



بنك ظفار  
BankDhofar

**Unaudited interim condensed financial statements  
For the Nine month period ended 30 September 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

## CONTENTS OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

	Page
The Board of Director's report	1 & 2
Interim condensed statement of financial position	4
Interim condensed statement of comprehensive income	5
Interim condensed statement of changes in equity	6 to 8
Interim condensed statement of cash flows	9
Notes to the interim condensed financial statements	10 – 47

**BANK DHOFAR S.A.O.G.**

**THE BOARD OF DIRECTORS' REPORT FOR THE QUARTER ENDED**

**30<sup>th</sup> September 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 year-to-date 30<sup>th</sup> September 2019.

**The Bank's Financial Performance during Quarter ended September 2019**

The bank reported a net profit of OMR 25.92 million for the year-to-date (YTD) 30<sup>th</sup> September 2019 compared to OMR 36.49 million achieved during similar period of last year, a year-on-year decline of 28.97%. This decline is resulting from increase in net provisions by OMR 9.01 million from classification of certain large exposures (reflecting the current economic environment). Net Loans, Advances and Financing to customers' is at OMR 3.043 billion as at 30<sup>th</sup> September 2019, compared to OMR 3.185 billion at the end of 30<sup>th</sup> September 2018, 4.45% decline year-on-year, continuing the cautious approach on increasing the loan and financing book and focusing on credit quality. Customer Deposits, including Islamic deposits is at OMR 2.726 billion as at 30<sup>th</sup> September 2019 compared to OMR 3.041 billion as at 30<sup>th</sup> September 2018, 10.35% decrease.

The Net Interest Income and income from Islamic Financing activities earned were OMR 73.08 million year-to-date September 2019 as compared to OMR 72.88 million earned during the same period last year achieving an increase of 0.27%, notwithstanding decline in the loan book by 4.45% year-on-year. Non-interest income such as fees and commissions, foreign exchange profit, investment income and other income earned year-to-date September 2019 was OMR 25.52 million compared to OMR 26.08 million for the same period last year. Total operating income achieved OMR 98.60 million year-to-date 30<sup>th</sup> September 2019 as against OMR 98.96 million for the corresponding period of 2018. Operating expenses increased to OMR 51.775 million YTD September 2019 compared to OMR 48.197 million YTD September 2018, 7.42%. This resulted in increase of the cost to income ratio to 52.51% from 48.70% for the nine-months period ended 30<sup>th</sup> September 2019 compared to the same period in 2018.

As stated above, classification of certain large exposures (reflecting the current economic environment) resulted in increase in Net provisions (Expected Credit Loss 'ECL') by OMR 9.01 million Year-to-date September 2019 compared to last year same period. Gross NPL (Non-performing Loans) is 4.58% and Net NPL is 2.17% as at 30<sup>th</sup> September 2019 compared to 3.51% and 1.90% respectively as at 30<sup>th</sup> September 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 the nine-months period ended 30<sup>th</sup> September 2019 are OMR 0.007 as compared to corresponding period of year 2018 of OMR 0.012.

**Maisarah Financial Performance Highlights:-**

Maisarah Islamic Banking Services has registered a growth in earning assets during the nine-month period ended September 2019. The gross financing portfolio has grown from RO 387.415 million at September 2018 to OMR 452.730 million at September 2019, strong growth of 16.86%. The gross Sukuk investment portfolio increased by 27.43% from OMR 42.139 million at September 2018 to OMR 53.699 million at September 2019.

As at September 2019 the total customer deposit stood at OMR 359.074 million, registering growth of 11.98% compared to OMR 320.646 million at same period last year. The total assets have increased by 13.55% to OMR 555.013 million at September 2019 from OMR 488.792 million at September 2018.

The net financing income after cost of funds increased 3.27% year-on-year reaching OMR 7.579 million for the nine-month period ended September 2019 against OMR 7.339 million at same period last year. Non-financing Income such as fees and commissions, foreign exchange profit, investment income and other income have increased by 18.89% to OMR 3.386 million at September 2019, compared OMR 2.848 million as at September 2018. Cost to income ratio have improved to 48.48% at September 2019 compared to 49.91% at September 2018.

Maisarah posted strong growth of 10.7% increase in Operating Profit (before provisions) of OMR 5.649 million compared to OMR 5.103 million last year nine-months. Net provisions (Expected Credit Losses) increased to OMR 1.004 million compared to OMR 0.168 million. Profit before tax reported is OMR 4.645 million for YTD September 2019 compared to OMR 4.935 million last year, 5.88% decrease year-on-year.

