

Bank Dhofar won the following rewards during the first quarter 2021 and those awards are testimony to the continued efforts put in by the Bank:

- One of the most trusted brands in the Sultanate of Oman by Oman Economic Review Magazine (OER)
- Channel innovation runner up award by Infosys Awards

Acknowledgment

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence they have reposed in the Board of Directors and the Executive Management. Also I thank the shareholders for their continuous support and Chairman, members of Sharia Supervisory Board of Maisarah Islamic Banking Services, Management and Staff for their efforts and contributions and continue to enhance its performance with a view to minimize its operational costs, achieve more profits and maintain its position as second ranking bank in the market.

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

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

Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

		Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Assets				
Cash and balances with Central Bank of Oman	5	209,635	362,112	208,836
Investment securities	8	433,988	415,769	457,817
Loans, advances and financing to banks	6	297,129	249,109	121,522
Loans, advances and financing to customers (conventional)	7	2,816,711	2,728,959	2,790,468
Islamic financing receivables	7	490,383	463,922	475,020
Other assets		246,471	116,255	181,915
Intangible asset	9	-	298	-
Property and equipment	10	20,570	19,313	21,445
Total assets		4,514,887	4,355,737	4,257,023
Liabilities				
Due to banks	11	402,715	402,049	451,955
Deposits from customers (Conventional)	12	2,713,686	2,710,963	2,488,053
Islamic customers deposits	12	394,379	385,340	373,262
Other liabilities		253,474	133,414	195,085
Tax Liabilities		11,989	9,694	17,804
Subordinated loans	13	35,000	35,000	35,000
Total liabilities		3,811,243	3,676,460	3,561,159
Shareholders' equity				
Share capital	14	299,635	299,635	299,635
Share premium		95,656	95,656	95,656
Legal reserve		62,025	58,966	62,025
Special reserve		17,488	18,488	17,488
Special reserve –restructured loans		1,281	1,281	1,281
Special impairment reserve IFRS 9		9,751	12,676	12,184
Special revaluation reserve - investment		(709)	(709)	(709)
Subordinated loan reserve		21,000	14,000	21,000
Investment revaluation reserve		(3,581)	(7,332)	(2,370)
Retained earnings		45,598	31,086	34,174
Total equity attributable to the equity holders of the Bank		548,144	523,747	540,364
Perpetual Tier 1 Capital Securities		155,500	155,530	155,500
Total equity		703,644	679,277	695,864
Total liabilities and equity		4,514,887	4,355,737	4,257,023
Contingent liabilities and commitments	19	634,727	783,276	661,491
Net assets per share (Rial Omani)	15	0.183	0.175	0.180

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.

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

	Notes	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000
Interest income	16	43,106	44,380
Interest expense	17	(22,427)	(21,789)
Net interest income		20,679	22,591
Income from Islamic financing / Investments	16	8,236	7,327
Unrestricted investment account holders' share of profit and profit expense	17	(3,695)	(3,721)
Net income from Islamic financing and Investment activities		4,541	3,606
Fees and commission income		5,247	4,554
Fees and commission expense		(910)	(931)
Net fees and commission income		4,337	3,623
Other operating income		3,428	1,247
Operating income		32,985	31,067
Staff and administrative costs		(17,498)	(16,914)
Depreciation		(1,742)	(1,650)
Operating expenses		(19,240)	(18,564)
Net Impairment losses on financial assets		(3,442)	(2,166)
Profit from operations after provision		10,303	10,337
Income tax expense		(1,312)	(1,542)
Profit for the period		8,991	8,795
For the Three-Month Period ended 31st March			
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Movement in fair value reserve (FVOCI equity instrument)		(67)	(196)
<i>Items that are or may be reclassified to profit or loss in subsequent periods:</i>			
Movement in fair value reserves			
- FVOCI debt instruments		(1,144)	(6,509)
Other comprehensive income / (loss) for the period		(1,211)	(6,705)
Total comprehensive income for the period		7,780	2,090
Earnings per share (basic and diluted) (Rial Omani)	18	0.003	0.003

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

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

	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
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		-	-	-	-	-	-	-	-	-	8,991	8,991	-	8,991
Other comprehensive income for the period:		-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes of fair value reserve		-	-	-	-	-	-	-	-	-	-	-	-	-
- FVOCI equity instruments		-	-	-	-	-	-	-	-	(67)	-	(67)	-	(67)
- FVOCI debt instruments		-	-	-	-	-	-	-	-	(1,144)	-	(1,144)	-	(1,144)
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(1,211)	8,991	7,780	-	7,780
Transfer to Retained Earnings		-	-	-	-	-	(2,433)	-	-	-	2,433	-	-	-
Revaluation perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	-	-	-	-
Interest exchange cost on perpetual Tier 1 coupon		-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend for 2020	14	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at 31 March 2021		299,635	95,656	62,025	17,488	1,281	9,751	(709)	21,000	(3,581)	45,598	548,144	155,500	703,644

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

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 March 2021 (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
Balances as at 1 January 2020		299,635	95,656	58,966	18,488	1,281	4,654	(709)	42,875	(627)	10,436	530,655	155,500	686,155
Profit for the period		-	-	-	-	-	-	-	-	-	8,795	8,795	-	8,795
Other comprehensive income for the period:														
Net changes of fair value reserve														
- FVOCI equity instruments		-	-	-	-	-	-	-	-	(196)	-	(196)	-	(196)
- FVOCI debt instruments		-	-	-	-	-	-	-	-	(6,509)	-	(6,509)	-	(6,509)
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(6,705)	8,795	2,090	-	2,090
Transfer to special impairment reserve IFRS 9		-	-	-	-	-	8,022	-	-	-	(8,022)	-	-	-
Revaluation perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	-	-	30	30
Interest exchange cost on perpetual Tier 1 coupon		-	-	-	-	-	-	-	-	-	(9)	(9)	-	(9)
Transfer to retained earnings		-	-	-	-	-	-	-	(28,875)	-	28,875	-	-	-
Transactions with owners recorded directly in equity														
Dividend for 2019	14	-	-	-	-	-	-	-	-	-	(8,989)	(8,989)	-	(8,989)
Balances as at 31 March 2020		<u>299,635</u>	<u>95,656</u>	<u>58,966</u>	<u>18,488</u>	<u>1,281</u>	<u>12,676</u>	<u>(709)</u>	<u>14,000</u>	<u>(7,332)</u>	<u>31,086</u>	<u>523,747</u>	<u>155,530</u>	<u>679,277</u>

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

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 March 2021 (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 2020	299,635	95,656	58,966	18,488	1,281	4,654	(709)	42,875	(627)	10,436	530,655	155,500	686,155
Profit for the year													
Other comprehensive income for the year:													
Net changes in fair value reserve													
- FVOCI equity instrument	-	-	-	-	-	-	-	-	(368)	-	(368)	-	(368)
- FVOCI debt instruments	-	-	-	-	-	-	-	-	(1,375)	-	(1,375)	-	(1,375)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(1,743)	30,585	28,842	-	28,842
Transfer to special impairment reserve IFRS 9 (net of tax)	-	-	-	-	-	7,530	-	-	-	(7,530)	-	-	-
Transfer to legal reserve	-	-	3,059	-	-	-	-	-	-	(3,059)	-	-	-
Transfer to subordinated loan reserve	-	-	-	-	-	-	-	7,000	-	(7,000)	-	-	-
Transfer to Retained Earnings	-	-	-	-	-	-	-	(28,875)	-	28,875	-	-	-
Perpetual Tier 1 capital securities:													
Payment towards perpetual Tier 1 coupon	-	-	-	(1,000)	-	-	-	-	-	1,000	-	-	-
Transactions with equity holders recorded directly in equity													
Dividend paid	14	-	-	-	-	-	-	-	-	(8,989)	(8,989)	-	(8,989)
Balances as at 31 December 2020	<u>299,635</u>	<u>95,656</u>	<u>62,025</u>	<u>17,488</u>	<u>1,281</u>	<u>12,184</u>	<u>(709)</u>	<u>21,000</u>	<u>(2,370)</u>	<u>34,174</u>	<u>540,364</u>	<u>155,500</u>	<u>695,864</u>

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

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	10,303	10,337
<i>Adjustment for:</i>		
Depreciation and amortisation	1,742	1,749
Net impairment on financial instruments	3,442	2,166
End of service benefits provision for the period	237	199
(Gain)/loss on sale of investments	(1,512)	(177)
Revaluation Losses	-	30
Operating profit before working capital changes	14,212	14,304
<i>Change in working capital:</i>		
Increase in due to banks	(49,240)	(88,130)
Decrease in due from banks	(175,607)	222,049
Increase in loans & advances and financing	(45,048)	(131,697)
Net movement in Investment securities	24,130	(43,745)
Increase in other assets	(64,556)	(23,443)
Increase in customer deposits	246,750	153,115
Increase in other liabilities	58,353	2,209
Cash used in operations	8,994	104,662
Taxes paid	(7,127)	(3,203)
End of service benefits paid	(201)	(88)
Net cash (used in) / from operating activities	1,666	16,855
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(867)	(1,791)
Proceeds from sale of property and equipment	-	-
Net cash used in investing activities	(867)	(1,791)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) / proceeds from subordinated debt	-	(28,875)
Dividend paid	-	(8,989)
AT1 Coupon Paid	-	(9)
Net cash from financing activities	-	(37,873)
NET CHANGE IN CASH AND CASH EQUIVALENTS	799	61,707
Cash and cash equivalents at 1 January	208,336	299,905
Cash and cash equivalents at 31 March	209,135	361,612
<i>Cash and cash equivalent comprises of:</i>		
Cash and balances with Central Bank of Oman	209,635	362,112
Capital deposit with Central Bank of Oman	(500)	(500)
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	209,135	361,612
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BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

