



بنك ظفار  
BankDhofar

**Unaudited interim condensed financial statements  
For the six month period ended 30 June 2019**

**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**

**30<sup>th</sup> JUNE 2019**

**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 half-year ended 30<sup>th</sup> June 2019.

**The Bank's Financial Performance during first half of 2019**

The bank reports a net profit of OMR 19.71 million for the six month period ended 30<sup>th</sup> June 2019, compared to OMR 24.95 million first six months of 2018, a year-on-year decline of OMR 5.24 million, 21.00%, caused by increase in Net Provisions (Expected Credit Loss) by OMR 5.75 million (explained more below). Net Loans, Advances and Financing to customers' is at OMR 3.07 billion as at 30<sup>th</sup> June 2019, compared to OMR 3.13 billion at the end of 30<sup>th</sup> June 2018, a marginal decline of 1.92%. As a result, total customer deposits also decreased by 7.37% year-on-year from RO 3.12 billion as of 30<sup>th</sup> June 2018 to RO 2.89 billion as of 30<sup>th</sup> June 2019. Total assets is at OMR 4.19 billion as of 30<sup>th</sup> June 2019 as compared to OMR 4.23 billion at the end of 30<sup>th</sup> June 2018.

The net interest income and income from Islamic Financing activities for the six-months period ended 30<sup>th</sup> June 2019 increased to OMR 48.77 million from OMR 47.19 million for the first half of 2018, an increase of 3.35% year-on-year. Non-interest income such as fees and commissions, foreign exchange profit, investment income and other income earned year-to-date June 2019 was OMR 16.77 million compared to OMR 17.04 million for the same period last year. Total operating income reached OMR 65.54 million during first half 2019 as against OMR 64.23 million for the corresponding period of 2018, an increase of 2.04%. The cost to income ratio for the six-months period ended 30<sup>th</sup> June 2019 is at 52.27% as compared to 49.86% during the same period in 2018.

Classification of certain large exposures (reflecting the current economic environment) resulted in increase in Net provisions (Expected Credit Loss 'ECL') by OMR 5.75 million Year-to-date June 2019 compared to last year same period. Gross NPL (Non-performing Loans) is 4.40% and Net NPL is 1.97% as at 30<sup>th</sup> June 2019 compared to 3.44% and 0.80% respectively as at 30<sup>th</sup> June 2018. NPL is based on funded non-performing exposure over funded exposure (Net NPL exclude interest reserve and ECL Provision).

The earnings per share (EPS) for year-to-date June 2019 are OMR 0.005 as compared to OMR 0.009 for year-to-date June 2018.

**Maisarah Financial Performance Highlights:-**

Maisarah Islamic Banking Services continued its growth trajectory in earning assets during the half year ended June 2019. The gross financing portfolio has grown from OMR 369.286 million at June 2018 to OMR 411.532 million at June 2019, increase of 11.44%.

As at June 2019, Maisarah total customer deposit increased by 8.53% to OMR 339.078 million as at June 2019 from OMR 312.436 at 30<sup>th</sup> June 2018. The total assets have grown by 8.79% to OMR 480.318 million at June 2019 from OMR 441.493 million at June 2018.

## **BANK DHOFAR SAOG**

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The net financing income net of cost of funds increased 7.67% year-on-year reaching OMR 4.941 million year-to-date June 2019 compared to OMR 4.589 million same period last year. Non-financing Income such as fees and commissions, foreign exchange profit, investment income and other income have increased by 6.63% to OMR 2.108 million at June 2019, compared OMR 1.977 million first six months of 2018.

Maisarah reported an increase in Operating Profit of OMR 3.531 million year-to-date June 2019, an increase of 3.09% compared to OMR 3.425 million same period last year. Profit before tax posted OMR 3.232 million for the first six months of 2019 as against OMR 3.456 million for the six months ended June 2018, OMR 0.224 million, 6.48% decrease, caused by increase in net provisions (ECL) by OMR 0.330 million.

### **Awards & Accolades**

Following key awards were won by the Bank during first half of 2019 and those awards are testimony to the continued efforts put in by the Bank to improve,

- Most Innovative Islamic Bank - Maisarah Islamic Banking – Oman by The International Finance Banking Awards 2018
- Best Islamic bank in Oman - Maisarah Islamic Banking Services at the Middle East Banking Awards 2018 (EMEA Finance)
- Best Customer Service Banking Brand 2018 – Oman by Global Brands Magazine Awards
- Best Digital Transformation in Banking Award by Smart SMB Summit & Awards
- Infosys Finacle Client Innovation Award 2019 by the Infosys Finacle Awards
- Best Deal of the Year Award – Maisarah Islamic Banking Services by Islamic Finance News (IFN)
- Customer Delight Awards by MENAA Awards
- Best Corporate Advisory - Oman 2019" award by Global Business Awards
- Best Enterprise-wide BPM Rollout by Newgen Software
- Best CEO in GCC's Banking Industry by Business Worldwide 2018 Global Corporate Excellence Awards
- Most Innovative CEO of the Year – Oman by Business Worldwide 2018 Global Corporate Excellence Awards

### **Acknowledgment**

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence reposed in the Bank. I thank the shareholders for the continuous support and I thank the Bank's staff and management and I hope they will exert more efforts during the coming period.

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

Finally, the Board of Directors and all staff of the Bank would like to express our most sincere gratitude to His Majesty Sultan Qaboos Bin Said for his wise leadership and generous support to the private sector.

**Eng. Abdul Hafidh Salim Rajab Al-Aujaili**  
**Chairman**

# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

	Notes	Unaudited 30 June 2019 RO'000	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
<b>Assets</b>				
Cash and balances with Central Bank of Oman	5	171,316	280,254	301,505
Loans, advances and financing to banks	6	480,498	381,785	329,059
Loans and advances (Conventional)	7	2,660,339	2,760,627	2,761,760
Islamic financing receivables	7	406,516	365,079	397,084
Investment securities	8	334,806	320,063	304,332
Intangible asset	9	596	993	794
Property and equipment	10	17,978	12,286	14,917
Other assets		119,223	113,267	104,039
<b>Total assets</b>		<b>4,191,272</b>	<b>4,234,354</b>	<b>4,213,490</b>
<b>Liabilities</b>				
Due to banks	11	396,096	299,271	368,983
Deposits from customers (Conventional)	12	2,551,662	2,806,792	2,571,119
Islamic customers deposits	12	339,078	312,436	353,385
Other liabilities		160,468	163,735	157,966
Subordinated loans	13	63,875	63,875	63,875
<b>Total liabilities</b>		<b>3,511,179</b>	<b>3,646,109</b>	<b>3,515,328</b>
<b>Shareholders' equity</b>				
Share capital	14	299,635	243,849	280,033
Share premium		95,656	77,564	95,656
Legal reserve		55,878	50,254	55,878
Special reserve		18,488	18,488	18,488
Special reserve –restructured loans		1,281	1,281	1,281
Special impairment reserve IFRS 9		-	9,945	4,562
Special revaluation reserve investment IFRS 9		(709)	(709)	(709)
Subordinated loan reserve		30,100	42,325	30,100
Investment revaluation reserve		(1,554)	(609)	(1,789)
Retained earnings		25,818	30,357	59,162
<b>Total equity attributable to the equity holders of the Bank</b>		<b>524,593</b>	<b>472,745</b>	<b>542,662</b>
Perpetual Tier 1 Capital Securities		155,500	115,500	155,500
<b>Total equity</b>		<b>680,093</b>	<b>588,245</b>	<b>698,162</b>
<b>Total liabilities and equity</b>		<b>4,191,272</b>	<b>4,234,354</b>	<b>4,213,490</b>
<b>Net assets per share (Rials Omani)</b>	15	<b>0.175</b>	0.194	0.194
<b>Contingent liabilities</b>	19	<b>961,442</b>	1,030,794	1,010,814

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

**Eng. Abdul Hafidh Salim Rajab Al-Aujaili**  
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 SIX MONTH PERIOD ENDED 30 JUNE 2019

		Unaudited 6 months 30 June 2019 RO'000	Unaudited 6 months 30 June 2018 RO'000	Unaudited 3 months 30 June 2019 RO'000	Unaudited 3 months 30 June 2018 RO'000
Interest income		86,817	85,256	43,304	43,103
Interest expense		<u>(42,986)</u>	<u>(42,651)</u>	<u>(22,841)</u>	<u>(21,821)</u>
<b>Net interest income</b>	16	<u>43,831</u>	42,605	<u>20,463</u>	21,282
Income from islamic financing		11,423	10,447	5,768	5,146
Unrestricted investment account holders' share of profit		<u>(6,482)</u>	<u>(5,858)</u>	<u>(3,393)</u>	<u>(2,807)</u>
<b>Net income from islamic financing activities</b>		<u>4,941</u>	4,589	<u>2,375</u>	2,339
Fees and commission income		8,465	10,111	3,902	4,918
Fees and commission expense		<u>(1,790)</u>	<u>(2,342)</u>	<u>(753)</u>	<u>(1,296)</u>
<b>Net fees and commission income</b>		<u>6,675</u>	7,769	<u>3,149</u>	3,622
Other income		<u>10,092</u>	9,265	<u>5,237</u>	4,488
<b>Operating income</b>		<u>65,539</u>	64,228	<u>31,224</u>	31,731
Staff and administrative costs		<u>(31,505)</u>	<u>(30,281)</u>	<u>(15,585)</u>	<u>(15,223)</u>
Depreciation		<u>(2,752)</u>	<u>(1,741)</u>	<u>(1,641)</u>	<u>(862)</u>
<b>Operating expenses</b>		<u>(34,257)</u>	<u>(32,022)</u>	<u>(17,226)</u>	<u>(16,085)</u>
<b>Profit from operations</b>		<u>31,282</u>	32,206	<u>13,998</u>	15,646
Provision for loan impairment and Non funded	6 & 19	<u>(11,953)</u>	<u>(5,315)</u>	<u>(7,576)</u>	<u>(3,607)</u>
Recoveries from allowance for loan impairment	6 & 19	<u>3,822</u>	2,934	<u>1,926</u>	1,322
Bad debts written-off		<u>(1)</u>	<u>(3)</u>	<u>-</u>	<u>(1)</u>
<b>Profit from operations after provision</b>		<u>23,150</u>	29,822	<u>8,348</u>	13,360
Income tax expense		<u>(3,437)</u>	<u>(4,873)</u>	<u>(1,242)</u>	<u>(2,003)</u>
<b>Profit for the period</b>		<u>19,713</u>	24,949	<u>7,106</u>	11,357
<b>Profit for the period</b>		<u>19,713</u>	24,949	<u>7,106</u>	11,357
<b>Other comprehensive income:</b>					
Items that will not be reclassified to P&L					
Net changes in fair value reserve (equity instrument)					
Items that are or may be reclassified to profit or loss in subsequent periods:					
Net changes of fair value through other comprehensive income		<u>(1,789)</u>	<u>(1,116)</u>	<u>178</u>	<u>(537)</u>
Impairment of investments carried as fair value through other comprehensive income sale of available-for-sale investments		<u>235</u>	-	-	-
Reclassification adjustment on sale of available for sale financial assets		-	-	-	-
Other comprehensive income for the period		<u>(1,554)</u>	<u>(1,116)</u>	<u>178</u>	<u>(537)</u>
<b>Total comprehensive income for the period</b>		<u>18,159</u>	23,833	<u>7,284</u>	10,820
<b>Earnings per share (basic and diluted) (Rials Omani)</b>	17	<u>0.005</u>	<u>0.009</u>	<u>0.001</u>	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 SIX MONTH PERIOD ENDED 30 JUNE 2019