### **Awards & Accolades**

Following key awards were won by the Bank during nine months' period ended 30<sup>th</sup> September 2019 and those awards are testimony to the continued efforts put in by the Bank to improve,

- Corporate & Investment Bank of the Year – Oman by the ABF Corporate & Investment Banking Awards 2019.
- Equity Deal of the Year – Oman by the ABF Corporate & Investment Banking Awards 2019.
- Best Customer Experience Transformation Strategy Award – by Customer Experience - Middle East Awards 2019.
- Top 20 Omani Companies Award for the leading listed companies in Oman at the OER Business Summit.
- 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

## CONDENSED STATEMENT OF FINANCIAL POSITION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Notes	Unaudited 30 September 2019 RO'000	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
<b>Assets</b>				
Cash and balances with Central Bank of Oman	5	261,049	298,352	301,505
Loans, advances and financing to banks	6	261,391	358,524	329,059
Loans and advances (Conventional)	7	2,596,259	2,801,601	2,761,760
Islamic financing receivables	7	447,119	383,175	397,084
Investment securities	8	331,317	295,697	304,332
Intangible asset	9	496	894	794
Property and equipment	10	19,460	13,877	14,917
Other assets		93,363	110,509	104,039
<b>Total assets</b>		<b>4,010,454</b>	<b>4,262,629</b>	<b>4,213,490</b>
<b>Liabilities</b>				
Due to banks	11	390,147	394,273	368,983
Deposits from customers (Conventional)	12	2,367,267	2,720,579	2,571,119
Islamic customers deposits	12	359,074	320,646	353,385
Other liabilities		143,239	163,785	157,966
Subordinated loans	13	63,875	63,875	63,875
<b>Total liabilities</b>		<b>3,323,602</b>	<b>3,663,158</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		3,642	7,016	4,562
Special revaluation reserve Investment IFRS 9		(709)	(709)	(709)
Subordinated loan reserve		30,100	42,325	30,100
Investment revaluation reserve		(1,003)	(919)	(1,789)
Retained earnings		28,384	44,822	59,162
<b>Total equity attributable to the equity holders of the Bank</b>		<b>531,352</b>	<b>483,971</b>	<b>542,662</b>
Perpetual Tier 1 Capital Securities		155,500	115,500	155,500
<b>Total equity</b>		<b>686,852</b>	<b>599,471</b>	<b>698,162</b>
<b>Total liabilities and equity</b>		<b>4,010,454</b>	<b>4,262,629</b>	<b>4,213,490</b>
<b>Contingent liabilities</b>	19	<b>848,120</b>	1,020,002	1,010,814
<b>Net assets per share (Rials Omani)</b>	15	<b>0.177</b>	0.198	0.194

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

Eng. Abdul Hafidh Salim Rajab Al-Aujaili  
Chairman

Abdul Hakeem Omar Al Ojaili  
Chief Executive Officer

# BANK DHOFAR SAOG

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

		Unaudited 9 months 30 September 2019 RO'000	Unaudited 9 months 30 September 2018 RO'000	Unaudited 3 months 30 September 2019 RO'000	Unaudited 3 months 30 September 2018 RO'000
Interest income		129,179	130,108	42,362	44,852
Interest expense		(63,675)	(64,222)	(20,689)	(21,571)
<b>Net interest income</b>	16	<b>65,504</b>	65,886	<b>21,673</b>	23,281
Income from Islamic financing		17,517	15,872	6,094	5,425
Profit Expenses		(9,938)	(8,878)	(3,456)	(3,020)
<b>Net income from Islamic financing and investment activities</b>		<b>7,579</b>	6,994	<b>2,638</b>	2,405
Fees and commission income		13,013	15,882	4,548	5,771
Fees and commission expense		(2,942)	(3,687)	(1,152)	(1,345)
<b>Net fees and commission income</b>		<b>10,071</b>	12,195	<b>3,396</b>	4,426
Other income		15,446	13,888	5,354	4,623
<b>Operating income</b>		<b>98,600</b>	98,963	<b>33,061</b>	34,735
Staff and administrative costs		(47,750)	(45,497)	(16,245)	(15,216)
Depreciation		(4,025)	(2,700)	(1,273)	(959)
<b>Operating expenses</b>		<b>(51,775)</b>	(48,197)	<b>(17,518)</b>	(16,175)
<b>Profit from operations</b>		<b>46,825</b>	50,766	<b>15,543</b>	18,560
Provision for loan impairment		(22,160)	(11,954)	(10,207)	(6,639)
Recoveries from allowance for loan impairment		5,780	4,585	1,958	1,651
Bad debts written-off		(4)	(3)	(3)	-
<b>Profit from operations after provision</b>		<b>30,441</b>	43,394	<b>7,291</b>	13,572
Income tax expense		(4,520)	(6,909)	(1,083)	(2,036)
<b>Profit for the period</b>		<b>25,921</b>	36,485	<b>6,208</b>	11,536
<b>Other comprehensive ( expenses ) / income:</b>					
Items that will not be reclassified to profit or loss::					
Net changes of fair value through other comprehensive income		786	(1,426)	551	(310)
Other comprehensive income for the period		786	(1,426)	551	(310)
<b>Total comprehensive income for the period</b>		<b>26,707</b>	35,059	<b>6,759</b>	11,226
<b>Earnings per share (basic and diluted) (Rials Omani)</b>	17	<b>0.007</b>	0.012	<b>0.002</b>	0.004