Reconciliation of liabilities and equity arising from financing activities:

	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000
Subordinated loan		
Balance at beginning of the period	35,000	63,875
Cash flows	-	(28,875)
Balance at end of the period	35,000	35,000
Retained earnings		
Balance at beginning of the period	34,174	10,436
Changes on initial application of IFRS 9	-	-
Profit for the period	8,991	8,795
Transfer to legal reserve	-	-
Transfer to Subordinate reserve	-	-
Transfer from Subordinate to retained earning	-	28,875
Additional Tier 1 coupon	-	(9)
Perpetual tier 1 capital securities issuance cost	-	-
Transfer to special reserve (IFRS 9)	-	(8,022)
Transfer from Special Reserve IFRS9 to retained earning	2,433	-
Bonus shares issued	-	-
Dividend transfer	-	(8,989)
Balance at end of the period	45,598	31,086

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

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 66 branches (31 March 2020: 70 branches) which comprises of 10 Islamic branches (31 March 2020: 10 Islamic branches) and 56 conventional branches (31 March 2020: 60 conventional branches). The Bank’s Islamic Banking Window, “Maisarah Islamic Banking services” has an allocated capital of RO 70 Million (31 March 2020: RO 55 million) from the core paid up capital of the shareholders. The Bank has a primary listing of its ordinary shares on the Muscat Securities Market (“MSM”), and the Bank’s Additional Tier I Perpetual Bonds are listed on the Irish Stock Exchange (“ISE”) and Muscat Securities Market (“MSM”). The Bank’s principal place of business is its Head Office located at Central Business District (“CBD”), Muscat, Sultanate of Oman.

The Bank employed 1,492 employees as of 31 March 2021 (31 March 2020: 1,579 employees).

2 BASIS OF PREPARATION

2.1 Statement of compliance and basis of accounting

The unaudited interim condensed financial statements for the three-month period ended 31 March 2021 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.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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 2020

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 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Cash in hand	31,022	51,500	29,094
Balances with the Central Bank of Oman	140,113	260,549	73,867
Placements with Central Bank of Oman	38,500	50,063	105,875
	<u>209,635</u>	<u>362,112</u>	<u>208,836</u>

At 31 March 2021 cash and balances with Central bank of Oman includes capital deposit amounting to RO 0.5 million (31 March 2020- RO 0.5 million and 31 December 2020 – 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.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

6. Loans, advances and financing to banks

	Unaudited	Unaudited	Audited
	31 March	31 March	31 December
	2021	2020	2020
	RO'000	RO'000	RO'000
Syndicated loans to other banks	55,636	111,486	36,236
Placements with other banks	226,007	114,182	67,750
Current clearing accounts	16,798	24,766	17,990
	298,441	250,434	121,976
Less: impairment allowance	(1,312)	(1,325)	(454)
Net loans, advances and financing	297,129	249,109	121,522

At 31 March 2021 No placement with any bank's individually represented 20% or more of the Bank's placements. (31 March 2020: Nil) and (31st December 2020: Nil).

7. Loans, advances and financing to Customer

(a) Conventional Banking	Unaudited	Unaudited	Audited
	31 March	31 March	31 December
	2021	2020	2020
	RO'000	RO'000	RO'000
Loans	2,682,150	2,569,383	2,670,470
Overdraft	125,297	134,101	123,762
Loans against trust receipts	91,190	90,792	83,750
Bills discounted	46,181	42,972	39,089
Advances against credit cards	8,358	9,223	8,521
Gross Loans, advances and financing to customers	2,953,176	2,846,471	2,925,592
Less: Impairment allowance including reserved interest	(136,465)	(117,512)	(135,124)
Net Loans, advances and financing to customers	2,816,711	2,728,959	2,790,468

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

(b) Islamic Banking Window Financing	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Housing finance	166,059	163,824	166,054
Corporate finance	320,500	293,847	305,055
Consumer finance	13,199	12,571	13,074
Less: Impairment allowance	<u>499,758</u> (9,375)	<u>470,242</u> (6,320)	<u>484,183</u> (9,163)
Net financing to customers	<u>490,383</u>	<u>463,922</u>	<u>475,020</u>

(c) The movement in the impairment allowance is analysed below:	Unaudited 31 March 2021	Unaudited 31 March 2020	Audited 31 December 2020
i. Allowance for loan impairment			
1 January	119,568	94,078	94,078
Allowance made during the period /year	5,945	6,341	39,207
Released to the profit or loss during the period / year	(4,635)	(2,838)	(8,409)
Written off during the period /year	<u>(989)</u>	<u>(10)</u>	<u>(5,308)</u>
Balance at the end of the period/year	<u>119,889</u>	<u>97,571</u>	<u>119,568</u>
ii. Reserved interest			
1 January	24,719	24,169	24,169
Reserved during the period/year	2,749	2,867	11,925
Recoveries to profit or loss during the period/year	(633)	(745)	(2,137)
Written-off during the period/year	<u>(884)</u>	<u>(30)</u>	<u>(9,238)</u>
Balance at the end of the period/year	<u>25,951</u>	<u>26,261</u>	<u>24,719</u>
Total impairment allowance	<u>145,840</u>	<u>123,832</u>	<u>144,287</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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 31 March 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	2,653,594	37,407	14,901	22,506	2,616,187	2,638,693	-	-
Standard	Stage 2	379,021	4,812	5,769	(957)	374,209	373,252	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,032,615	42,219	20,670	21,549	2,990,396	3,011,945	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	263,286	3,437	30,123	(26,686)	259,849	233,163	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		263,286	3,437	30,123	(26,686)	259,849	233,163	-	-
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,048	2,455	3,946	(1,491)	7,136	6,102	-	457
Subtotal		10,048	2,455	3,946	(1,491)	7,136	6,102	-	457
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,274	3,386	3,891	(505)	6,112	6,383	-	776
Subtotal		10,274	3,386	3,891	(505)	6,112	6,383	-	776
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	136,711	94,891	61,259	33,632	17,102	75,452	-	24,718
Subtotal		136,711	94,891	61,259	33,632	17,102	75,452	-	24,718
Total loans and advances		3,452,934	146,388	119,889	26,499	3,280,595	3,333,045	-	25,951
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	2,184,074	279	7,183	(6,904)	2,183,795	2,176,891	-	-
	Stage 2	313,430	-	7,694	(7,694)	313,430	305,736	-	-
	Stage 3	1,785	-	-	-	1,785	1,785	-	-
Subtotal		2,499,289	279	14,877	(14,598)	2,499,010	2,484,412	-	-
	Stage 1	4,837,668	37,686	22,084	15,602	4,799,982	4,815,584	-	-
Total (31 March 2021)	Stage 2	955,737	8,249	43,586	(35,337)	947,488	912,151	-	-
	Stage 3	158,818	100,732	69,096	31,636	32,135	89,722	-	25,951
Total		5,952,223	146,667	134,766	11,901	5,779,605	5,817,457	-	25,951

* 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.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

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

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

31 March 2020

		(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)
Standard	Stage 1	2,268,805	31,174	11,492	19,682	2,237,631	2,257,313	-	-
	Stage 2	652,798	7,477	10,732	(3,255)	645,321	642,066	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		2,921,603	38,651	22,224	16,427	2,882,952	2,899,379	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	243,448	2,928	17,599	(14,671)	240,520	225,849	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		243,448	2,928	17,599	(14,671)	240,520	225,849	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	16,222	4,163	7,419	(3,256)	11,276	8,803	-	783
Subtotal		16,222	4,163	7,419	(3,256)	11,276	8,803	-	783
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	13,797	5,891	5,753	138	6,950	8,044	-	956
Subtotal		13,797	5,891	5,753	138	6,950	8,044	-	956
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	121,643	71,342	44,576	26,766	25,779	77,067	-	24,522
Subtotal		121,643	71,342	44,576	26,766	25,779	77,067	-	24,522
Total loans and advances		3,316,713	122,975	97,571	25,404	3,167,477	3,219,142	-	26,261
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,477,692	488	5,401	(4,914)	1,477,205	1,472,291	-	-
	Stage 2	398,106	-	7,814	(7,814)	398,106	390,292	-	-
	Stage 3	2,462	-	-	-	2,462	2,462	-	-
Subtotal		1,878,260	488	13,215	(12,728)	1,877,773	1,865,045	-	-
Total (31 March 2020)	Stage 1	3,746,497	31,661	16,893	14,768	3,714,836	3,729,604	-	-
	Stage 2	1,294,352	10,405	36,145	(25,740)	1,283,947	1,258,207	-	-
	Stage 3	154,124	81,396	57,748	23,648	72,728	96,376	-	26,261
	Total	5,194,973	123,462	110,786	12,676	5,071,511	5,084,187	-	26,261