	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructure loan	Special impairment reserve IFRS9	Special revaluati on reserve IFRS9	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
Notes	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Balances as at 1 January 2019</b>	<b>280,033</b>	<b>95,656</b>	<b>55,878</b>	<b>18,488</b>	<b>1,281</b>	<b>4,562</b>	<b>(709)</b>	<b>30,100</b>	<b>(1,789)</b>	<b>59,162</b>	<b>542,662</b>	<b>155,500</b>	<b>698,162</b>
<b>Other comprehensive income for the period</b>	-	-	-	-	-	-	-	-	-	19,713	19,713	-	19,713
Net changes of fair value through other comprehensive income	-	-	-	-	-	-	-	-	235	-	235	-	235
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	-	235	19,713	19,948	-	19,948
Transfer to IFRS 9 ECL	-	-	-	-	-	(4,562)	-	-	-	-	(4,562)	-	(4,562)
Additional Tier 1 coupon local	-	-	-	-	-	-	-	-	-	(1,496)	(1,496)	-	(1,496)
Additional Tier 1 coupon foreign	-	-	-	-	-	-	-	-	-	(3,956)	(3,956)	-	(3,956)
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend for 2018	14	-	-	-	-	-	-	-	-	(28,003)	(28,003)	-	(28,003)
Bonus shares issued for 2018	14	19,602	-	-	-	-	-	-	-	(19,602)	-	-	-
<b>Balances as at 30<sup>th</sup> June 2019 (Unaudited)</b>	<b>299,635</b>	<b>95,656</b>	<b>55,878</b>	<b>18,488</b>	<b>1,281</b>	<b>-</b>	<b>(709)</b>	<b>30,100</b>	<b>(1,554)</b>	<b>25,818</b>	<b>524,593</b>	<b>155,500</b>	<b>680,093</b>

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

# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructure	Special impairment reserve IFRS9	Special revaluation reserve IFRS9	Subordinate d loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
Notes	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Balances as at 1 January 2018</b>	225,786	77,564	50,254	18,488	1,281	-	-	42,325	507	55,302	471,507	115,500	587,007
Changes on initial application of IFRS 9	-	-	-	-	-	8,455	(709)	-	-	709	8,455	-	8,455
<b>Restated balance on 1 January 2018</b>	225,786	77,564	50,254	18,488	1,281	8,455	(709)	42,325	507	56,011	479,962	115,500	595,462
Profit for the period	-	-	-	-	-	-	-	-	-	24,949	24,949	-	24,949
<b>Other comprehensive income for the period</b>													
Net changes of fair value through other comprehensive income	-	-	-	-	-	-	-	-	(1,116)	-	(1,116)	-	(1,116)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	-	(1,116)	24,949	23,833	-	23,833
Transfer to Special impairment reserve IFRS9	-	-	-	-	-	1,490	-	-	-	(1,490)	-	-	-
Additional Tier 1 coupon	-	-	-	-	-	-	-	-	-	(3,956)	(3,956)	-	(3,956)
<b>Transactions with owners recorded directly in equity</b>													
Dividend for 2017	14	-	-	-	-	-	-	-	-	(27,094)	(27,094)	-	(27,094)
Bonus shares issued for 2017	14	18,063	-	-	-	-	-	-	-	(18,063)	-	-	-
<b>Balances as at 30 June 2018</b>	<u>243,849</u>	<u>77,564</u>	<u>50,254</u>	<u>18,488</u>	<u>1,281</u>	<u>9,945</u>	<u>(709)</u>	<u>42,325</u>	<u>(609)</u>	<u>30,357</u>	<u>472,745</u>	<u>115,500</u>	<u>588,245</u>

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



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## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)

<i>Attributable to equity holders of Bank</i>													
<i>Notes</i>	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve IFRS 9	Special revaluation on reserve IFRS 9	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Balances as at 1 January 2018</b>	225,786	77,564	50,254	18,488	1,281	-	-	42,325	507	55,302	471,507	115,500	587,007
Adjustment on initial application of IFRS 9, net of tax	-	-	-	-	-	3,527	(709)	-	-	709	3,527	-	3,527
<b>Restated balance on 1 January 2018</b>	<b>225,786</b>	<b>77,564</b>	<b>50,254</b>	<b>18,488</b>	<b>1,281</b>	<b>3,527</b>	<b>(709)</b>	<b>42,325</b>	<b>507</b>	<b>56,011</b>	<b>475,034</b>	<b>115,500</b>	<b>590,534</b>
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	-	50,281	50,281	-	50,281
<b>Other comprehensive income for the period:</b>													
<b>Net changes in fair value reserve</b>													
-FVOCI equity instrument	-	-	-	-	-	-	-	-	(759)	-	(759)	-	(759)
-FVOCI debt instruments	-	-	-	-	-	-	-	-	(1,537)	-	(1,537)	-	(1,537)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	-	(2,296)	50,281	47,985	-	47,985
Transfer to special impairment reserve IFRS 9	-	-	-	-	-	1,035	-	-	-	(1,035)	-	-	-
Transfer to legal reserve	-	-	5,028	-	-	-	-	-	-	(5,028)	-	-	-
Excess of receipts over right issue expenses	-	-	596	-	-	-	-	-	-	-	596	-	596
Transfer to subordinated loan reserve	-	-	-	-	-	-	-	12,775	-	(12,775)	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	(25,000)	-	25,000	-	-	-
<b>Perpetual Tier 1 capital securities:</b>													
-Proceeds from issuance	-	-	-	-	-	-	-	-	-	-	-	40,000	40,000
-Issuance cost	-	-	-	-	-	-	-	-	-	(223)	(223)	-	(223)
-Payment towards perpetual additional Tier 1 coupon	-	-	-	-	-	-	-	-	-	(7,912)	(7,912)	-	(7,912)
<b>Transactions with owners recorded directly in equity</b>													
Issue of right shares	36,184	18,092	-	-	-	-	-	-	-	-	54,276	-	54,276
Dividend for 2017	14	-	-	-	-	-	-	-	-	(27,094)	(27,094)	-	(27,094)
Bonus shares issued for 2017	14	18,063	-	-	-	-	-	-	-	(18,063)	-	-	-
<b>Balances as at 31 December 2018</b>	<b>280,033</b>	<b>95,656</b>	<b>55,878</b>	<b>18,488</b>	<b>1,281</b>	<b>4,562</b>	<b>(709)</b>	<b>30,100</b>	<b>(1,789)</b>	<b>59,162</b>	<b>542,662</b>	<b>155,500</b>	<b>698,162</b>

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

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## INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

	Unaudited 30 June 2019 RO'000	Unaudited 30 June 2018 RO'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year before taxation	23,150	29,822
<i>Adjustment for:</i>		
Depreciation and amortisation	2,950	1,939
Net impairment on financial instruments	8,132	2,150
End of service benefits provision for the year	145	317
Impairment on available-for-sale investments	228	234
<b>Operating profit before working capital changes</b>	<b>34,605</b>	<b>34,462</b>
<i>Change in working capital:</i>		
Increase in due to banks	26,898	(89,297)
Increase in due from banks	(42,158)	78,330
Increase in loans & advances and financing	79,295	129,472
Net movement in Investment securities	(30,467)	(30,558)
(Increase) / Decrease in other assets	(15,184)	(43,715)
Increase in customer deposits	(33,764)	50,819
Increase in other liabilities	6,731	51,574
<b>Cash used in operations</b>	<b>(8,649)</b>	<b>146,625</b>
Taxes paid	(7,679)	(7,420)
End of service benefits paid	(132)	(286)
<b>Net cash (used in) / from operating activities</b>	<b>18,145</b>	<b>173,381</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(5,813)	(4,503)
Proceeds from sale of property and equipment		
<b>Net cash used in investing activities</b>	<b>(5,813)</b>	<b>(4,503)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment) / proceeds from subordinated debt	-	(25,000)
Dividend paid	(28,003)	(27,094)
AT1 Coupon Paid	(5,452)	(3,956)
<b>Net cash from financing activities</b>	<b>(33,455)</b>	<b>(56,050)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,123)</b>	<b>112,828</b>
<b>Cash and cash equivalents at 1 January</b>	<b>427,455</b>	<b>414,879</b>
<b>Cash and cash equivalents at 30 June</b>	<b>406,332</b>	<b>527,707</b>
<b>Cash and cash equivalent comprises of:</b>		
Cash and balances with Central Bank of Oman	171,316	280,254
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks	236,198	249,364
Due to banks	(682)	(1,411)
	<b>406,332</b>	<b>527,707</b>

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## INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### Reconciliation of liabilities and equity arising from financing activities:

	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000
<b>Subordinated loan</b>		
Balance at beginning of the period	<b>63,875</b>	88,875
Cash flows	-	(25,000)
Balance at end of the period	<u><b>63,875</b></u>	<u><b>63,875</b></u>
<b>Retained earnings</b>		
Balance at beginning of the period	<b>59,162</b>	55,302
Changes on initial application of IFRS 9	-	709
Profit for the period	<b>19,713</b>	24,949
Transfer to legal reserve	-	-
Transfer to Subordinate reserve	-	-
Transfer from Subordinate to retained earning	-	-
Additional Tier 1 coupon	<b>(5,452)</b>	(3,956)
Perpetual tier 1 capital securities issuance cost	-	-
Transfer to special reserve (IFRS 9)	-	(1,490)
Transfer to special reserve restructure	-	-
Bonus shares issued	<b>(19,602)</b>	(18,063)
Dividend transfer	<b>(28,003)</b>	(27,094)
Balance at end of the period	<u><b>25,818</b></u>	<u><b>30,357</b></u>

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

# **BANK DHOFAR SAOG**

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## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019**

### **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 71 branches (30 June 2018: 70 branches) which comprises of 10 Islamic branches (30 June 2018: 10 Islamic branches) and 61 conventional branches (30 June 2018: 60 conventional branches). The Bank’s Islamic Banking Window, Maisarah Islamic Banking Services has an allocated capital of RO 55 million from the core paid up capital of the shareholders. The Bank has a primary listing on the Muscat Securities Market (“MSM”) and the Bank’s Perpetual Tier 1 Capital Securities are listed on Euronext Dublin (Irish Stock Exchange). The principal place of business is the Head Office, Capital Business District (“CBD”), Muscat, Sultanate of Oman.