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

# BANK DHOFAR SAOG

## CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructure loan	Special impairment reserve IFRS9	Special revaluation 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>
Profit for the period	-	-	-	-	-	-	-	-	-	25,921	25,921	-	25,921
<b>Other comprehensive income for the period</b>													
Net changes of fair value through other comprehensive income	-	-	-	-	-	-	-	-	786	-	786	-	786
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>786</b>	<b>25,921</b>	<b>26,707</b>	<b>-</b>	<b>26,707</b>
Transfer to IFRS 9 ECL	-	-	-	-	-	(4,562)	-	-	-	-	(4,562)	-	(4,562)
Transfer to Special impairment reserve IFRS9	-	-	-	-	-	3,642	-	-	-	(3,642)	-	-	-
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> September 2019 (Unaudited)</b>	<b>299,635</b>	<b>95,656</b>	<b>55,878</b>	<b>18,488</b>	<b>1,281</b>	<b>3,642</b>	<b>(709)</b>	<b>30,100</b>	<b>(1,003)</b>	<b>28,384</b>	<b>531,352</b>	<b>155,500</b>	<b>686,852</b>

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



# BANK DHOFAR SAOG

## CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (CONTINUED)

	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructure	Special impairment reserve IFRS9	Special revaluation 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 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 balances 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	-	-	-	-	-	-	-	-	-	36,485	36,485	-	36,485
<b>Other comprehensive income for the period</b>													
Net changes of fair value through other comprehensive income	-	-	-	-	-	-	-	-	(1,426)	-	(1,426)	-	(1,426)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	-	(1,426)	36,485	35,059	-	35,059
Transfer to Special impairment reserve IFRS9	-	-	-	-	-	(1,439)	-	-	-	1,439	-	-	-
Additional Tier 1 coupon	-	-	-	-	-	-	-	-	-	(3,956)	(3,956)	-	(3,956)
Transactions with owners recorded directly in equity													
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 September 2018 (Unaudited)</b>	243,849	77,564	50,254	18,488	1,281	7,016	(709)	42,325	(919)	44,822	483,971	115,500	599,471

# BANK DHOFAR SAOG

## CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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.

# BANK DHOFAR SAOG

## CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

	Unaudited 30 September 2019 RO'000	Unaudited 30 September 2018 RO'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year before taxation	30,441	43,394
<i>Adjustment for:</i>		
Depreciation and amortisation	4,322	2,997
Net impairment on financial instruments	16,384	7,306
End of service benefits provision for the year	205	239
Gain on disposal of property and equipment	(6)	(37)
IFRS16 principal portion-fin	-	-
Impairment on available-for-sale investments	189	223
	<b>51,535</b>	<b>54,122</b>
<i>Change in working capital:</i>		
Increase in due to banks	21,332	5,578
Increase in due from banks	(24,358)	18,849
Increase in loans & advances and financing	94,520	65,246
Net movement in Investment securities	(26,388)	(6,491)
(Increase) / Decrease in other assets	10,677	(40,957)
Increase in customer deposits	(198,163)	(27,184)
Increase in other liabilities	(11,517)	49,522
<b>Cash used in operations</b>	<b>(133,897)</b>	<b>64,563</b>
Taxes paid	(7,679)	(7,420)
End of service benefits paid	(256)	(142)
	<b>(90,297)</b>	<b>111,123</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(8,568)	(7,053)
Proceeds from sale of property and equipment	6	37
	<b>(8,562)</b>	<b>(7,016)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment) / proceeds from subordinated debt	-	(25,000)
Dividend paid	(28,003)	(27,094)
IFRS16 principal portion-fin	-	-
AT1 Coupon Paid	(5,452)	(3,956)
	<b>(33,455)</b>	<b>(56,050)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(132,314)</b>	<b>48,057</b>
<b>Cash and cash equivalents at 1 January</b>	<b>427,455</b>	<b>414,879</b>
	<b>295,141</b>	<b>462,936</b>
<b>Cash and cash equivalents at 30 September</b>	<b>295,141</b>	<b>462,936</b>
<i>Cash and cash equivalent comprises of:</i>		
Cash and balances with Central Bank of Oman	261,049	298,352
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks	34,891	166,622
Due to banks	(299)	(1,538)
	<b>295,141</b>	<b>462,936</b>