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

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

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

31 December 2020

		(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)
Standard	Stage 1	2,592,730	36,881	17,626	19,255	2,555,849	2,575,104	-	-
	Stage 2	403,114	5,287	4,320	967	397,827	398,794	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		2,995,844	42,168	21,946	20,222	2,953,676	2,973,898	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	259,364	3,404	29,394	(25,990)	255,960	229,970	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		259,364	3,404	29,394	(25,990)	255,960	229,970	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,708	5,202	5,059	143	4,998	5,649	-	508
Subtotal		10,708	5,202	5,059	143	4,998	5,649	-	508
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	12,994	6,805	6,447	358	5,122	6,547	-	1,067
Subtotal		12,994	6,805	6,447	358	5,122	6,547	-	1,067
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	130,865	88,882	56,722	32,160	18,839	74,143	-	23,144
Subtotal		130,865	88,882	56,722	32,160	18,839	74,143	-	23,144
Total loans and advances		3,409,775	146,461	119,568	26,893	3,238,595	3,290,207	-	24,719
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,919,338	186	5,743	(5,557)	1,919,152	1,913,595	-	-
	Stage 2	296,656	-	7,001	(7,001)	296,656	289,655	-	-
	Stage 3	1,953	-	-	-	1,953	1,953	-	-
Subtotal		2,217,947	186	12,744	(12,558)	2,217,761	2,205,203	-	-
Total (31 December 2020)	Stage 1	4,512,068	37,067	23,369	13,698	4,475,001	4,488,699	-	-
	Stage 2	959,134	8,691	40,715	(32,024)	950,443	918,419	-	-
	Stage 3	156,520	100,889	68,228	32,661	30,912	88,292	-	24,719
	Total	5,627,722	146,647	132,312	14,335	5,456,356	5,495,410	-	24,719

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.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

(d) Restructured Loans (continued)

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

At 31 March 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	2,424	12	37	(25)	2,412	2,387	-	-
	Stage 2	123,208	4,885	15,259	(10,374)	118,323	107,949	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		125,632	4,897	15,296	(10,399)	120,735	110,336	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	5,734	2,936	2,398	538	1,447	3,336	-	1,351
Sub total		5,734	2,936	2,398	538	1,447	3,336	-	1,351
Total (31 March 2021)	Stage 1	2,424	12	37	(25)	2,412	2,387	-	-
	Stage 2	123,208	4,885	15,259	(10,374)	118,323	107,949	-	-
	Stage 3	5,734	2,936	2,398	538	1,447	3,336	-	1,351
	Total	131,366	7,833	17,694	(9,861)	122,182	113,672	-	1,351

* Net of provision and reserve interest as per CBO norms

At 31 March 2020

(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	6,063	272	212	60	5,791	5,851	-	-
	Stage 2	61,116	3,070	4,428	(1,358)	58,046	56,888	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		67,179	3,342	4,640	(1,298)	63,837	62,539	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,433	2,698	1,782	916	658	2,651	-	1,077
Sub total		4,433	2,698	1,782	916	658	2,651	-	1,077
Total (31 March 2020)	Stage 1	6,063	272	212	60	5,791	5,851	-	-
	Stage 2	61,116	3,070	4,428	(1,358)	58,046	56,888	-	-
	Stage 3	4,433	2,698	1,782	916	658	2,651	-	1,077
	Total	71,612	6,040	6,422	(382)	64,495	65,190	-	1,077

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

(d) Restructured Loans (continued)

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

At 31st December 2020

(Amounts in RO '000)

Asset Classification as per CBO Norms 31 December 2020 (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 as per IFRS 9 (9)	Reserve interest as per CBO norms (10)
	Stage 1	6,940	65	203	(138)	6,875	6,737	-	-
Classified as performing	Stage 2	61,014	4,331	9,342	(5,011)	56,683	51,672	-	-
	Stage 3	-	-	-	-	-	-	-	-
	Subtotal	67,954	4,396	9,545	(5,149)	63,558	58,409	-	-
	Stage 1	-	-	-	-	-	-	-	-
Classified as non-performing	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	5,982	2,834	2,387	447	1,705	3,595	-	1,443
	Sub total	5,982	2,834	2,387	447	1,705	3,595	-	1,443
	Stage 1	6,940	65	203	(138)	6,875	6,737	-	-
	Stage 2	61,014	4,331	9,342	(5,011)	56,683	51,672	-	-
	Stage 3	5,982	2,834	2,387	447	1,705	3,595	-	1,443
Total (31 December 2020)	Total	73,936	7,230	11,932	(4,702)	65,263	62,004	-	1,443

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

(d) Restructured Loans (continued)

v. Impairment charge and provisions held (continued)

31 March 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)	-	3,442	(3,442)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	146,667	134,766	11,901
Gross NPL ratio	4.55%	4.55%	-
Net NPL ratio	0.88%	1.80%	(0.92%)

Gross NPL (Non-performing Loans) are 4.55% and Net NPL is 1.80% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 25.951 million.

Total Impermeant Reserve as end of 31st March 21 Net Tax RO 9,751

31 March 2020

	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)	-	2,166	(2,166)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	123,463	110,787	12,676
Gross NPL ratio	4.57%	4.57%	-
Net NPL ratio	1.33%	2.04%	(0.71%)

Gross NPL (Non-performing Loans) are 4.57% and Net NPL is 2.04% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 26.261 million.

31 December 2020

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	146,647	132,312	14,335
Gross NPL ratio	4.53%	4.53%	-
Net NPL ratio	0.85%	1.81%	(0.96%)

Gross NPL (Non-performing Loans) are 4.53% and Net NPL is 1.81% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 24.719 million.

Total Impermeant Reserve Net Tax RO 12,184

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

7. Loans, advances and financing to customers (continued) (e) Financial assets and financial liabilities (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 March 2021:

	<i>RO'000</i>			
	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	178,113	-	-	178,113
Due from Banks	298,441	-	-	298,441
Sovereign	387,741	-	-	387,741
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	38,126	-	-	38,126
Loans and advances	2,653,594	642,307	157,033	3,452,934
Accrued profit	36,253	10,471	54	46,778
Acceptances	137,727	14,800	-	152,527
Total funded gross exposure	3,730,912	667,578	157,087	4,555,577
Letters of credit/guarantee	521,435	111,561	1,731	634,727
Loan commitment / unutilised limits	585,321	176,598	-	761,919
Total non-funded gross exposure	1,106,756	288,159	1,731	1,396,646
Total gross exposure	4,837,668	955,737	158,818	5,952,223
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	1,312	-	-	1,312
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	216	-	-	216
Loans and advances	14,901	35,892	69,096	119,889
Accrued profit	112	292	-	404
Acceptances	518	23	-	541
Total funded impairment	17,059	36,207	69,096	122,362
Letters of credit/guarantee	3,151	6,471	-	9,622
Loan commitment/unutilised limits	1,874	908	-	2,782
Total non-funded impairment	5,025	7,379	-	12,404
Total impairment	22,084	43,586	69,096	134,766
Net exposure				
Central Bank balances	178,113	-	-	178,113
Due from Banks	297,129	-	-	297,129
Sovereign	387,741	-	-	387,741
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	37,910	-	-	37,910
Loans and advances	2,638,693	606,415	87,937	3,333,045
Accrued Profit	36,141	10,179	54	46,374
Acceptances	137,209	14,777	-	151,986
Total funded net exposure	3,713,853	631,371	87,991	4,433,215
Letter of credit/guarantee	518,284	105,090	1,731	625,105
Loan commitment / unutilised limits	583,447	175,690	-	759,137
Total net non-funded exposure	1,101,731	280,780	1,731	1,384,242
Total net exposure	4,815,584	912,151	89,722	5,817,457

Gross exposure of loans and advances of RO 157.033 million under stage 3 includes reserved interest of RO 25,951 million. Accordingly, the principal outstanding of RO 131.082 was subject to ECL.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

(e) Financial assets and financial liabilities (continued)

(a) Classification of financial assets and liabilities

	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	839	(2,728)	1,889	-
- Loan commitments and financial guarantees	53	(53)	-	-
- Unutilised	(12)	12	-	-
- Interest accrued	(11)	11	-	-
Total	869	(2,758)	1,889	-
Charge for the Period (net)				
- Due from banks	858	-	-	858
- Loans and advances to customers	(3,564)	4,906	(33)	1,309
- Investment securities at FVOCI (Debt)	(22)	-	-	(22)
- Loan commitments and financial guarantees	500	785	-	1,285
- Acceptances	177	8	-	185
- Unutilised	(115)	(62)	-	(177)
- Interest accrued	12	(8)	-	4
Total	(2,154)	5,629	(33)	3,442
Written-off			(988)	(988)
Closing Balance – as at 31 March 2021				
- Due from banks	1,312	-	-	1,312
- Loans and advances to customers	14,901	35,892	69,096	119,889
- Investment securities at FVOCI (Debt)	216	-	-	216
- Loan commitments and financial guarantees	3,151	6,471	-	9,622
- Acceptances	518	23	-	541
- Unutilised	1,874	908	-	2,782
- Interest accrued	112	292	-	404
Total net exposure	22,084	43,586	69,096	134,766