The Bank employed 1,603 employees as of 30 June 2019 (30 June 2018: 1,570 employees).

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance and basis of accounting**

The unaudited interim condensed financial statements for the six month period ended 30 June 2019 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 2018 (‘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 Functional and presentation currency**

Items included in the Bank’s financial statements are measured using Rial Omani which is the currency of the primary economic environment in which the Bank operates, rounded off to the nearest thousand.

#### **2.3 Use of estimates and judgments**

In preparing these interim condensed financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 2018, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which is described in Note 3.

# BANK DHOFAR SAOG

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these unaudited interim condensed financial statements are same as those applied in the Bank's financial statements as at and for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Bank's financial statements as at and for the year ending 31 December 2018.

The Bank has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Bank's financial statements.

#### IFRS 16 Leases

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer. However, where a supplier has a substantive right of substitution throughout the period of use, a customer does not have a right to use an identified asset. A supplier's right of substitution is only considered substantive if the supplier has both the practical ability to substitute alternative assets throughout the period of use and they would economically benefit from substitution.

A capacity portion of an asset is still an identified asset if it is physically distinct (e.g. a floor of a building). A capacity or other portion of an asset that is not physically distinct (e.g. a capacity portion of a fibre optic cable) is not an identified asset, unless it represents substantially all the capacity such that the customer obtains substantially all the economic benefits from using the asset.

For a contract that contains a lease component and additional lease and non-lease components, such as the lease of an asset and the provision of a maintenance service, lessees shall allocate the consideration payable on the basis of the relative stand-alone prices, which shall be estimated if observable prices are not readily available. However, as a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components and instead account for all components as a lease.

#### Scope:

IFRS 16 should be applied to all leases (*which are applicable to the bank*) except the following:

1. Licenses of intellectual property granted by a lessor within the scope of IFRS 15 *Revenue from Contracts with Customers*; and
2. Rights held by a lessee under licensing agreements within the scope of IAS 38 *Intangible Assets* for such items as patents and copyrights.

#### Recognition exemptions:

The bank may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

1. Leases with a lease term of **12 months or less** and containing no purchase options – this election is made by class of underlying asset; and
2. Leases where the underlying asset has a **low value** when new (such as personal computers or small items of office furniture) - this election can be made on a lease-by-lease basis.

# BANK DHOFAR SAOG

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### Identifying a Lease:

At inception of a contract, the bank is required to assess whether the contract is, or contains, a lease. The contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Key aspects of identifying the asset is as follow:

- 1.The asset that is the subject of a lease must be specifically identified; and
- 2.The lease must convey the right to control the use of that identified asset for the period of time.

### Substantive substitution right:

The bank is not considered to have a right to use an identified asset (and, therefore, the contract is not a lease) if the provider of asset (Landlord, Supplier) has a substantive right to substitute the asset throughout the period of use.

The supplier's right to substitute an asset is substantive only if both of the following conditions are met:

- 1.The supplier has the practical ability to substitute alternative assets throughout the period of time (i.e. the bank cannot prevent the supplier from substituting the asset); and
- 2.The supplier would benefit economically from exercising its right to substitute the asset.

### Separating components of a contract:

For a contract that contains a lease component and such as the lease of an asset and the provision of a maintenance service, the bank (lessee) shall allocate the consideration payable on the basis of the relative stand-alone prices.

As a **practical expedient**, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components and instead account for all components as a lease.

The Bank also has other leases such as for to supply installation & maintenance of specific Cash Counting Machine (CCM) where such CCMs are identified in the contract, and may only be substituted if a machine is irreparable or it is commercially not viable to repair. Another example would be the lease for the supply installation & maintenance of multifunctional printer devices, where specific devices are identified in the contract and cannot be substituted. In both such cases, the bank retains substantially all of the capacity of printer devices during the contract period. However, since the value of such commitments are considered low, the Bank may elect to exempt such types of leases from recognition as right of use assets on the basis of immateriality.

### Assessment

The Bank currently maintains lease agreements primarily for its offices, branches and teller machines (ATMs, CDMs, FFMs) premises. Based on the contractual relationship committed by the Bank as on 31 December 2018, the Bank has assessed and has performed and for arriving at relevant disclosures in the financial statements. All leases with a total tenor of less than one year are not considered.

# BANK DHOFAR SAOG

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### Impact Assessment

The Bank has been recognizing applicable leases as prepayment and subsequently amortizes it over the tenor of the actual amounts paid. This, obviously, does not include the complete lease term committed by the Bank.

### Impact in Balance Sheet

Under IFRS 16, the Bank recognizes the applicable leases at its' net present value as Assets ('Right of Use of Asset') as well as a Liability ('Lease Liability').

### Impact in Statement of Income

As per IAS 17, the leases were recognized by the Bank as operating costs. Subsequently, under IFRS 16, the leases no longer recognized reconciled as operating costs and instead carry expense as depreciation of the assets recognized and finance cost for the liability incurred in this respect.

### Impact in Risk Weighted Assets & Capital Adequacy Ratio

The capitalization of the leases is not considered as risk weighted assets (RWA) and will not have an impact on the Bank's Capital Adequacy Ratio (CAR) since the assets are offset by the lease liability recognized.

## 4. Standards issued but not yet effective

A number of other new standards and amendments to standards may come into effect subsequently where earlier adoption is permitted, however, the Bank has not early adopted such standards and its amendments in preparing these unaudited interim condensed financial statements which once in effect may have a significant impact on the Bank's financial statements.

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

	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Cash in hand	<b>32,346</b>	31,749	31,422
Balances with the Central Bank of Oman	<b>92,770</b>	162,265	126,863
Placements with Central Bank of Oman	<b>46,200</b>	86,240	143,220
	<b>171,316</b>	280,254	301,505

At 30 June 2019 cash and balances with Central bank of Oman included balances with the Central Bank of Oman amounting to RO 500,000 (31 June 2018- RO 500,000 and 31 December 2018 – RO 500,000) as minimum reserve requirements. These funds are not available for the Bank's daily business.

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

	Unaudited 30 June 2019 RO'000	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Syndicated loans to other banks	91,300	98,656	81,104
Placements with other banks	377,082	273,325	230,060
Current clearing accounts	13,476	10,664	18,732
	<u>481,858</u>	<u>382,645</u>	<u>329,896</u>
Less: impairment allowance (collective)	<u>(1,360)</u>	<u>(860)</u>	<u>(837)</u>
<b>Net loans, advances and financing</b>	<u><b>480,498</b></u>	<u><b>381,785</b></u>	<u><b>329,059</b></u>

At 30 June 2019 No placement with any bank's individually represented 20% or more of the Bank's placements and (30 June 2018: Nil) and 31<sup>st</sup> December 2018 – one local bank).

#### 7. Loans, advances and financing (Conventional Banking)

	Unaudited 30 June 2019 RO'000	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Overdrafts	149,847	181,092	165,880
Loans	2,453,448	2,502,911	2,547,049
Loans against trust receipts	96,311	116,204	99,393
Bills discounted	58,408	71,814	70,969
Advances against credit cards	9,230	8,630	8,921
	<u>2,767,244</u>	<u>2,880,651</u>	<u>2,892,212</u>
<b>Gross Loans, advances and financing</b>	<u><b>2,767,244</b></u>	<u><b>2,880,651</b></u>	<u><b>2,892,212</b></u>
Less: Impairment allowance including reserved interest	<u>(106,905)</u>	<u>(120,024)</u>	<u>(130,452)</u>
<b>Net loans and advances to customers</b>	<u><b>2,660,339</b></u>	<u><b>2,760,627</b></u>	<u><b>2,761,760</b></u>



# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

Details of Islamic Banking Window Financing	Unaudited 30 June 2019 RO'000	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Housing finance	161,253	154,761	158,610
Corporate finance	239,027	204,721	232,301
Consumer finance	11,574	9,997	10,822
Less: Impairment allowance	<u>411,854</u> (5,338)	<u>369,479</u> (4,400)	<u>401,733</u> (4,649)
<b>Net financing to customers</b>	<u><b>406,516</b></u>	<u><b>365,079</b></u>	<u><b>397,084</b></u>

The movement in the impairment allowance is analysed below:	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
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#### (a) Allowance for loan impairment (Conventional and Islamic window)

Balance at beginning of the period / year	79,308	73,709	90,740
IFRS 9 transition impact		-	(16,370)
Allowance made during the period	18,221	2,251	11,320
Released to the statement of comprehensive income during the period / year	(3,822)	(2,934)	(6,354)
Written off during the period / year	<u>(5,982)</u>	<u>(13)</u>	<u>(28)</u>
Balance at the end of the period / year	<u>87,725</u>	<u>73,013</u>	<u>79,308</u>

#### (b) Reserved interest

Balance at beginning of the period / year	55,793	47,212	47,212
Reserved during the period / year	6,948	4,765	10,146
Released to the statement of comprehensive income during the period / year	(853)	(479)	(1,398)
Written-off during the period / year	<u>(37,370)</u>	<u>(87)</u>	<u>(167)</u>
Balance at the end of the period / year	<u>24,518</u>	<u>51,411</u>	<u>55,793</u>

<b>Total impairment allowance</b>	<u><b>112,243</b></u>	<u><b>124,424</b></u>	<u><b>135,101</b></u>
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# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

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 extent of CBO norms, including those on restructuring of loans accounts for regulatory reporting purposes.

#### Comparison of provision held as per IFRS 9 and required as per CBO norms

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 as on 30 June 2019.