# BANK DHOFAR SAOG

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## CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

	<b>Unaudited 30 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000
<b>Subordinated loan</b>		
Balance at beginning of the period	<b>63,875</b>	88,875
Cash flows	<b>-</b>	(25,000)
Balance at end of the period	<b><u>63,875</u></b>	<u>63,875</u>
<b>Retained earnings</b>		
Balance at beginning of the period	<b>59,162</b>	55,302
Changes on initial application of IFRS 9	<b>-</b>	709
Profit for the period	<b>25,921</b>	36,485
Additional Tier 1 coupon	<b>(5,452)</b>	(3,956)
Transfer to special reserve (IFRS 9)	<b>(3,642)</b>	1,439
Bonus shares issued for 2018	<b>(19,602)</b>	(18,063)
Dividend transfer	<b>(28,003)</b>	(27,094)
Balance at end of the period	<b><u>28,384</u></b>	<u>44,822</u>

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

# **BANK DHOFAR SAOG**

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## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2018: 71 branches) which comprises of 10 Islamic branches (30 September 2018: 10 Islamic branches) and 61 conventional branches (30 September 2018: 61 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 1,605 employees as of 30 September 2019 (30 September 2018: 1,598 employees).

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

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

The unaudited interim condensed financial statements for the nine month period ended 30 September 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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Cash in hand	<b>29,480</b>	33,816	31,422
Balances with the Central Bank of Oman	<b>102,594</b>	116,696	126,863
Placements with Central Bank of Oman	<b>128,975</b>	147,840	143,220
	<b>261,049</b>	298,352	301,505

At 30 September 2019 cash and balances with Central bank of Oman included balances with the Central Bank of Oman amounting to RO 500,000 (30 September 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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

	Unaudited 30 September 2019 RO'000	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Syndicated loans to other banks	103,248	82,989	81,104
Placements with other banks	148,782	257,920	230,060
Current clearing accounts	10,225	18,397	18,732
	<u>262,255</u>	<u>359,306</u>	<u>329,896</u>
Less: impairment allowance (collective)	(864)	(782)	(837)
<b>Net loans, advances and financing</b>	<u><u>261,391</u></u>	<u><u>358,524</u></u>	<u><u>329,059</u></u>

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

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

	Unaudited 30 September 2019 RO'000	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Overdrafts	145,063	188,162	165,880
Loans	2,395,433	2,544,637	2,547,049
Loans against trust receipts	99,239	116,356	99,393
Bills discounted	52,067	67,369	70,969
Advances against credit cards	9,584	8,999	8,921
	<u>2,701,386</u>	<u>2,925,523</u>	<u>2,892,212</u>
<b>Gross Loans, advances and financing</b>	<u>2,701,386</u>	<u>2,925,523</u>	<u>2,892,212</u>
Less: Impairment allowance including reserved interest	(105,127)	(123,922)	(130,452)
<b>Net loans and advances to customers</b>	<u><u>2,596,259</u></u>	<u><u>2,801,601</u></u>	<u><u>2,761,760</u></u>

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

Details of Islamic Banking Window Financing	Unaudited 30 September 2019 RO'000	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Housing finance	161,443	155,428	158,610
Corporate finance	279,749	221,833	232,301
Consumer finance	11,896	10,376	10,822
Less: Impairment allowance	<u>453,088</u> <u>(5,969)</u>	<u>387,637</u> <u>(4,462)</u>	<u>401,733</u> <u>(4,649)</u>
<b>Net financing to customers</b>	<u><b>447,119</b></u>	<u><b>383,175</b></u>	<u><b>397,084</b></u>