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

7. Loans, advances and financing to customers (continued) (e) Financial assets and financial liabilities (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 March 2020:

	<i>RO'000</i>			
	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	56,869	-	-	56,869
Due from Banks	250,434	-	-	250,434
Sovereign	266,828	-	-	266,828
Investment Securities at amortized cost	20,927	-	-	20,927
Investment Securities at FVOCI	68,215	-	-	68,215
Loans and advances	2,268,805	896,246	151,662	3,316,713
Accrued profit	16,576	6,393	-	22,969
Acceptances	37,635	11,596	-	49,231
Total funded gross exposure	2,986,289	914,235	151,662	4,052,186
Letters of credit/guarantee	528,882	251,932	2,462	783,276
Loan commitment / unutilised limits	231,326	128,185	-	359,511
Total non-funded gross exposure	760,208	380,117	2,462	1,142,787
Total gross exposure	3,746,497	1,294,352	154,124	5,194,973
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	1,325	-	-	1,325
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	196	-	-	196
Loans and advances	11,492	28,331	57,748	97,571
Acceptances	32	24	-	56
Accrued profit	65	175	-	240
Total funded impairment	13,110	28,530	57,748	99,388
Letters of credit/guarantee	2,647	6,434	-	9,081
Loan commitment/unutilised limits	1,136	1,181	-	2,317
Total non-funded impairment	3,783	7,615	-	11,398
Total impairment	16,893	36,145	57,748	110,786
Net exposure				
Central Bank balances	56,869	-	-	56,869
Due from Banks	249,109	-	-	249,109
Sovereign	266,828	-	-	266,828
Investment Securities at amortized Cost	20,927	-	-	20,927
Investment Securities at FVOCI	68,019	-	-	68,019
Loans and advances	2,257,313	867,915	93,914	3,219,142
Accrued Profit	16,511	6,218	-	22,729
Acceptances	37,603	11,572	-	49,175
Total funded net exposure	2,973,179	885,705	93,914	3,952,798
Letter of credit/guarantee	526,235	245,498	2,462	774,195
Loan commitment / unutilised limits	230,190	127,004	-	357,194
Total net non-funded exposure	756,425	372,502	2,462	1,131,389
Total net exposure	3,729,604	1,258,207	96,376	5,084,187

Gross exposure of loans and advances of RO 151.662 million under stage 3 includes reserved interest of RO 26.261 million. Accordingly, the principal outstanding of RO 125.401 million was subject to ECL.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

(e) Financial assets and financial liabilities (continued)

(a) Classification of financial assets and financial liabilities

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2020				
- Due from banks	1,253	-	-	1,253
- Loans and advances to customers	11,586	26,057	56,435	94,078
- Investment securities at FVOCI (Debt)	186	-	-	186
- Loan commitments and financial guarantees	2,442	7,297	-	9,739
- Acceptances	78	18	-	96
- Unutilised	1,891	1,192	-	3,083
- Interest accrued	59	136	-	195
Total	17,495	34,700	56,435	108,630
Net transfer between stages				
- Loans and advances to customers	453	(1,669)	1,216	-
- Loan commitments and financial guarantees	77	(77)	-	-
	(4)	4	-	-
Total	526	(1,742)	1,216	-
Charge for the Period (net)				
- Due from banks				
- Loans and advances to customers	72	-	-	72
- Investment securities at FVOCI (Debt)	(547)	3,943	107	3,503
- Loan commitments and financial guarantees	10	-	-	10
- Acceptances	128	(786)	-	(658)
- Unutilised	(46)	6	-	(40)
- Interest accrued	(751)	(15)	-	(766)
Total	6	39	-	45
Written-off	(1,128)	3,187	107	2,166
			(10)	(10)
Closing Balance – as at 31 March 2020				
- Due from banks				
- Loans and advances to customers	1,325	-	-	1,325
- Investment securities at FVOCI (Debt)	11,492	28,331	57,748	97,571
- Loan commitments and financial guarantees	196	-	-	196
- Acceptances	2,647	6,434	-	9,081
- Unutilised	32	24	-	56
- Interest accrued	1,136	1,181	-	2,317
Total net exposure	65	175	-	240
	16,893	36,145	57,748	110,786

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

7. Loans, advances and financing to customers (continued) (e) Financial assets and financial liabilities (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 2020:

	<i>RO'000</i>			
	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	179,742	-	-	179,742
Due from Banks	121,976	-	-	121,976
Sovereign	393,700	-	-	393,700
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	58,465	-	-	58,465
Loans and advances	2,592,730	662,478	154,567	3,409,775
Accrued Interest	31,717	9,753	656	42,126
Acceptances	97,636	6,496	-	104,132
Total funded gross exposure	3,476,883	678,727	155,223	4,310,833
Letters of credit/guarantee	535,556	102,058	1,953	639,567
Loan commitment / unutilised limits	565,571	178,349	-	743,920
Total non-funded gross exposure	1,101,127	280,407	1,953	1,383,487
Total gross exposure	4,578,010	959,134	157,176	5,694,320
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	454	-	-	454
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	238	-	-	238
Loans and advances	17,626	33,714	68,228	119,568
Accrued Interest	111	289	-	400
Acceptances	341	15	-	356
Total funded impairment	18,770	34,018	68,228	121,016
Letters of credit/guarantee	2,598	5,739	-	8,337
Loan commitment/unutilised limits	2,001	958	-	2,959
Total non-funded impairment	4,599	6,697	-	11,296
Total impairment	23,369	40,715	68,228	132,312
Net exposure				
Central Bank balances	179,742	-	-	179,742
Due from Banks	121,522	-	-	121,522
Sovereign	393,700	-	-	393,700
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	58,227	-	-	58,227
Loans and advances	2,575,104	628,764	86,339	3,290,207
Accrued Interest	31,606	9,464	656	41,726
Acceptances	97,295	6,481	-	103,776
Total funded net exposure	3,458,113	644,709	86,995	4,189,817
Letters of credit/guarantee	532,958	96,319	1,953	631,230
Loan commitment / unutilised limits	563,570	177,391	-	740,961
Total net non-funded exposure	1,096,528	273,710	1,953	1,372,191
Total net exposure	4,554,641	918,419	88,948	5,562,008

Gross exposure of loans and advances of RO 154.567 million under stage 3 includes reserved interest of RO 24.719 million.

Accordingly, the principal outstanding of RO 129.848 million was subject to ECL.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

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

(e) Financial assets and financial liabilities (continued)

(a) Classification of financial assets and financial liabilities

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance (Day 1 impact) – as at 1 January 2020				
- Due from banks	1,253	-	-	1,253
- Loans and advances to customers	11,586	26,057	56,435	94,078
- Investment securities at FVOCI (Debt)	186	-	-	186
- Loan commitments and financial guarantees	2,442	7,297	-	9,739
- Acceptances	78	18	-	96
- Unutilised	1,891	1,192	-	3,083
- Interest Accrued	59	136	-	195
Total	17,495	34,700	56,435	108,630
Net transfer between stages				
- Loans and advances to customers	9,131	(11,203)	2,072	-
- Loan commitments and financial guarantees	2,399	(2,399)	-	-
- Acceptances	-	-	-	-
- Unutilised	(9)	9	-	-
- Interest accrued	1	(4)	3	-
Total	11,522	(13,597)	2,075	-
Charge for the Period (net)				
- Due from banks	(799)	-	-	(799)
- Loans and advances to customers	(3,091)	18,860	15,026	30,795
- Investment securities at FVOCI (Debt)	52	-	-	52
- Loan commitments and financial guarantees	(2,243)	841	-	(1,402)
- Acceptances	263	(3)	-	260
- Unutilised	119	(243)	-	(124)
- Interest accrued	51	157	-	208
Total	(5,648)	19,612	15,026	28,990
Written-off during the year	-	-	(5,308)	(5,308)
Closing Balance – as at 31 December 2020				
- 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 net exposure	23,369	40,715	68,228	132,312

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

(e) Financial assets and financial liabilities (continued)

(b) Classification of financial assets and financial liabilities

31 st March 2021	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	RO'000
				RO'000		Total carrying amount
Cash and balances with CBO	5	-	-	-	209,635	209,635
Loans and advances to banks	6	-	-	-	297,129	297,129
Loans and advances to customers	7	-	-	-	3,307,094	3,307,094
Investment securities	8	2,792	99,318	2,407	329,471	433,988
Other assets		-	-	-	239,453	239,453
		2,792	99,318	2,407	4,382,782	4,487,299
Due to banks	11	-	-	-	402,715	402,715
Deposits from customers	12	-	-	-	3,108,065	3,108,065
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		-	-	-	239,573	239,573
		-	-	-	3,785,353	3,785,353

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31ST MARCH 2021

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

(e) Financial assets and financial liabilities (continued)

(b) Classification of financial assets and financial liabilities

31 st March 2020	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	RO'000
				RO'000		Total carrying amount
Cash and balances with CBO	5	-	-	-	362,112	362,112
Loans and advances to banks	6	-	-	-	249,109	249,109
Loans and advances to customers	7	-	-	-	3,192,881	3,192,881
Investment securities	8	3,936	78,029	3,447	330,357	415,769
Other assets		1,479	-	-	112,272	113,751
		5,415	78,029	3,447	4,246,731	4,333,622
Due to banks	11	-	-	-	402,049	402,049
Deposits from customers	12	-	-	-	3,096,303	3,096,303
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		-	-	-	120,560	120,560
		-	-	-	3,653,912	3,653,912

Other Assets includes RO 1.48 million of derivatives financial instruments mandatorily measured at FVPTL.