		(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	2,293,969	28,111	11,004	17,107	2,265,858	2,282,965	-	-
Standard	Stage 2	523,804	6,605	8,354	(1,749)	517,199	515,450	-	-
	Stage 3	-	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>2,817,773</b>	<b>34,716</b>	<b>19,358</b>	<b>15,358</b>	<b>2,783,057</b>	<b>2,798,415</b>	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	221,576	2,741	15,740	(12,999)	218,834	205,836	-	1
	Stage 3	-	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>221,576</b>	<b>2,741</b>	<b>15,740</b>	<b>(12,999)</b>	<b>218,834</b>	<b>205,836</b>	-	<b>1</b>
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	55,041	14,408	16,517	(2,109)	39,218	38,524	-	1,415
<b>Subtotal</b>		<b>55,041</b>	<b>14,408</b>	<b>16,517</b>	<b>(2,109)</b>	<b>39,218</b>	<b>38,524</b>	-	<b>1,415</b>
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	14,142	5,020	4,906	114	8,182	9,236	-	940
<b>Subtotal</b>		<b>14,142</b>	<b>5,020</b>	<b>4,906</b>	<b>114</b>	<b>8,182</b>	<b>9,236</b>	-	<b>940</b>
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	70,566	43,612	31,204	12,408	4,792	39,362	-	22,162
<b>Subtotal</b>		<b>70,566</b>	<b>43,612</b>	<b>31,204</b>	<b>12,408</b>	<b>4,792</b>	<b>39,362</b>	-	<b>22,162</b>
<b>Total loans and advances</b>		<b>3,179,098</b>	<b>100,497</b>	<b>87,725</b>	<b>12,772</b>	<b>3,054,083</b>	<b>3,091,373</b>	-	<b>24,518</b>
	Stage 1	1,860,333	457	5,647	(5,190)	1,859,876	1,854,686	-	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 2	394,849	-	7,584	(7,584)	394,849	387,265	-	-
	Stage 3	3,609	-	-	-	3,609	3,609	-	-
<b>Subtotal</b>		<b>2,258,791</b>	<b>457</b>	<b>13,231</b>	<b>(12,774)</b>	<b>2,258,334</b>	<b>2,245,560</b>	-	-
	Stage 1	4,154,302	28,568	16,651	11,917	4,125,734	4,137,651	-	-
Total (30 June 2019)	Stage 2	1,140,229	9,346	31,678	(22,332)	1,130,882	1,108,551	-	1
	Stage 3	143,358	63,040	52,627	10,413	55,801	90,731	-	24,517
<b>Total</b>		<b>5,437,889</b>	<b>100,954</b>	<b>100,956</b>	<b>(2)</b>	<b>5,312,417</b>	<b>5,336,933</b>	-	<b>24,518</b>

\* 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 SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### Restructured loans

(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	6,080	58	130	(72)	6,022	5,950	-	-
	Stage 2	9,683	149	538	(389)	9,534	9,145	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		15,763	207	668	(461)	15,556	15,095	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,669	2,753	1,778	975	864	2,891	-	1,052
Sub total		4,669	2,753	1,778	975	864	2,891	-	1,052
Total (31 March 2019)	Stage 1	6,080	58	130	(72)	6,022	5,950	-	-
	Stage 2	9,683	149	538	(389)	9,534	9,145	-	-
	Stage 3	4,669	2,753	1,778	975	864	2,891	-	1,052
	Total	20,432	2,960	2,446	514	16,420	17,986	-	1,052

\* Net of provision and reserve interest as per CBO norms

In accordance with Central Bank of Oman (CBO) circular BM 1149, the mandatory regulatory impairment reserve is created when the provisions and reserve interest required as per CBO norms exceeds the impairment allowance as per IFRS. The impairment reserve is a yearly appropriation from the net profit after tax. The regulatory impairment reserve will not be available for payment of dividend or for inclusion in regulatory capital. Any subsequent utilisation of the impairment reserve would require prior approval of the CBO.

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

#### Impairment charge and provisions held

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net of recoveries)	-	8,131	(8,131)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	100,954	100,956	(2)
Gross NPL ratio	4.40%	4.40%	-
Net NPL ratio	1.64%	1.97%	(0.33%)

Gross NPL (Non-performing Loans) is 4.40% and Net NPL is 1.97% based on funded non-performing exposure over funded exposure (Net NPL exclude interest reserve and ECL Provision).

Note 1: Excluding Interest Reserve.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 7. Loans, advances and financing to customers as end of 31<sup>st</sup> December 2018 (continued)

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	2,506,302	28,268	13,349	14,919	2,478,034	2,492,953	-	-
	Stage 2	411,703	4,868	5,859	(991)	406,637	405,844	-	198
	Stage 3	-	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>2,918,005</b>	<b>33,136</b>	<b>19,208</b>	<b>13,928</b>	<b>2,884,671</b>	<b>2,898,797</b>	<b>-</b>	<b>198</b>
Special Mention	Stage 1	78	2	1	1	76	77	-	-
	Stage 2	254,563	7,037	18,699	(11,662)	247,526	235,864	-	-
	Stage 3	-	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>254,641</b>	<b>7,039</b>	<b>18,700</b>	<b>(11,661)</b>	<b>247,602</b>	<b>235,941</b>	<b>-</b>	<b>-</b>
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	9,611	2,515	3,936	(1,421)	6,748	5,675	-	348
<b>Subtotal</b>		<b>9,611</b>	<b>2,515</b>	<b>3,936</b>	<b>(1,421)</b>	<b>6,748</b>	<b>5,675</b>	<b>-</b>	<b>348</b>
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	7,835	3,159	2,952	207	4,017	4,883	-	659
<b>Subtotal</b>		<b>7,835</b>	<b>3,159</b>	<b>2,952</b>	<b>207</b>	<b>4,017</b>	<b>4,883</b>	<b>-</b>	<b>659</b>
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	103,853	45,104	34,512	10,592	4,161	69,341	-	54,588
<b>Subtotal</b>		<b>103,853</b>	<b>45,104</b>	<b>34,512</b>	<b>10,592</b>	<b>4,161</b>	<b>69,341</b>	<b>-</b>	<b>54,588</b>
<b>Total loans and advances</b>		<b>3,293,945</b>	<b>90,953</b>	<b>79,308</b>	<b>11,645</b>	<b>3,147,199</b>	<b>3,214,637</b>	<b>-</b>	<b>55,793</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,923,599	493	5,857	(5,364)	1,923,106	1,917,742	-	-
	Stage 2	375,270	-	8,456	(8,456)	375,270	366,814	-	-
	Stage 3	790	-	-	-	790	790	-	-
<b>Subtotal</b>		<b>2,299,659</b>	<b>493</b>	<b>14,313</b>	<b>(13,820)</b>	<b>2,299,166</b>	<b>2,285,346</b>	<b>-</b>	<b>-</b>
<b>Total (31<sup>st</sup> December 2018)</b>	Stage 1	4,429,979	28,763	19,207	9,556	4,401,216	4,410,772	-	-
	Stage 2	1,041,536	11,905	33,014	(21,109)	1,029,433	1,008,522	-	198
	Stage 3	122,089	50,778	41,400	9,378	15,716	80,689	-	55,595
	<b>Total</b>	<b>5,593,604</b>	<b>91,446</b>	<b>93,621</b>	<b>(2,175)</b>	<b>5,446,365</b>	<b>5,499,983</b>	<b>-</b>	<b>55,793</b>

\* Net of provision and reserve interest as per CBO norms

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### Restructured loans as end of 31<sup>st</sup> December 2018

<b>RO'000</b>									
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	5,356	53	269	(216)	5,303	5,087	-	-
	Stage 2	43,591	624	3,322	(2,698)	42,777	40,269	-	190
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		<b>48,947</b>	<b>677</b>	<b>3,591</b>	<b>(2,914)</b>	<b>48,080</b>	<b>45,356</b>	-	<b>190</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,542	2,446	1,718	728	1,177	2,824	-	919
Sub total		<b>4,542</b>	<b>2,446</b>	<b>1,718</b>	<b>728</b>	<b>1,177</b>	<b>2,824</b>	-	<b>919</b>
<b>Total (31<sup>st</sup> December 2018)</b>	<b>Stage 1</b>	5,356	53	269	(216)	5,303	5,087	-	-
	<b>Stage 2</b>	43,591	624	3,322	(2,698)	42,777	40,269	-	190
	<b>Stage 3</b>	4,542	2,446	1,718	728	1,177	2,824	-	919
	<b>Total</b>	<b>53,489</b>	<b>3,123</b>	<b>5,309</b>	<b>(2,186)</b>	<b>49,257</b>	<b>48,180</b>	-	<b>1,109</b>

(Amounts in RO '000)

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.

#### Impairment charge and provisions held as end of 31<sup>st</sup> December 2018

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net of recoveries)	-	6,650	(6,650)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	91,446	93,621	(2,175)
Gross NPL ratio	3.68%	3.68%	-
Net NPL ratio	0.45%	0.74%	(0.29%)

Gross NPL (Non-performing Loans) is 3.68% and Net NPL is 0.74% based on funded non-performing exposure over funded exposure (Net NPL exclude interest reserve and ECL Provision).

Note 1: Excluding Interest Reserve.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### Financial assets and financial liabilities

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at 30 June 2019: **RO'000**

<b>Gross exposure</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Central Bank balances	63,392	-	-	63,392
Due from Banks	443,064	-	-	443,064
Sovereign	287,474	-	-	287,474
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	36,617	-	-	36,617
Loans and advances	2,293,969	745,380	139,749	3,179,098
Accrued profit	15,955	6,231	-	22,186
<b>Total funded gross exposure</b>	<b>3,141,388</b>	<b>751,611</b>	<b>139,749</b>	<b>4,032,748</b>
Letters of credit/guarantee	739,241	218,591	3,609	961,441
Acceptances	57,292	16,441	-	73,733
Loan commitment / unutilised limits	216,381	153,586	-	369,967
<b>Total non-funded gross exposure</b>	<b>1,012,914</b>	<b>388,618</b>	<b>3,609</b>	<b>1,405,141</b>
<b>Total gross exposure</b>	<b>4,154,302</b>	<b>1,140,229</b>	<b>143,358</b>	<b>5,437,889</b>
<b>Impairment</b>				
Central Bank balances	-	-	-	-
Due from Banks	1,360	-	-	1,360
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	228	-	-	228
Loans and advances	11,004	24,094	52,627	87,725
Accrued profit	79	146	-	225
<b>Total funded impairment</b>	<b>12,671</b>	<b>24,240</b>	<b>52,627</b>	<b>89,538</b>
Letters of credit/guarantee	2,731	6,023	-	8,754
Acceptances	203	22	-	225
Loan commitment/unutilised limits	1,046	1,393	-	2,439
<b>Total non-funded impairment</b>	<b>3,980</b>	<b>7,438</b>	<b>-</b>	<b>11,418</b>
<b>Total impairment</b>	<b>16,651</b>	<b>31,678</b>	<b>52,627</b>	<b>100,956</b>
<b>Net exposure</b>				
Central Bank balances	63,392	-	-	63,392
Due from Banks	441,704	-	-	441,704
Sovereign	287,474	-	-	287,474
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	36,389	-	-	36,389
Loans and advances	2,282,965	721,286	87,122	3,091,373
Accrued Profit	15,876	6,085	-	21,961
<b>Total funded net exposure</b>	<b>3,128,717</b>	<b>727,371</b>	<b>87,122</b>	<b>3,943,210</b>
Letter of credit/guarantee	736,510	212,568	3,609	952,687
Acceptances	57,089	16,419	-	73,508
Loan commitment / unutilised limits	215,335	152,193	-	367,528
<b>Total net non-funded exposure</b>	<b>1,008,934</b>	<b>381,180</b>	<b>3,609</b>	<b>1,393,723</b>
<b>Total net exposure</b>	<b>4,137,651</b>	<b>1,108,551</b>	<b>90,731</b>	<b>5,336,933</b>

Gross exposure of loans and advances of RO 139,749 thousands under stage 3 includes reserved interest of RO 24,518 thousand. Accordingly, the principal outstanding of RO 115,231 was subject to ECL. The Total Exposure is base of IFRS9 Exposure as end of 30<sup>th</sup> June 2019.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### Financial assets and financial liabilities (continued)

	Stage 1	Stage 2	Stage 3	RO'000 Total
<b>Opening Balance – as at 30 June 2019</b>	<b>4,137,651</b>	<b>1,108,551</b>	<b>90,731</b>	<b>5,336,933</b>
- Due from banks	837	-	-	837
- Loans and advances to customers	13,350	29,743	41,400	84,493
- Investment securities at FVOCI (Debt)	266	-	-	266
- Loan commitments and financial guarantees	3,258	6,722	-	9,980
- Acceptances	92	35	-	127
- Unutilised	1,343	1,596	-	2,939
- Interest accrued	61	103	-	164
<b>Total</b>	<b>19,207</b>	<b>38,199</b>	<b>41,400</b>	<b>98,806</b>
<b>Net transfer between stages</b>				
- Loans and advances to customers	1,113	(4,380)	3,267	-
- Loan commitments and financial guarantees	31	(31)	-	-
- Unutilised	(42)	42	-	-
<b>Total</b>	<b>1,102</b>	<b>(4,369)</b>	<b>3,267</b>	<b>-</b>
<b>Charge for the Period (net)</b>				
- Due from banks	523	-	-	523
- Loans and advances to customers	(3,459)	(1,269)	7,960	3,232
- Investment securities at FVOCI (Debt)	(38)	-	-	(38)
- Loan commitments and financial guarantees	(558)	(668)	-	(1,226)
- Acceptances	111	(13)	-	98
- Unutilised	(255)	(245)	-	(500)
- Interest accrued	18	43	-	61
<b>Total</b>	<b>(3,658)</b>	<b>2,152</b>	<b>7,960</b>	<b>2,150</b>
<b>Closing Balance – as at 30 June 2019</b>				
- Due from banks	1,360	-	-	1,360
- Loans and advances to customers	11,004	24,094	52,627	87,725
- Investment securities at FVOCI (Debt)	228	-	-	228
- Loan commitments and financial guarantees	2,731	6,023	-	8,754
- Acceptances	203	22	-	225
- Unutilised	1,046	1,393	-	2,439
- Interest accrued	79	146	-	225
<b>Total net exposure</b>	<b>16,651</b>	<b>31,678</b>	<b>52,627</b>	<b>100,956</b>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### Financial assets and financial liabilities

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 2018:

RO'000

	Stage 1	Stage 2	Stage 3	Total
<b>Gross exposure</b>				
Central Bank balances	143,220	-	-	143,220
Due from Banks	329,857	-	-	329,857
Sovereign	237,520	-	-	237,520
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	55,412	-	-	55,412
Loans and advances	2,506,380	666,266	121,299	3,293,945
Accrued profit	13,405	2,951	-	16,356
<b>Total funded gross exposure</b>	<b>3,286,711</b>	<b>669,217</b>	<b>121,299</b>	<b>4,077,227</b>
Letters of credit/guarantee	800,612	209,412	790	1,010,814
Acceptances	61,116	13,473	-	74,589
Loan commitment / unutilised limits	281,540	149,434	-	430,974
<b>Total non-funded gross exposure</b>	<b>1,143,268</b>	<b>372,319</b>	<b>790</b>	<b>1,516,377</b>
<b>Total gross exposure</b>	<b>4,429,979</b>	<b>1,041,536</b>	<b>122,089</b>	<b>5,593,604</b>
<b>Impairment</b>				
Central Bank balances	-	-	-	-
Due from Banks	837	-	-	837
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	266	-	-	266
Loans and advances	13,350	24,558	41,400	79,308
Accrued profit	61	103	-	164
<b>Total funded impairment</b>	<b>14,514</b>	<b>24,661</b>	<b>41,400</b>	<b>80,575</b>
Letters of credit/guarantee	3,258	6,722	-	9,980
Acceptances	92	35	-	127
Loan commitment/unutilised limits	1,343	1,596	-	2,939
<b>Total non-funded impairment</b>	<b>4,693</b>	<b>8,353</b>	<b>-</b>	<b>13,046</b>
<b>Total impairment</b>	<b>19,207</b>	<b>33,014</b>	<b>41,400</b>	<b>93,621</b>
<b>Net exposure</b>				
Central Bank balances	143,220	-	-	143,220
Due from Banks	329,020	-	-	329,020
Sovereign	237,520	-	-	237,520
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	55,146	-	-	55,146
Loans and advances	2,493,030	641,708	79,899	3,214,637
Accrued Profit	13,344	2,848	-	16,192
<b>Total funded net exposure</b>	<b>3,272,197</b>	<b>644,556</b>	<b>79,899</b>	<b>3,996,652</b>
Letter of credit/guarantee	797,354	202,690	790	1,000,834
Acceptances	61,024	13,438	-	74,462
Loan commitment / unutilised limits	280,197	147,838	-	428,035
<b>Total net non-funded exposure</b>	<b>1,138,575</b>	<b>363,966</b>	<b>790</b>	<b>1,503,331</b>
<b>Total net exposure</b>	<b>4,410,772</b>	<b>1,008,522</b>	<b>80,689</b>	<b>5,499,983</b>

Gross exposure of loans and advances of RO 121,299 thousands under stage 3 includes reserved interest of RO 55,793 thousand. Accordingly, the principal outstanding of RO 65,506 was subject to ECL.



# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

#### Financial assets and financial liabilities (continued)

	Stage 1	Stage 2	Stage 3	RO'000 Total
<b>Opening Balance (Day 1 impact) – as at 1 January 2018</b>				
- Due from banks	804	100	-	904
- Loans and advances to customers	15,672	21,335	37,363	74,370
- Investment securities at FVOCI (Debt)	67	-	-	67
- Loan commitments and financial guarantees	4,000	3,869	-	7,869
- Acceptances	23	77	-	100
- Unutilised	1,871	1,766	-	3,637
- Interest accrued	22	30	-	52
<b>Total</b>	<b>22,459</b>	<b>27,177</b>	<b>37,363</b>	<b>86,999</b>
<b>Net transfer between stages</b>				
- Loans and advances to customers	(2,827)	4,366	(1,539)	-
- Loan commitments and financial guarantees	(28)	28	-	-
<b>Total</b>	<b>(2,855)</b>	<b>4,394</b>	<b>(1,539)</b>	<b>-</b>
<b>Charge for the Period (net)</b>				
- Due from banks	33	(100)	-	(67)
- Loans and advances to customers	505	(1,143)	5,604	4,966
- Investment securities at FVOCI (Debt)	199	-	-	199
- Loan commitments and financial guarantees	(714)	2,825	-	2,111
- Acceptances	69	(42)	-	27
- Unutilised	(528)	(170)	-	(698)
- Interest accrued	39	73	-	112
<b>Total</b>	<b>(397)</b>	<b>1,443</b>	<b>5,604</b>	<b>6,650</b>
Written-off	-	-	(28)	(28)
<b>Closing Balance – as at 31 December 2018</b>				
- Due from banks	837	-	-	837
- Loans and advances to customers	13,350	24,558	41,400	79,308
- Investment securities at FVOCI (Debt)	266	-	-	266
- Loan commitments and financial guarantees	3,258	6,722	-	9,980
- Acceptances	92	35	-	127
- Unutilised	1,343	1,596	-	2,939
- Interest accrued	61	103	-	164
<b>Total net exposure</b>	<b>19,207</b>	<b>33,014</b>	<b>41,400</b>	<b>93,621</b>

#### A. Classification of financial assets and financial liabilities

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 8. Investments securities

	Unaudited 30 June 2019 RO'000	Unaudited June 2018 RO'000	Audited 31 December 2018 RO'000
<b>Equity investments:</b>			
Designated at FVTPL	1,765	2,373	1,882
Designated at FVOCI	3,711	4,244	4,118
Gross equity investments	5,476	6,617	6,000
Less: Impairment losses on investments	-	-	-
<b>Net equity investments</b>	<b>5,476</b>	<b>6,617</b>	<b>6,000</b>
<b>Debt investments:</b>			
Designated at FVTPL	2,324	2,265	2,258
Measured at FVOCI	48,570	45,671	45,413
Measured at amortized cost	278,664	265,744	250,927
<b>Gross debt investments</b>	<b>329,558</b>	<b>313,680</b>	<b>298,598</b>
<b>Total investment securities</b>	<b>335,034</b>	<b>320,297</b>	<b>304,598</b>
Less: Impairment loss allowance	(228)	(234)	(266)
<b>Total investment securities</b>	<b>334,806</b>	<b>320,063</b>	<b>304,332</b>
	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Investment securities designated as at FVTPL	4,089	4,638	4,140
Investment securities measured at FVOCI	52,053	49,681	49,265
Investment securities measured at amortised cost	278,664	265,744	250,927
	<b>334,806</b>	<b>320,063</b>	<b>304,332</b>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 8. Investment securities (continued)

#### 8.2 Categories of investments by measurement

As at 30 <sup>th</sup> June 2019 (Unaudited)	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
<b>Quoted Equities:</b>				
Other services sector	-	1,103	-	1,103
Unit funds	155	-	-	155
Financial services sector	-	170	-	170
Industrial sector -	-	1,717	-	1,717
	<u>155</u>	<u>2,990</u>	<u>-</u>	<u>3,145</u>
<b>Unquoted Equities:</b>				
Local securities	-	721	-	721
Unit funds	1,610	-	-	1,610
	<u>1,610</u>	<u>721</u>	<u>-</u>	<u>2,331</u>
<b>Gross Equity investments</b>	<u>1,765</u>	<u>3,711</u>	<u>-</u>	<u>5,476</u>
<b>Quoted Debt:</b>				
Government Bonds and Sukuk & TB	-	15,529	258,664	274,193
Foreign Bonds	2,324	3,006	-	5,330
Local bonds and Sukuk	-	30,035	-	30,035
	<u>2,324</u>	<u>48,570</u>	<u>258,664</u>	<u>309,558</u>
<b>Unquoted Debt</b>				
Treasury Bills	-	-	20,000	20,000
Local Bonds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
<b>Gross Debt Investment</b>	<u>2,324</u>	<u>48,570</u>	<u>278,664</u>	<u>329,558</u>
<b>Total Investment Securities</b>	<u>4,089</u>	<u>52,281</u>	<u>278,664</u>	<u>335,034</u>
Less: FRS 9 ECL Impairment losses on Investments	-	(228)	-	(228)
	<u>4,089</u>	<u>52,053</u>	<u>278,664</u>	<u>334,806</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 8. Investment securities (continued)