31 December 2020	Notes	FVTPL	FVOCI – equity instruments	FVOCI – debt instrument	Amortised cost	RO'000
						Total carrying amount
Cash and balances with CBO	5	-	-	-	208,836	208,836
Loans and advances to banks	6	-	-	-	121,522	121,522
Loans and advances to customers	7	-	-	-	3,265,488	3,265,488
Investment securities	8	4,120	3,276	114,819	335,602	457,817
Other assets	11	14,364	-	-	160,295	174,659
		18,484	3,276	114,819	4,091,743	4,228,322
Due to banks	12	-	-	-	451,955	451,955
Deposits from customers	13	-	-	-	2,861,315	2,861,315
Subordinated liabilities	15	-	-	-	35,000	35,000
Other liabilities	14	10,522	-	-	184,563	195,085
		10,522	-	-	3,532,833	3,543,355

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

8. Investments securities

	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Equity investments:			
Measured at FVTPL	1,618	1,749	1,697
Measured at FVOCI	2,407	3,447	3,276
Gross equity investments	4,025	5,196	4,973
Less: Impairment losses on investments	-	-	-
Net equity investments	4,025	5,196	4,973
Debt investments:			
Designated at FVTPL	1,174	2,187	2,423
Measured at FVOCI	99,534	78,225	115,057
Measured at amortized cost	329,471	330,357	335,602
Gross debt investments	430,179	410,769	453,082
Total investment securities	434,204	415,965	458,055
Less: Impairment loss allowance	(216)	(196)	(238)
Total investment securities	433,988	415,769	457,817
	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Investment securities measured as at FVTPL	2,792	3,936	4,120
Investment securities measured at FVOCI	101,725	81,476	118,095
Debt investments measured at amortised cost	329,471	330,357	335,602
	433,988	415,769	457,187

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 31 st March 2021	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	226	-	226
Unit funds	-	-	-	-
Financial services sector	-	115	-	115
Industrial sector	-	1,493	-	1,493
	-	1,834	-	1,834
Unquoted Equities:				
Local securities	-	573	-	573
Unit funds	1,618	-	-	1,618
	1,618	573	-	2,191
Gross Equity investments	1,618	2,407	-	4,025
Quoted Debt:				
Government Bonds and Sukuk	-	72,364	299,471	371,835
Foreign Bonds	1,174	403	-	1,577
Local Bonds and Sukuks	-	26,767	-	26,767
Treasury Bills	-	-	30,000	30,000
	1,174	99,534	329,471	430,179
Gross debt investments	1,174	99,534	329,471	430,179
Total Investment Securities	2,792	101,941	329,471	434,204
Less: Impairment losses on investments	-	(216)	-	(216)
	2,792	101,725	329,471	433,988

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	-	-	-	5	5
Disposals and redemption	(15,840)	(802)	(6,131)	(1,243)	(24,016)
Gain /(loss) from change in fair value	330	(67)	-	(90)	173
Realised gains on sale	(13)	-	-	-	(13)
At 31 March 2021	99,534	2,407	329,471	2,792	434,204
Less: Impairment losses on investments	(216)	-	-	-	(216)
31 March 2021	99,318	2,407	329,471	2,792	433,988

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 31 st March 2020	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	943	-	943
Unit funds	-	-	-	-
Financial services sector	-	146	-	146
Industrial sector	-	1,598	-	1,598
	-	2,687	-	2,687
Unquoted Equities:				
Local securities	-	760	-	760
Unit funds	1,749	-	-	1,749
	1,749	760	-	2,509
Gross Equity investments	1,749	3,447	-	5,196
Quoted Debt:				
Government Bonds and Sukuk	-	48,818	300,357	349,175
Foreign Bonds	2,187	375	-	2,562
Local bonds and Sukuk	-	29,032	-	29,032
Treasury Bills	-	-	30,000	30,000
Gross Debt Investment	2,187	78,225	330,357	410,769
Total Investment Securities	3,936	81,672	330,357	415,965
Less: FRS 9 ECL Impairment losses on Investments	-	(196)	-	(196)
	3,936	81,476	330,357	415,769

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 2020	70,555	3,643	300,275	4,263	378,736
Exchange difference	4	-	-	-	4
Additions	15,565	-	30,082	-	45,647
Disposals and redemption (loss) from change in fair value	(1,477)	-	-	(155)	(1,632)
Amortization of discount / premium	(6,405)	(196)	-	(172)	(6,773)
	(17)	-	-	-	(17)
At 31 March 2020	78,225	3,447	330,357	3,936	415,965
Less: Impairment losses on investments	(196)	-	-	-	(196)
31 March 2020	78,029	3,447	330,357	3,936	415,769

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 31 December 2020	FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	998	-	998
Financial services sector	-	112	-	112
Industrial sector	-	1,593	-	1,593
	<u>-</u>	<u>2,703</u>	<u>-</u>	<u>2,703</u>
Unquoted Equities:				
Local securities	-	573	-	573
Unit funds	1,697	-	-	1,697
	<u>1,697</u>	<u>573</u>	<u>-</u>	<u>2,270</u>
Gross Equity investments	<u>1,697</u>	<u>3,276</u>	<u>-</u>	<u>4,973</u>
Quoted Debt:				
Government Bonds and sukuk	-	87,887	304,685	392,572
Foreign Bonds	2,423	403	-	2,826
Local bonds and sukuks	-	26,767	917	27,684
Treasury Bills	-	-	30,000	30,000
Gross debt investments	<u>2,423</u>	<u>115,057</u>	<u>335,602</u>	<u>453,082</u>
Total Investment Securities	<u>4,120</u>	<u>118,333</u>	<u>335,602</u>	<u>458,055</u>
Less: Impairment losses on investments	-	(238)	-	(238)
	<u>4,120</u>	<u>118,095</u>	<u>335,602</u>	<u>457,817</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 2020	70,556	3,643	300,275	4,263	378,737
Additions	53,676	-	122,327	-	176,003
Disposals and redemption	(7,839)	-	(87,000)	(156)	(94,995)
Gain /(loss) from change in fair value	(1,271)	(367)	-	13	(1,625)
Amortisation of discount and premium	(65)	-	-	-	(65)
At 31 December 2020	<u>115,057</u>	<u>3,276</u>	<u>335,602</u>	<u>4,120</u>	<u>458,055</u>
Less: Impairment losses on investments	(238)	-	-	-	(238)
31 December 2020	<u>114,819</u>	<u>3,276</u>	<u>335,602</u>	<u>4,120</u>	<u>457,817</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

9. Intangible asset

	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Goodwill net of impairment	-	298	-
	<u>-</u>	<u>298</u>	<u>-</u>
	<u>-</u>	<u>298</u>	<u>-</u>

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

10. Property and equipment

	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Conventional	19,663	18,273	20,462
Islamic window	907	1,040	983
	<u>20,570</u>	<u>19,313</u>	<u>21,445</u>
	<u>20,570</u>	<u>19,313</u>	<u>21,445</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

11. Due to banks

	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Syndicated Inter bank borrowings	317,625	250,315	325,325
Interbank borrowings	84,800	151,429	126,290
Payable on demand	290	305	340
	<u>402,715</u>	<u>402,049</u>	<u>451,955</u>

At 31 March 2021 Inter Bank borrowings with One Bank represented 20% or more of the Bank's total inter-bank borrowings (31 March 2020 and 31 December 2020: One). 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 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Current accounts	739,854	792,615	612,720
Savings accounts	484,160	471,268	487,924
Time and certificate deposits	1,476,731	1,436,697	1,375,215
Margin accounts	12,941	10,383	12,194
	<u>2,713,686</u>	<u>2,710,963</u>	<u>2,488,053</u>

Deposits from customers - Islamic Banking

	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Current accounts	103,605	126,013	94,921
Savings accounts	55,880	41,741	53,456
Time deposits	231,747	213,740	220,792
Margin accounts	3,147	3,846	4,093
	<u>394,379</u>	<u>385,340</u>	<u>373,262</u>

Consolidated Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,005.95 million (31st March 2020 - RO 1,306.27 million, 31 December 2020 – RO 845.16 million)

13. Subordinated loan

	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 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 THREE MONTH PERIOD ENDED 31 MARCH 2021

14. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (2019: 5,000,000,000 ordinary shares of RO 0.100 each).