#### 8.2 Categories of investments by measurement

As at 30 <sup>th</sup> June 2018 (Unaudited)	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
<b>Quoted Equities:</b>				
Other services sector	-	1,209	-	1,209
Unit funds	220	-	-	220
Financial services sector	-	444	-	444
Industrial sector -	-	1,904	-	1,904
	<u>220</u>	<u>3,557</u>	<u>-</u>	<u>3,777</u>
<b>Unquoted Equities:</b>				
Local securities	-	687	-	687
Unit funds	2,153	-	-	2,153
	<u>2,153</u>	<u>687</u>	<u>-</u>	<u>2,840</u>
<b>Gross Equity investments</b>	<u>2,373</u>	<u>4,244</u>	<u>-</u>	<u>6,617</u>
<b>Quoted Debt:</b>				
Government Bonds and Sukuk & TB	-	12,667	215,777	228,445
Foreign Bonds	2,265	2,980	-	5,244
Local bonds and Sukuk	-	30,024	-	30,024
	<u>2,265</u>	<u>45,671</u>	<u>215,777</u>	<u>263,713</u>
<b>Unquoted Debt</b>				
Treasury Bills	-	-	49,967	49,967
Local Bonds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>49,967</u>	<u>49,967</u>
<b>Gross Debt Investment</b>	<u>2,265</u>	<u>45,671</u>	<u>49,967</u>	<u>313,680</u>
<b>Total Investment Securities</b>	4,638	49,915	265,744	320,297
Less: FRS 9 ECL Impairment losses on Investments	-	(234)	-	(234)
	<u>4,638</u>	<u>49,681</u>	<u>265,744</u>	<u>320,063</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 8. Investment securities (continued)

#### 8.2 Categories of investments by measurement

As at 31 December 2018 (Audited)	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
<b>Quoted Equities:</b>				
Other services sector	-	1,170	-	1,170
Unit funds	220	-	-	220
Financial services sector	-	323	-	323
Industrial sector -		1,904		1,904
	<u>220</u>	<u>3,397</u>	<u>-</u>	<u>3,617</u>
<b>Unquoted Equities:</b>				
Local securities	-	721	-	721
Unit funds	1,662	-	-	1,662
	<u>1,662</u>	<u>721</u>	<u>-</u>	<u>2,383</u>
<b>Gross Equity investments</b>	<u>1,882</u>	<u>4,118</u>	<u>-</u>	<u>6,000</u>
<b>Quoted Debt:</b>				
Government Bonds and sukuk	-	12,570	250,010	262,580
Foreign Bonds	2,258	12,819	-	15,077
Local bonds and sukuks	-	20,024	917	20,941
<b>Gross debt investments</b>	<u>2,258</u>	<u>45,413</u>	<u>250,927</u>	<u>298,598</u>
<b>Total Investment Securities</b>	4,140	49,531	250,927	304,598
Less: Impairment losses on investments	-	(266)	-	(266)
	<u>4,140</u>	<u>49,265</u>	<u>250,927</u>	<u>304,332</u>

## BANK DHOFAR SAOG

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

#### 9. Intangible asset

	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Goodwill net of impairment	<u><b>596</b></u>	<u>993</u>	<u>794</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

	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Conventional	<b>16,776</b>	10,932	13,608
Islamic window	<b>1,202</b>	1,354	1,309
	<u><b>17,978</b></u>	<u>12,286</u>	<u>14,917</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 11. Due to banks

	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Interbank borrowings	<b>395,414</b>	297,860	368,516
Payable on demand	<b>682</b>	1,411	467
	<b><u>396,096</u></b>	<u>299,271</u>	<u>368,983</u>

At 30 June 2019, two borrowings with one bank represented 20% or more of the Bank's total inter-bank borrowings (30 June 2018 and 31 December 2018: one bank). The Bank has not had any defaults of principal, interest or other breaches during the period / year on its borrowed funds.

### 12. Deposits from customers (Conventional Banking)

	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Current accounts	<b>687,866</b>	810,089	568,332
Savings accounts	<b>454,117</b>	454,867	456,011
Time deposits / certificate of deposits	<b>1,395,560</b>	1,526,371	1,531,677
Margin accounts	<b>14,119</b>	15,465	15,099
	<b><u>2,551,662</u></b>	<u>2,806,792</u>	<u>2,571,119</u>

### Islamic Customers Deposits

	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Current accounts	<b>50,288</b>	45,501	54,008
Savings accounts	<b>37,316</b>	30,803	34,026
Time deposits	<b>248,380</b>	234,233	263,319
Margin accounts	<b>3,094</b>	1,899	2,032
	<b><u>339,078</u></b>	<u>312,436</u>	<u>353,385</u>

Consolidated Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,130,462 thousand (30<sup>th</sup> June 2018 - RO 1,203,252 thousand, 31 December 2018 – RO 1,180,082 thousand)

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 13. Subordinated loan

	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000	<b>Audited 31 December 2018 RO'000</b>
Subordinated loan - US Dollar	<b>28,875</b>	28,875	<b>28,875</b>
Subordinated loan - RO	<b>35,000</b>	35,000	<b>35,000</b>
	<b><u>63,875</u></b>	<u>63,875</u>	<b><u>63,875</u></b>

### 14. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (2018: 5,000,000,000,000 shares of RO 0.100 each).

The shareholders of the Bank in the annual general meeting held during March 2019 approved the issuance of 7% bonus shares comprising 196,022,991 shares of par value RO 0.100 each (2018: 180,628,618 shares of par value RO 0.100 each) and 10% (2018 – 12%) as cash dividend of the paid up share capital of the Bank amounting to RO 28,003 thousand for the year ended 31 December 2018 (2018 - 12%). (2017 – RO 27,094 thousand for the year ended 31 December 2017). (2017 – 12%).

#### Shareholders

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

	<b>Unaudited 30<sup>th</sup> June 2019</b>		Unaudited 30 <sup>th</sup> June 2018		Audited 31st December 2018	
	No of shares	%	No of shares	%	No. of shares	%
Dhofar International Development and Investment Company SAOG	<b>730,570,498</b>	<b>24.4%</b>	682,776,167	28.0%	682,776,167	24.4%
Eng. Abdul Hafidh Salim Rajab Al Aujaili and his related Companies	<b>702,668,215</b>	<b>23.5%</b>	528,007,436	21.7%	653,699,269	23.3%
Civil Service Employees Pension Fund	<b>314,373,199</b>	<b>10.5%</b>	215,945,218	10.3%	289,825,834	10.3%
Total	<b>1,747,611,912</b>	<b>58.4%</b>	1,462,728,821	60.0%	1,626,301,270	58.0%
Others	<b>1,248,739,524</b>	<b>41.6%</b>	975,757,519	40.0%	1,174,027,175	42.0%
	<b><u>2,996,351,436</u></b>	<b><u>100%</u></b>	<u>2,438,486,340</u>	<u>100%</u>	<u>2,800,328,445</u>	<u>100%</u>

The Bank's Islamic Banking Window, "Maisarah" Islamic Banking Services has an allocated capital of RO 55 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 30<sup>th</sup> June 2019.



# BANK DHOFAR SAOG

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### Tier 1 USD Securities

On 27 May 2015, the Bank issued Perpetual Tier 1 USD Capital Securities (the “Tier 1 USD Securities”), amounting to USD 300,000 thousand. The Tier 1 USD Securities are listed on 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.

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. Interest will be payable semi-annually in arrears and treated as deduction from equity.

### Tier 1 RO Securities

On 27 December 2018, the Bank issued additional Perpetual Tier 1 Capital Securities (the “Tier 1 RO Securities”), amounting to RO 40,000 thousand. 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 SIX MONTH PERIOD ENDED 30 JUNE 2019

### 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 / year end by the number of shares outstanding at period / year end as follows:

	<b>Unaudited 30 June 2019</b>	Unaudited 30 June 2018	Audited 31 December 2018
Net assets (RO'000)	<b>524,593</b>	472,745	542,662
Number of shares outstanding at the end of the period / year	<b>2,996,351,436</b>	2,438,486,340	2,800,328,445
Net assets per share (RO)	<b>0.175</b>	0.194	0.194

### 16. Net interest income

	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000
Loans, advances and financing to customers	<b>77,787</b>	80,002
Debt investments	<b>357</b>	285
Money market placements	<b>8,648</b>	4,956
Others	<b>25</b>	13
<b>Total interest income</b>	<b>86,817</b>	85,256
Deposits from customers	<b>(35,497)</b>	(37,792)
Money market deposits	<b>(7,489)</b>	(4,723)
<b>Total interest expense</b>	<b>(42,986)</b>	(42,651)
<b>Net interest income</b>	<b>43,831</b>	42,605

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

The calculation of basic and diluted earnings per share is based on profit for the six-month period ended 30<sup>th</sup> June 2019 attributable to ordinary shareholders as follows:

	<b>Unaudited 30 June 2019</b>	Unaudited 30 June 2018
Profit for the period (RO)	<b>19,713</b>	24,949
Less : Additional Tier 1 Coupon	<b>(5,452)</b>	(3,956)
Profit for the period attributable to equity holders of the bank after coupon and issuance cost on Tier 1 capital securities	<b>14,261</b>	20,993
Number of shares outstanding during the period	<b>2,634,509,331</b>	2,367,359,207
Earnings per share basic and diluted (RO)	<b>0.005</b>	0.009

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 17. Earnings per share (basic and diluted) (continued)

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

For the purpose of earning per share calculation, the Bank has restated the previous year weighted average number of shares outstanding to include the 7% bonus shares of 196,022,991 shares issued in the first quarter of 2019.