At 31 March 2021, the issued and paid up share capital comprise 2,996,351,436 ordinary shares of RO 0.100 each (31.3.2020: 2,996,351,436 ordinary shares of RO 0.100 each).

The Board of Directors of Directors in their meeting held on 28th January 2021 proposed a total cash dividend of 6%, (6 (six) baizas per share, total of RO 17.978 million) (2019: 3%; RO 8.99 million) and nil bonus share issue distribution for the year ended 31st December 2020 (2019: Nil). However, the Bank received CBO approval for cash dividend of 4%, (4 baizas per share, total of RO 11.985 million) for the year 2020. The shareholders' in the Annual General Meeting held on 31st March 2021, approved the cash dividend of 4% and this has been paid in April 2021.

Shareholders

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

	Unaudited 31st March 2021		Unaudited 31st March 2020		Audited 31st December 2020	
	No of shares	%	No of shares	%	No. of shares	%
Dhofar International Development and Investment Company SAOG	730,570,498	24.4%	730,570,498	24.4%	730,570,498	24.4%
Eng. Abdul Hafidh Salim Rajab Al Ojaili and his related Companies	702,766,215	23.5%	702,668,215	23.5%	702,668,215	23.5%
Civil Service Employees Pension Fund	317,332,211	10.5%	313,467,653	10.5%	316,424,477	10.5%
Total	1,750,668,924	58.4%	1,746,706,366	58.4%	1,749,663,190	58.4%
Others	1,245,682,512	41.6%	1,249,645,070	41.6%	1,246,688,246	41.6%
	<u>2,996,351,436</u>	<u>100%</u>	<u>2,996,351,436</u>	<u>100%</u>	<u>2,996,351,436</u>	<u>100%</u>

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 31st March 2021. (31st March 2020 : RO 55 million)

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

14. Share capital (Continued)

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 million. The Tier 1 USD Securities are listed on Euronext Dublin (formerly traded as Irish Stock Exchange).

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 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. After the first call date, the Bank has a semi-annual right to call the Capital Securities on any interest payment date, with the next possible call date being 27 May 2021. 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 from the First Call Date starting from 27 May 2020 is the aggregate of the initial margin of 5.128 per cent per annum and the relevant 5-year reset rate (the mid-swap rate for U.S. Dollar swap transactions with a maturity of 5 years). 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.

On 27 December 2018, the Bank issued additional Perpetual Tier 1 Capital Securities (the “Tier 1 RO Securities”), amounting to RO 40 million. The Tier 1 RO Securities are listed on Muscat Securities Market.

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.

The Tier 1 RO Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.50%. Thereafter the interest rate will be reset at five year intervals. Interest is payable semi-annually in arrears and treated as deduction from equity

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

These securities form part of Tier 1 Capital of the Bank and comply with Basel-3 and Central Bank of Oman regulations (BM 1114).

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

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 31 March 2021	Unaudited 31 March 2020	Audited 31 December 2020
Net assets (RO)	548,144,000	523,747,000	540,364,000
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)	0.183	0.175	0.180

16. Interest income/ Income from Islamic Financing

	Unaudited March 2021 RO'000	Unaudited March 2020 RO'000
Conventional Banking		
Loans and advances	36,963	37,555
Due from banks	1,898	2,820
Investments	4,245	4,005
Total	43,106	44,380
	Unaudited March 2021 RO'000	Unaudited March 2020 RO'000
Islamic Banking		
Islamic financing receivables	7,103	6,552
Islamic due from banks	3	12
Investments	1,130	763
Total	8,236	7,327

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

17. Interest expense / distribution to depositors

	Unaudited March 2021 RO'000	Unaudited March 2020 RO'000
Conventional Banking		
Customers' deposits / Subordinated liabilities / mandatory convertible bonds	(19,949)	(18,807)
Bank borrowings	(2,478)	(2,982)
Total	<u>(22,427)</u>	<u>(21,789)</u>
	Unaudited March 2021 RO'000	Unaudited March 2020 RO'000
Islamic Banking		
Islamic financing receivables	(3,312)	(3,215)
Islamic Bank borrowing	(383)	(506)
Total	<u>(3,695)</u>	<u>(3,721)</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

18. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per share is based on profit for the three-month period ended 31st March 2021 attributable to ordinary shareholders as follows:

	Unaudited 31 March 2021	Unaudited 31 March 2020
Profit for the period (RO) ('000)	8,991	8,795
Less : Additional Tier 1 Coupon	-	(9)
Profit for the period attributable to equity holders of the Bank ('000)	<u>8,991</u>	<u>8,786</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>0.003</u>	<u>0.003</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 THREE MONTH PERIOD ENDED 31 MARCH 2021

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 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Loans, advances and financing			
Directors and shareholders holding 10% or more interest in the Bank	52,409	43,442	51,274
Other related parties	23,550	26,005	24,829
	<u>75,959</u>	<u>69,447</u>	<u>76,103</u>
Subordinated loans			
Directors and shareholders holding 10% 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	265,062	197,260	265,198
Other related parties	151,152	242,878	159,109
	<u>416,214</u>	<u>440,138</u>	<u>424,307</u>
Contingent liabilities and commitments			
Directors and shareholders holding 10% or more interest in the Bank	3,677	3,408	3,840
Other related parties	5,439	5,805	5,186
	<u>9,116</u>	<u>9,213</u>	<u>9,026</u>
Remuneration paid to Directors			
Chairman			
– remuneration paid	36	15	36
– sitting fees paid	2	2	10
Other Directors			
– remuneration paid	264	100	264
– sitting fees paid	18	23	78
	<u>320</u>	<u>140</u>	<u>388</u>
Other transactions			
Rental payment to related parties	146	134	554
Other transactions	695	694	2,734
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	41	42	50

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
(a) Senior members			
Total exposure:			
Direct	119,274	75,657	99,599
Indirect	10,003	9,212	9,255
	<u>129,277</u>	<u>84,869</u>	<u>108,854</u>
Number of members	<u>41</u>	<u>41</u>	<u>42</u>

20. Contingent liabilities

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

	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Letters of credit	62,719	80,345	67,981
Guarantees and performance bonds	572,008	702,931	593,510
	<u>634,727</u>	<u>783,276</u>	<u>661,491</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

21. Disaggregation of net fees and commission income

As of 31 March 2021	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	890	-	3,014	3,904
Trade services	-	2,234	288	2,522
Syndication and other financing related services	183	963	2	1,148
Advisory and asset management services	-	10	129	139
Net fee and commission income	1,073	3,207	3,433	7,713

21. Disaggregation of net fees and commission income

As of 31 March 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	961	-	(49)	912
Trade services	6	2,283	164	2,453
Syndication and other financing related services	176	340	32	548
Advisory and asset management services	-	42	80	122
Net fee and commission income	1,143	2,665	227	4,035

21. Disaggregation of net fees and commission income

As of 31 December 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	3,863	-	168	4,031
Trade services	10	6,619	445	7,074
Syndication and other financing related services	759	2,523	256	3,538
Advisory and asset management services	-	64	261	325
Net fee and commission income	4,632	9,206	1,130	14,968

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

Impact of Covid-19 on the Bank's operations and financials

The currently known impacts of COVID-19 on the Bank are:

i) Major component of the, RO 0.977 million, 3.73 % year-on-year decrease in the total Net interest income (RO 20.679 million) and Net income from Islamic financing and Investment activities (RO 4.541 million) for the three-month period ended 31 March 2021 compared with the same period in 2020 (RO 22.591 million and RO 3.606 million respectively). Bank is complying with the policy measures taken by the Regulators to support the economy, including waiving interest income, charges, deferring Instalments for customers who are affected by the current market conditions.

ii) Net provisions (Expected Credit Loss 'ECL') of RO 3.442 million for year-to-date 31 March 2021 includes a management overlay of expected credit losses. Net provisions of RO 2.166 million was reported for period -to-date 31 March 2020 (previous period).

iii) The customer deposits increased marginally by 0.38% from RO 3.096 billion as at 31 March 2020 to RO 3.108 billion as at 31 March 2021. Bank has taken measures to maintain the required level of liquidity at higher cost of funding compared to same period last year.

iv) In line with local health authorities' guidelines, putting safety of customers and employees all required measures are put in place at all branches and head office locations.

v) Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the bank might experience negative results, and liquidity restraints and incur additional impairments on its assets in 2021. The exact impact on our activities in the remainder of 2021 and thereafter cannot be predicted.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

(a) Credit Risk (continued)

Customer concentrations

Accounting for modification loss

In case of corporate customers, the Bank plan to add the simple interest accrued during the deferral period to the principal outstanding and either extend the original maturity period of the loan or increase the instalments at the end of the Deferment Period. The Bank has determined that the modifications due to deferment of instalment and waiver of profit allowed in line with CBO relaxation measures did not result in de-recognition of financial assets.

This resulted in the Bank recognizing no material modification loss during the period ended 31 March 2021, which was presented as part of net financing income.

Analysis on the deferment benefits used by the Borrowers.

The following table contains an analysis of all the accounts, which are availing deferment benefits as on 31 March 2021 (as the deferment commenced in second quarter of 2020, no comparative data is applicable for 31 March 2020).

A: Segment-wise analysis of Retail borrowers benefiting from deferred payments

31st March 2021

Customer Type	Outstanding	Deferred Principal	Deferred Interest	Amount RO 000's
				ECL
Housing Loan	299,583	2,168	2,303	1,467
Personal Loan	276,532	2,856	1,036	3,562
Total	576,116	5,024	3,340	5,028

31st December 2020

Customer Type	Outstanding	Deferred Principal	Deferred Interest	Amount RO 000's
				ECL
Housing Loan	303,544	2,182	2,317	1,900
Personal Loan	296,725	3,030	1,124	4,358
Total	600,269	5,212	3,441	6,258

B. Corporate borrowers benefiting from deferred payments

31st March 2021

Customer Type	Outstanding	Deferred Principal	Deferred Interest	Amount RO 000's
				ECL
Corporate	1,016,675	193,505	29,269	45,701

31st December 2020

Customer Type	Outstanding	Deferred Principal	Deferred Interest	Amount RO 000's
				ECL
Corporate	931,143	181,581	28,268	41,492

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

(a) Credit Risk (continued)

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
31 March 2021						
Personal	-	1,236,384	-	716,358	-	260
Corporate	298,441	1,761,261	32,370	1,385,757	402,715	633,466
Government	-	455,289	401,834	1,005,950	-	1,001
	298,441	3,452,934	434,204	3,108,065	402,715	634,727
31 March 2020						
Personal	-	1,269,474	-	649,969	-	7,498
Corporate	250,434	1,795,622	36,790	1,140,061	397,049	761,291
Government	-	251,617	379,175	1,306,273	5,000	14,487
	250,434	3,316,713	415,965	3,096,303	402,049	783,276
31 December 2020						
Personal	-	1,259,193	-	704,019	-	173
Corporate	121,976	1,746,684	34,566	1,312,132	451,955	660,989
Government	-	403,898	423,489	845,164	-	329
	121,976	3,409,775	458,055	2,861,315	451,955	661,491

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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 31 March 2021:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31 March 2021				
<i>Exposure</i>				
Banks	476,554	-	-	476,554
Sovereigns	387,741	-	-	387,741
Wholesale banking	2,544,156	942,709	98,062	3,584,927
Retail banking	1,390,174	13,028	60,756	1,463,958
Investments	39,043	-	-	39,043
Total	4,837,668	955,737	158,818	5,952,223
Provision for expected credit losses	22,084	43,586	69,096	134,766
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31 March 2020				
<i>Exposure</i>				
Banks	307,303	-	-	307,303
Sovereigns	266,828	-	-	266,828
Wholesale banking	1,769,737	1,258,860	92,290	3,120,887
Retail banking	1,313,487	35,492	61,834	1,410,813
Investments	89,142	-	-	89,142
Total	3,746,497	1,294,352	154,124	5,194,973
Provision for expected credit losses	16,893	36,145	57,749	110,787
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31 December 2020				
<i>Exposure</i>				
Banks	301,718	-	-	301,718
Sovereigns	393,700	-	-	393,700
Wholesale banking	2,534,944	954,500	92,806	3,582,250
Retail banking	1,288,266	4,634	64,370	1,357,270
Investments	59,382	-	-	59,382
Total	4,578,010	959,134	157,176	5,694,320
Provision for expected credit losses	23,369	40,715	68,228	132,312

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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.

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31ST MARCH 2021

Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for three-month period ended **31st March 2021 is 17.18%** (31st March 2020 – 17.18%, 31 December 2020 – 17.70%).

Capital structure	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2020 RO'000	Audited 31 December 2020 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	299,635	299,635	299,635
Legal reserve	62,025	58,966	62,025
Share premium	95,656	95,656	95,656
Special reserve	17,488	18,488	17,488
Subordinated bonds and loan reserve	21,000	14,000	21,000
Retained earnings	24,622	22,291	22,189
CET I/Tier I Capital	<u>520,426</u>	<u>509,036</u>	<u>517,993</u>
Additional Tier I regulatory adjustments:			
Deferred tax Assets	(5,340)	(1,028)	(5,340)
Goodwill	-	(298)	-
Negative investment revaluation reserve	<u>(5,746)</u>	<u>(7,697)</u>	<u>(5,637)</u>
Total CET 1 capital	<u>509,340</u>	<u>500,013</u>	<u>507,016</u>
Additional Tier I capital (AT1)	155,500	155,530	155,500
Total Tier 1 Capital (T1=CET1+AT1)	<u>664,840</u>	<u>655,543</u>	<u>662,516</u>
TIER II CAPITAL			
Investment revaluation reserve	655	149	1,151
General provision	36,133	31,352	43,264
Subordinated loan	<u>14,000</u>	<u>21,000</u>	<u>14,000</u>
Total Tier II capital	<u>50,788</u>	<u>52,501</u>	<u>58,415</u>
Total eligible capital	<u>715,628</u>	<u>708,044</u>	<u>720,931</u>
Risk weighted assets			
Banking book	3,813,531	3,767,861	3,662,490
Trading book	84,364	89,312	142,159
Operational risk	<u>267,556</u>	<u>263,487</u>	<u>267,556</u>
Total	<u>4,165,451</u>	<u>4,120,660</u>	<u>4,072,205</u>
Total Tier 1 Capital (T1=CET1+AT1)	664,840	655,543	662,516
Tier II capital	<u>50,788</u>	<u>52,501</u>	<u>58,415</u>
Total regulatory capital	<u>715,628</u>	<u>708,044</u>	<u>720,931</u>
Common Equity Tier 1 ratio	<u>12.23%</u>	<u>12.13%</u>	<u>12.45%</u>
Tier I capital ratio	<u>15.96%</u>	<u>15.91%</u>	<u>16.27%</u>
Total capital ratio	<u>17.18%</u>	<u>17.18%</u>	<u>17.70%</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31ST MARCH 2021

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 31 st March 2021	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial asset					
Investments at FVOCI	101,368	-	573	101,941	105,651
Investments at FVTPL	1,174	-	1,618	2,792	3,255
Investment at Amortised Cost	917	-	-	917	917
Total assets	103,459	-	2,191	105,650	109,823
At 31st March 2020	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial assets					
Investments at FVOCI	80,912	-	760	81,672	89,129
Investments at FVTPL	2,187	-	1,749	3,936	4,404
Investment at Amortised Cost	917	-	-	917	917
Total assets	84,016	-	2,509	86,525	94,450
At 31 December 2020	Level 1 RO '000	Level 2 RO '000	Level 3 RO '000	Total RO '000	Cost RO '000
Financial assets					
Investments at FVOCI	117,760	-	573	118,333	118,624
Investments at FVTPL	2,423	-	1,697	4,120	4,154
Derivative financial instruments					
Forward foreign exchange contracts	-	3,842	-	3,842	-
Total	-	3,842	-	3,842	-
	120,183	3,842	2,270	126,295	122,778

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

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31ST MARCH 2021

24. Fair value information

At 31 March 2021	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
Derivatives:			
Currency forward - purchase contracts	1,238,694	-	1,004
Currency forward - sales contracts	1,232,004	4,462	-
Interest rate swaps – purchase contracts	379,921	5,116	-
Interest rate swaps – sales contracts	379,921	-	5,116
		Fair value increase / decrease	
At 31 March 2020	Contract / notional amount RO'000	Assets RO'000	Liabilities RO'000
Derivatives:			
Currency forward - purchase contracts	1,577,166	1,787	-
Currency forward - sales contracts	1,566,688	-	306
Interest rate swaps – purchase contracts	286,108	10,630	-
Interest rate swaps – sales contracts	286,108	-	10,630
		Fair value increase / decrease	
At 31 December 2020	Contract / notional amount RO'000	Assets RO'000	Liabilities RO'000
Derivatives:			
Currency forward - purchase contracts	1,029,121	4,749	-
Currency forward - sales contracts	1,022,345	-	907
Interest rate swaps – purchase contracts	370,770	9,615	-
Interest rate swaps – sales contracts	370,770	-	9,615

25 Financial risk 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. As per CBO guidelines LCR should be minimum 100% on an ongoing basis with effect from 01 January 2019. However, in view of current COVID-19 situation, CBO has temporarily allowed for a minimum LCR of 75% for Bank's Islamic window up to 31 March 2021, while minimum LCR of 100% is always expected to be maintained by the Bank. The Bank is in compliance with regulatory limit of LCR as at 31st March 2021, with LCR of 225.28% calculated on weighted average value for the period ended (31st March 2020: 361.27%) (31st December 2020: 201.47%).

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 31st March 2021, with a LCR of 114.85% calculated on weighted average value for the period ended (31st March 2020: 117.23%) (31st December 2020: 117.94%).