### 18. Related parties transactions

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

	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 31 June 2018 RO'000	Audited 31 December 2018 RO'000
<b>Loans, advances and financing</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>32,290</b>	34,537	35,993
Other related parties	<b>23,844</b>	21,502	26,055
	<b><u>56,134</u></b>	<u>56,039</u>	<u>62,048</u>
<b>Subordinated loans</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>23,663</b>	23,663	23,663
Other related parties	<b>19,775</b>	19,775	19,775
	<b><u>43,438</u></b>	<u>43,438</u>	<u>43,438</u>
<b>Deposits and other accounts</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>190,374</b>	290,338	143,240
Other related parties	<b>207,065</b>	190,367	161,701
	<b><u>397,439</u></b>	<u>480,705</u>	<u>304,941</u>
<b>Contingent liabilities and commitments</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>632</b>	256	562
Other related parties	<b>6,489</b>	6,698	6,203
	<b><u>7,121</u></b>	<u>6,954</u>	<u>6,765</u>
<b>Remuneration paid to Directors</b>			
<b>Chairman</b>			
– remuneration paid	<b>16</b>	15	16
– sitting fees paid	<b>7</b>	7	10
<b>Other Directors</b>			
– remuneration paid	<b>108</b>	107	108
– sitting fees paid	<b>49</b>	42	66
	<b><u>180</u></b>	<u>171</u>	<u>200</u>
<b>Other transactions</b>			
<b>Rental payment to related parties</b>	<b>275</b>	222	486
Other transactions	<b>53</b>	52	81
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	<b>36</b>	35	43

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 18. Related parties transactions (continued)

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

#### Senior member of the bank

	Unaudited 30 June 2019 RO'000	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Total exposure:			
Direct	61,685	61,425	67,434
Indirect	<u>7,121</u>	<u>6,954</u>	<u>6,764</u>
	<u>68,806</u>	<u>68,379</u>	<u>74,198</u>
Number of members	<u>44</u>	<u>38</u>	<u>44</u>

### 19. Contingent liabilities

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

	Unaudited 30 June 2019 RO'000	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Letters of credit	109,467	105,122	91,920
Guarantees and performance bonds	<u>851,975</u>	<u>925,672</u>	<u>918,894</u>
	<u>961,442</u>	<u>1,030,794</u>	<u>1,010,814</u>

### 20. Disaggregation of net fees and commission income

As of 30 June 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	1,961	2,247	1,004	5,212
Trade services	9	2,909	519	3,437
Syndication and other financing related services	475	1,896	40	2,411
Advisory and asset management services	-	159	113	272
<b>Net fee and commission income</b>	<u>2,445</u>	<u>7,211</u>	<u>1,676</u>	<u>11,332</u>

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

#### 20. Disaggregation of net fees and commission income (continued)

As of 30 June 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	1,948	1,540	837	4,325
Trade services	-	3,433	483	3,916
Syndication and other financing related services	676	538	39	1,253
Advisory and asset management services	-	228	328	556
<b>Net fee and commission income</b>	<b>2,624</b>	<b>5,739</b>	<b>1,687</b>	<b>10,050</b>

#### 20. Disaggregation of net fees and commission income (continued)

As of 31 <sup>st</sup> December 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	3,506	4,141	108	7,755
Trade services	-	6,446	146	6,592
Syndication and other financing related services	1,232	1,908	168	3,308
Advisory and asset management services	-	474	354	828
<b>Net fee and commission income</b>	<b>4,738</b>	<b>12,969</b>	<b>776</b>	<b>18,483</b>

The total of RO 18,483 thousands includes service charges income of RO 2,879 thousand included under other income as miscellaneous income.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 21. Risk Management

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

#### (iii) Credit Risk

##### Customer concentrations

	Assets			Liabilities		
	Gross loans and financing to banks RO'000	Gross Loans, advances and financing to customers RO'000	Investment Securities RO'000	Deposits from customers RO'000	Due to banks RO'000	Contingent liabilities RO'000
<b>30 June 2019</b>						
Personal	-	1,325,843	-	644,322	-	647
Corporate	481,858	1,571,427	40,840	1,115,956	396,096	941,639
Government	-	281,828	294,194	1,130,462	-	19,156
	<b>481,858</b>	<b>3,179,098</b>	<b>335,034</b>	<b>2,890,740</b>	<b>396,096</b>	<b>961,442</b>
<b>30 June 2018</b>						
Personal	-	1,418,820	-	611,338	-	606
Corporate	382,645	1,603,013	41,886	1,304,638	299,271	1,029,462
Government	-	228,297	278,411	1,203,252	-	726
	<b>382,645</b>	<b>3,250,130</b>	<b>320,297</b>	<b>3,119,228</b>	<b>299,271</b>	<b>1,030,794</b>
<b>31 December 2018</b>						
Personal	-	1,375,140	-	625,887	-	174
Corporate	329,896	1,650,688	48,101	1,118,535	368,983	999,970
Government	-	268,117	256,497	1,180,082	-	10,670
	<b>329,896</b>	<b>3,293,945</b>	<b>304,598</b>	<b>2,924,504</b>	<b>368,983</b>	<b>1,010,814</b>

### 22. 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 SIX MONTH PERIOD ENDED 30 JUNE 2019

### Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for six month period ended 30<sup>th</sup> June 2019 is 16.60% (30<sup>th</sup> June 2018 – 14.09%, 31 December 2018 – 17.33%).

<b>Capital structure</b>	<b>Unaudited 30 June 2019 RO'000</b>	Unaudited 30 June 2018 RO'000	Audited 31 December 2018 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	<b>299,635</b>	243,849	280,033
Legal reserve	<b>55,878</b>	50,254	55,878
Share premium	<b>95,656</b>	77,564	95,656
Special reserve	<b>18,488</b>	18,488	18,488
Subordinated bonds and loan reserve	<b>30,100</b>	42,325	30,100
Retained earnings	<b>6,105</b>	5,408	11,557
Proposed bonus shares	-	-	19,602
CET I/Tier I Capital	<b>505,862</b>	437,888	511,314
Additional Tier I regulatory adjustments:			
Deferred tax Assets	<b>(1,028)</b>	(62)	(1,029)
Goodwill	<b>(596)</b>	(993)	(794)
Special revaluation reserve investment IFRS9	<b>(709)</b>	(709)	-
Negative investment revaluation reserve	<b>(2,294)</b>	(563)	(2,271)
<b>Total CET 1 capital</b>	<b>501,235</b>	435,561	507,220
Additional Tier I capital (AT1)	<b>155,500</b>	115,500	155,500
<b>Total Tier 1 Capital (T1=Cet1+AT1)</b>	<b>656,735</b>	551,061	662,720
<b>TIER II CAPITAL</b>			
Investment revaluation reserve	<b>148</b>	124	134
Collective provision	<b>35,657</b>	21,492	43,606
Subordinated loan	<b>33,775</b>	21,550	33,775
Total Tier II capital	<b>69,580</b>	43,166	77,515
Total eligible capital	<b>726,315</b>	594,227	740,235
<b>Risk weighted assets</b>			
Banking book	<b>3,947,000</b>	3,854,312	3,936,646
Trading book	<b>170,931</b>	120,507	75,779
Operational risk	<b>258,086</b>	243,793	258,086
Total	<b>4,376,017</b>	4,218,612	4,270,511
Total Tier 1 Capital (T1=CET1+AT1)	<b>656,735</b>	551,061	662,720
Tier II capital	<b>69,580</b>	43,166	77,515
Tier III capital	-	-	-
Total regulatory capital	<b>726,315</b>	594,227	740,235
Common Equity Tier 1 ratio	<b>11.45%</b>	10.32%	11.88%
Tier I capital ratio	<b>15.01%</b>	13.06%	15.52%
Total capital ratio	<b>16.60%</b>	14.09%	17.33%

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

#### 22. Fair value information

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

30 <sup>th</sup> June 2019	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument RO'000	Amortised cost	RO'000
						Total carrying amount
Cash and balances with CBO	5	-	-	-	171,316	171,316
Loans and advances to banks	6	-	-	-	480,498	480,498
Loans and advances to customers	7	-	-	-	3,066,855	3,066,855
Investment securities	8	4,089	47,225	4,828	278,664	334,806
Other assets		-	-	-	115,467	115,467
		<b>4,089</b>	<b>47,225</b>	<b>4,828</b>	<b>4,112,800</b>	<b>4,168,942</b>
Due to banks	11	-	-	-	396,096	396,096
Deposits from customers	12	-	-	-	2,895,493	2,895,493
Subordinated liabilities	13	-	-	-	63,875	63,875
Other liabilities		216	-	-	138,333	138,549
		<b>216</b>	<b>-</b>	<b>-</b>	<b>3,493,797</b>	<b>3,494,013</b>

Other liabilities includes RO 216 thousands of derivatives financial instruments mandatorily measured at FVPTL.



# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 23. Fair value information (continued)

As of 30 <sup>th</sup> June 2018	Notes	Designated as at FVTPL RO'000	FVOCI – debt instruments RO'000	FVOCI – equity instrument RO'000	Amortised cost RO'000	Total carrying amount RO'000
Cash and balances with Central Bank of Oman	5	-	-	-	280,254	280,254
Loan, advances and financing to banks	6	-	-	-	381,785	381,785
Loan, advances and financing to customers	7	-	-	-	3,125,706	3,125,706
Investment securities: Measured at fair value	8	4,638	46,354	4,244	264,827	320,063
Other assets		-	-	-	110,369	110,369
		<u>4,638</u>	<u>46,354</u>	<u>4,244</u>	<u>4,162,941</u>	<u>4,218,177</u>
Due to banks	12	-	-	-	299,271	299,271
Deposits from customers	13	-	-	-	3,119,228	3,119,228
Subordinated loans	15	-	-	-	63,875	63,875
Other liabilities		671	-	-	143,047	143,718
		<u>671</u>	<u>-</u>	<u>-</u>	<u>3,625,421</u>	<u>3,626,092</u>

31 December 2018	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	Total carrying amount RO'000
Cash and balances with CBO	5	-	-	-	301,505	301,505
Loans and advances to banks	6	-	-	-	329,059	329,059
Loans and advances to customers	7	-	-	-	3,158,844	3,158,844
Investment securities	8	4,140	45,147	4,118	250,927	304,332
Other assets	11	642	-	-	99,271	99,913
		<u>4,782</u>	<u>45,147</u>	<u>4,118</u>	<u>4,139,606</u>	<u>4,193,653</u>
Due to banks	12	-	-	-	368,893	368,893
Deposits from customers	13	-	-	-	2,924,504	2,924,504
Subordinated liabilities	15	-	-	-	63,875	63,875
Other liabilities	14	-	-	-	129,474	129,474
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,486,746</u>	<u>3,486,746</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 23. Fair value information (continued)

#### Fair value measurements recognised in the statement of financial position

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

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

At 30 <sup>th</sup> June 2019	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
<b>Financial assets</b>					
Investments at FVOCI	51,560	721	-	52,281	52,281
Investments at FVTPL	3,241	1,765	-	-	5,006
<b>Derivative financial instruments</b>					
Forward foreign exchange contracts	54,801	2,476	-	-	57,287
At 30 <sup>th</sup> June 2018	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
<b>Financial assets</b>					
Investments at FVOCI	49,911	687	-	50,598	50,861
Investments at FVTPL	3,217	1,421	-	4,638	4,524
<b>Derivative financial instruments</b>					
Forward foreign exchange contracts	-	-	-	-	-
<b>Total assets</b>	<b>53,128</b>	<b>2,108</b>	<b>-</b>	<b>55,236</b>	<b>55,385</b>
At 31 December 2018	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
<b>Financial assets</b>					
Investments at FVOCI	48,810	-	721	49,531	51,319
Investments at FVTPL	2,478	-	1,662	4,140	4,440
<b>Derivative financial instruments</b>					
Forward foreign exchange contracts	-	642	-	642	-
<b>Total</b>	<b>51,288</b>	<b>642</b>	<b>2,383</b>	<b>54,313</b>	<b>55,759</b>

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

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

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 23. Fair value information (continued)

At 31 June 2019	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
<b>Derivatives:</b>			
Currency forward - purchase contracts	1,756,660	-	1,829
Currency forward - sales contracts	1,748,280	1,613	-
Interest rate swaps – purchase contracts	86,286	-	3,171
Interest rate swaps – sales contracts	86,286	3,171	-
Option - Purchase	323	-	-
Option - Sale	323	-	-
<b>At 30 June 2018</b>			
	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
<b>Derivatives:</b>			
Currency forward - purchase contracts	1,304,965	-	3,031
Currency forward - sales contracts	1,299,129	1,212	-
Interest rate swaps	78,635	6,392	5,244
<b>At 31 December 2018</b>			
	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
<b>Derivatives:</b>			
Currency forward - purchase contracts	1,217,263	-	453
Currency forward - sales contracts	1,209,823	1,095	-
Interest rate swaps – purchase contracts	41,610	652	-
Interest rate swaps – sales contracts	41,610	-	652

### 24. Segmental information

The Bank is organised into three main business segments:

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

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

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

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

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 24. Segmental information (continued)

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.

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

At 30 <sup>th</sup> June 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	38,342	50,756	9,142	98,240
Other revenues	2,315	5,063	9,389	16,767
	<u>40,657</u>	<u>55,819</u>	<u>18,531</u>	<u>115,007</u>
Interest, Islamic Window Deposit expenses	<u>(15,377)</u>	<u>(24,535)</u>	<u>(9,556)</u>	<u>(49,468)</u>
Net operating income	25,280	31,284	8,975	65,539
<b>Segment cost</b>				
Operating expenses including depreciation	(17,317)	(14,435)	(2,505)	(34,257)
Impairment for loans and investment net recoveries from allowance for loans impairment	737	(8,503)	(366)	(8,132)
	<u>8,700</u>	<u>8,346</u>	<u>6,104</u>	<u>23,150</u>
Tax expenses	<u>(1,292)</u>	<u>(1,239)</u>	<u>(906)</u>	<u>(3,437)</u>
Profit for the period	<u>7,408</u>	<u>7,107</u>	<u>5,198</u>	<u>19,713</u>
<b>Segment assets</b>	<b>1,423,081</b>	<b>2,037,492</b>	<b>844,569</b>	<b>4,305,142</b>
Less: Impairment allowance	<u>(58,310)</u>	<u>(53,972)</u>	<u>(1,588)</u>	<u>(113,870)</u>
<b>Total segment assets</b>	<b><u>1,364,771</u></b>	<b><u>1,983,520</u></b>	<b><u>842,981</u></b>	<b><u>4,191,272</u></b>
<b>Segment liabilities</b>	<b><u>717,433</u></b>	<b><u>2,396,400</u></b>	<b><u>397,346</u></b>	<b><u>3,511,179</u></b>

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

#### 24. Segmental information (continued)

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

At 30 <sup>th</sup> June 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	4,436	6,947	40	11,423
Other revenues	95	761	1,252	2,108
	<u>4,531</u>	<u>7,708</u>	<u>1,292</u>	<u>13,531</u>
Unrestricted investment account holders' share of profit and profit expense	<u>(920)</u>	<u>(5,108)</u>	<u>(454)</u>	<u>(6,482)</u>
Net operating income	3,611	2,600	838	7,049
<b>Segment cost</b>				
Operating expenses including depreciation	(1,947)	(1,218)	(353)	(3,518)
Impairment allowance	27	(353)	27	(299)
Profit for the period	<u>1,691</u>	<u>1,029</u>	<u>512</u>	<u>3,232</u>
<b>Segment assets</b>	173,493	245,292	67,071	485,856
Less: Impairment allowance	<u>(372)</u>	<u>(5,005)</u>	<u>(161)</u>	<u>(5,538)</u>
<b>Total segment assets</b>	<u>173,121</u>	<u>240,287</u>	<u>66,910</u>	<u>480,318</u>
<b>Segment liabilities</b>	<u>84,609</u>	<u>262,307</u>	<u>26,461</u>	<u>373,377</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 24. Segmental information (continued)

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

At 30 <sup>th</sup> June 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	41,994	48,219	5,490	95,703
Other revenues	2,469	6,127	8,438	17,034
Segment operating revenues	<u>44,463</u>	<u>54,346</u>	<u>13,928</u>	<u>112,737</u>
Interest, Islamic Window Deposit expenses	<u>(18,242)</u>	<u>(27,159)</u>	<u>(3,108)</u>	<u>(48,409)</u>
Net operating income	26,221	27,187	10,820	64,228
<b>Segment cost</b>				
Operating expenses including depreciation	(14,961)	(14,588)	(2,473)	(32,022)
Impairment for loans and investment net recoveries from allowance for loans impairment	1,234	(3,111)	(507)	(2,384)
Profit from operations after provision	<u>12,494</u>	<u>9,488</u>	<u>7,840</u>	<u>29,822</u>
Tax expenses	<u>(2,042)</u>	<u>(1,550)</u>	<u>(1,281)</u>	<u>(4,873)</u>
Profit for the period	<u>10,452</u>	<u>7,938</u>	<u>6,559</u>	<u>24,949</u>
<b>Segment assets</b>	1,514,922	1,994,713	850,242	4,359,876
Less: Impairment allowance	<u>(71,769)</u>	<u>(52,364)</u>	<u>(1,389)</u>	<u>(125,522)</u>
<b>Total segment assets</b>	<u>1,443,153</u>	<u>1,942,349</u>	<u>848,853</u>	<u>4,234,354</u>
<b>Segment liabilities</b>	<u>645,391</u>	<u>2,594,835</u>	<u>405,883</u>	<u>3,646,109</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

### 24. Segmental information (continued)

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

At 30 <sup>th</sup> June 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	4,149	6,166	132	10,447
Other revenues	138	450	1,389	1,977
	<u>4,287</u>	<u>6,616</u>	<u>1,521</u>	<u>12,424</u>
Unrestricted investment account holders' share of profit and profit expense	(461)	(5,288)	(109)	(5,858)
Net operating income	3,826	1,328	1,412	6,566
Segment cost				
Operating expenses including depreciation	(971)	(1,782)	(388)	(3,141)
Impairment allowance	(58)	202	(113)	31
Profit for the period	<u>2,797</u>	<u>(252)</u>	<u>911</u>	<u>3,456</u>
Segment assets	165,799	207,032	73,222	446,053
Less: Impairment allowance	<u>(309)</u>	<u>(4,091)</u>	<u>(160)</u>	<u>(4,560)</u>
Total segment assets	<u>165,490</u>	<u>202,941</u>	<u>73,062</u>	<u>441,493</u>
Segment liabilities	<u>46,536</u>	<u>276,275</u>	<u>23,854</u>	<u>346,665</u>

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

At 31 <sup>st</sup> December 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	82,641	100,746	12,935	196,322
Other revenues	4,738	12,991	16,697	34,426
	<u>87,379</u>	<u>113,737</u>	<u>29,632</u>	<u>230,748</u>
Interest, Islamic Window Deposit expenses	<u>(35,219)</u>	<u>(56,264)</u>	<u>(5,141)</u>	<u>(96,624)</u>
Net operating income	52,160	57,473	24,491	134,124
Segment cost				
Operating expenses including depreciation	(33,390)	(29,168)	(5,169)	(67,727)
Impairment for loans and investment net recoveries from allowance for loans impairment	(6,650)	349	(353)	(6,654)
Profit from operations after provision	<u>12,120</u>	<u>28,654</u>	<u>18,969</u>	<u>59,743</u>
Tax expenses	<u>(1,920)</u>	<u>(4,538)</u>	<u>(3,004)</u>	<u>(9,462)</u>
Net profit for the year	<u>10,200</u>	<u>24,116</u>	<u>15,965</u>	<u>50,281</u>

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

#### 24. Segmental information (continued)

Segment assets	1,444,926	2,086,191	818,742	4,349,859
Less: Impairment allowance	<u>(57,590)</u>	<u>(77,676)</u>	<u>(1,103)</u>	<u>(136,369)</u>
Total segment assets	<u>1,387,336</u>	<u>2,008,515</u>	<u>817,639</u>	<u>4,213,490</u>
Segment liabilities	659,296	2,408,677	434,309	3,502,282
Add: Impairment allowance	<u>9</u>	<u>12,023</u>	<u>1,014</u>	<u>13,046</u>
Segment liabilities	<u>659,305</u>	<u>2,420,700</u>	<u>435,323</u>	<u>3,515,328</u>

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

At 31 <sup>st</sup> December 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	8,531	12,724	301	21,556
Other revenues	<u>234</u>	<u>786</u>	<u>2,600</u>	<u>3,620</u>
Total	8,765	13,510	2,901	25,176
Unrestricted investment account holders' share of profit and profit expense	<u>(587)</u>	<u>(10,381)</u>	<u>(619)</u>	<u>(11,587)</u>
Net operating income	8,178	3,129	2,282	13,589
Segment cost				
Operating expenses including depreciation	(3,093)	(3,114)	(927)	(7,134)
Impairment allowance	<u>(133)</u>	<u>(242)</u>	<u>(141)</u>	<u>(516)</u>
Net profit for the year	<u>4,952</u>	<u>(227)</u>	<u>1,214</u>	<u>5,939</u>
Segment assets	170,063	235,315	111,659	517,037
Less: Impairment allowance	<u>(382)</u>	<u>(4,040)</u>	<u>(188)</u>	<u>(4,610)</u>
Total segment assets	<u>169,681</u>	<u>231,275</u>	<u>111,471</u>	<u>512,427</u>
Segment liabilities	28,432	299,472	82,884	410,788
Add: Impairment allowance	<u>3</u>	<u>528</u>	<u>-</u>	<u>531</u>
Segment liabilities	<u>28,435</u>	<u>300,000</u>	<u>82,884</u>	<u>411,319</u>