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 THREE MONTH PERIOD ENDED 31ST MARCH 2021

26 . 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 THREE MONTH PERIOD ENDED 31ST MARCH 2021

26 Segmental information (continued)

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

At 31st March 2021	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	16,754	26,559	8,029	51,342
Other revenues	1,072	3,209	3,484	7,765
	<u>17,826</u>	<u>29,768</u>	<u>11,513</u>	<u>59,107</u>
Segment operating revenues	17,826	29,768	11,513	59,107
Interest, Islamic Window Deposit expenses	(7,834)	(14,899)	(3,389)	(26,122)
	<u>9,992</u>	<u>14,869</u>	<u>8,124</u>	<u>32,985</u>
Net operating income	9,992	14,869	8,124	32,985
Segment cost				
Operating expenses including depreciation	(8,115)	(9,660)	(1,465)	(19,240)
Impairment for loans and investment net recoveries from allowance for loans impairment	(1,022)	(823)	(1,597)	(3,442)
	<u>855</u>	<u>4,386</u>	<u>5,062</u>	<u>10,303</u>
Profit from operations after provision	855	4,386	5,062	10,303
Tax expenses	(84)	(515)	(713)	(1,312)
	<u>771</u>	<u>3,871</u>	<u>4,349</u>	<u>8,991</u>
Profit for the period	771	3,871	4,349	8,991
Segment assets	1,320,075	2,527,498	814,691	4,662,264
Less: Impairment allowance	(55,247)	(90,601)	(1,529)	(147,377)
	<u>1,264,828</u>	<u>2,436,897</u>	<u>813,162</u>	<u>4,514,887</u>
Total segment assets	1,264,828	2,436,897	813,162	4,514,887
Segment liabilities	758,761	2,612,495	439,987	3,811,243

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31ST MARCH 2021

26. Segmental information (continued)

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

At 31st March 2021	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	2,338	4,765	1,133	8,236
Other revenues	77	421	179	677
	<u>2,415</u>	<u>5,186</u>	<u>1,312</u>	<u>8,913</u>
Segment operating revenues	2,415	5,186	1,312	8,913
Unrestricted investment account holders' share of profit and profit expense	(634)	(2,678)	(383)	(3,695)
	<u>(634)</u>	<u>(2,678)</u>	<u>(383)</u>	<u>(3,695)</u>
Net operating income	1,781	2,508	929	5,218
	<u>1,781</u>	<u>2,508</u>	<u>929</u>	<u>5,218</u>
Segment cost				
Operating expenses including depreciation	(583)	(1,167)	(410)	(2,160)
Impairment allowance	(104)	(93)	(2)	(199)
	<u>(687)</u>	<u>(1,260)</u>	<u>(412)</u>	<u>(2,359)</u>
Profit for the period	1,094	1,248	517	2,859
	<u>1,094</u>	<u>1,248</u>	<u>517</u>	<u>2,859</u>
Segment assets	179,800	361,243	122,627	663,670
Less: Impairment allowance	(807)	(8,576)	(132)	(9,515)
	<u>(807)</u>	<u>(8,576)</u>	<u>(132)</u>	<u>(9,515)</u>
Total segment assets	178,993	352,667	122,495	654,155
	<u>178,993</u>	<u>352,667</u>	<u>122,495</u>	<u>654,155</u>
Segment liabilities	99,643	323,558	41,141	464,342
	<u>99,643</u>	<u>323,558</u>	<u>41,141</u>	<u>464,342</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31ST MARCH 2021

26. Segmental information (continued)

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

At 31st March 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	18,380	25,709	7,618	51,707
Other revenues	1,143	2,665	1,062	4,870
Total	<u>19,523</u>	<u>28,374</u>	<u>8,680</u>	<u>56,577</u>
Interest, Islamic Window Deposit expenses	<u>(8,223)</u>	<u>(13,809)</u>	<u>(3,478)</u>	<u>(25,510)</u>
Net operating income	<u>11,300</u>	<u>14,565</u>	<u>5,202</u>	<u>31,067</u>
Segment cost				
Operating expenses including depreciation	(8,934)	(8,195)	(1,435)	(18,564)
Impairment for loans and investment net recoveries from allowance for loans impairment	(960)	(997)	(209)	(2,166)
Profit from operations after provision	<u>1,406</u>	<u>5,373</u>	<u>3,558</u>	<u>10,337</u>
Tax expenses	<u>(210)</u>	<u>(801)</u>	<u>(531)</u>	<u>(1,542)</u>
Profit for the period	<u>1,196</u>	<u>4,572</u>	<u>3,027</u>	<u>8,795</u>
Segment assets	1,406,292	2,308,345	766,690	4,481,327
Less: Impairment allowance	<u>(56,767)</u>	<u>(67,298)</u>	<u>(1,525)</u>	<u>(125,590)</u>
Total segment assets	<u>1,349,525</u>	<u>2,241,047</u>	<u>765,165</u>	<u>4,355,737</u>
Segment liabilities	<u>682,035</u>	<u>2,542,810</u>	<u>451,615</u>	<u>3,676,460</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31ST MARCH 2021

26. Segmental information (continued)

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

At 31st March 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	2,342	4,210	775	7,327
Other revenues	58	222	127	407
	<u>2,400</u>	<u>4,432</u>	<u>902</u>	<u>7,734</u>
Unrestricted investment account holders' share of profit and profit expense	(719)	(2,496)	(506)	(3,721)
	<u>1,681</u>	<u>1,936</u>	<u>396</u>	<u>4,013</u>
Segment cost				
Operating expenses including depreciation	(616)	(1,040)	(270)	(1,926)
Impairment allowance	(161)	(360)	(9)	(530)
	<u>904</u>	<u>536</u>	<u>117</u>	<u>1,557</u>
Segment assets	176,974	300,891	81,650	559,515
Less: Impairment allowance	(610)	(5,768)	(136)	(6,514)
	<u>176,364</u>	<u>295,123</u>	<u>81,514</u>	<u>553,001</u>
Total segment assets	<u>176,364</u>	<u>295,123</u>	<u>81,514</u>	<u>553,001</u>
Segment liabilities	<u>69,884</u>	<u>324,303</u>	<u>34,974</u>	<u>429,161</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31ST MARCH 2021

26. Segmental information (continued)

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

At 31 December 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	71,542	104,704	29,008	205,254
Other revenues (net of commission expense)	4,454	9,236	8,663	22,353
Total	75,996	113,940	37,671	227,607
Interest, Islamic Window Deposit expenses	(29,516)	(52,468)	(15,630)	(97,614)
Net operating income	46,480	61,472	22,041	129,993
Segment cost				
Operating expenses including depreciation	(30,962)	(28,885)	(5,232)	(65,079)
Impairment for loans and investment net recoveries from allowance for loans impairment	(3,311)	(26,507)	828	(28,990)
Bad Debts Written off	(1)	-	-	(1)
Profit from operations after provision	12,206	6,080	17,637	35,923
Income tax expenses	(1,814)	(903)	(2,621)	(5,338)
Net profit for the year	10,392	5,177	15,016	30,585
Segment assets	1,320,638	2,365,718	716,042	4,402,398
Less: Impairment allowance	(56,134)	(88,547)	(694)	(145,375)
Total segment assets	1,264,504	2,277,171	715,348	4,257,023
Segment liabilities	743,066	2,308,453	497,988	3,549,507
Add: Impairment allowance	3	10,831	818	11,652
Segment liabilities	743,069	2,319,284	498,806	3,561,159

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31ST MARCH 2021

26. Segmental information (continued)

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

At 31 December 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	9,311	17,672	3,327	30,310
Other revenues	419	1,184	323	1,926
Total	9,730	18,856	3,650	32,236
Unrestricted investment account holders' share of profit and profit expense	(2,780)	(10,216)	(1,893)	(14,889)
Net operating income	6,950	8,640	1,757	17,347
Segment cost				
Operating expenses including depreciation	(2,178)	(4,130)	(1,202)	(7,510)
Impairment allowance	(229)	(3,093)	(3)	(3,325)
Bad Debts Written off	-	-	-	-
Profit before tax	4,543	1,417	552	6,512
Segment assets	179,845	343,360	104,617	627,822
Less: Impairment allowance	(700)	(8,470)	(130)	(9,300)
Total segment assets	179,145	334,890	104,487	618,522
Segment liabilities	94,200	306,521	31,248	431,969
Add: Impairment allowance	-	527	-	527
Segment liabilities	94,200	307,048	31,248	432,496

27 Comparative figures

Certain comparative figures have been reclassified in order to conform the presentation for the current year. These have no impact on the profit for the period or total equity. The details are as follows:

a) Income reclassified;

	March 2020
	Revised
	RO 000
Interest Income and income from Islamic financing	51,707
Interest Income and income from Islamic financing Reported in 2020	47,067
Other Operating Income.	1,247
Other Operating Income Reported in 2020	5,887
Assets reclassified in the statement of cash flows.	
Cash and cash equivalent	209,635
Cash and cash equivalent Reported in 2020	362,112