The movement in the impairment allowance is analysed below:	Unaudited 30 September 2019	Unaudited 30 September 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/year	26,413	5,901	11,320
Released to the statement of comprehensive income during the period / year	(5,780)	(4,585)	(6,354)
Written off during the period / year	<u>(11,768)</u>	<u>(18)</u>	<u>(28)</u>
Balance at the end of the period / year	<u>88,173</u>	<u>75,007</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	9,476	7,331	10,146
Released to the statement of comprehensive income during the period / year	(1,186)	(1,005)	(1,398)
Written-off during the period / year	<u>(41,160)</u>	<u>(161)</u>	<u>(167)</u>
Balance at the end of the period / year	<u>22,923</u>	<u>53,377</u>	<u>55,793</u>

<b>Total impairment allowance</b>	<u><b>111,096</b></u>	<u><b>128,384</b></u>	<u><b>135,101</b></u>
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In 2019 the Bank has written off RO 49.79 million (2018: RO Nil) as technical written off.

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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)
Standard	Stage 1	2,197,444	27,430	11,340	16,090	2,170,014	2,186,104	-	-
	Stage 2	567,279	7,307	7,681	(374)	559,972	559,598	-	-
	Stage 3	-	-	-	-	-	-	-	-
	<b>Subtotal</b>	<b>2,764,723</b>	<b>34,737</b>	<b>19,021</b>	<b>15,716</b>	<b>2,729,986</b>	<b>2,745,702</b>	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	251,581	3,169	19,448	(16,279)	248,412	232,133	-	-
	Stage 3	-	-	-	-	-	-	-	-
	<b>Subtotal</b>	<b>251,581</b>	<b>3,169</b>	<b>19,448</b>	<b>(16,279)</b>	<b>248,412</b>	<b>232,133</b>	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,690	1,956	3,601	(1,645)	8,284	7,089	-	450
	<b>Subtotal</b>	<b>10,690</b>	<b>1,956</b>	<b>3,601</b>	<b>(1,645)</b>	<b>8,284</b>	<b>7,089</b>	-	<b>450</b>
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	63,252	26,874	19,097	7,777	33,533	44,155	-	2,845
	<b>Subtotal</b>	<b>63,252</b>	<b>26,874</b>	<b>19,097</b>	<b>7,777</b>	<b>33,533</b>	<b>44,155</b>	-	<b>2,845</b>
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	64,228	39,869	27,006	12,863	4,731	37,222	-	19,628
	<b>Subtotal</b>	<b>64,228</b>	<b>39,869</b>	<b>27,006</b>	<b>12,863</b>	<b>4,731</b>	<b>37,222</b>	-	<b>19,628</b>
<b>Total loans and advances</b>		<b>3,154,474</b>	<b>106,604</b>	<b>88,173</b>	<b>18,431</b>	<b>3,024,947</b>	<b>3,066,301</b>	-	<b>22,923</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,593,568	455	5,278	(4,823)	1,593,113	1,588,290	-	-
	Stage 2	445,826	-	9,967	(9,967)	445,826	435,859	-	-
	Stage 3	2,136	-	-	-	2,136	2,136	-	-
	<b>Subtotal</b>	<b>2,041,530</b>	<b>455</b>	<b>15,245</b>	<b>(14,790)</b>	<b>2,041,075</b>	<b>2,026,285</b>	-	-
<b>Total (30 September 2019)</b>	Stage 1	3,791,012	27,885	16,618	11,267	3,763,127	3,774,394	-	-
	Stage 2	1,264,686	10,476	37,096	(26,620)	1,254,210	1,227,590	-	-
	Stage 3	140,306	68,699	49,704	18,995	48,684	90,602	-	22,923
	<b>Total</b>	<b>5,196,004</b>	<b>107,060</b>	<b>103,418</b>	<b>3,642</b>	<b>5,066,021</b>	<b>5,092,586</b>	-	<b>22,923</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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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	5,921	56	126	(70)	5,865	5,795	-	-
	Stage 2	10,612	177	2,818	(2,641)	10,435	7,794	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		16,533	233	2,944	(2,711)	16,300	13,589	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,561	2,619	1,766	853	929	2,795	-	1,013
Sub total		4,561	2,619	1,766	853	929	2,795	-	1,013
Total (31 September 2019)	Stage 1	5,921	56	126	(70)	5,865	5,795	-	-
	Stage 2	10,612	177	2,818	(2,641)	10,435	7,794	-	-
	Stage 3	4,561	2,619	1,766	853	929	2,795	-	1,013
Total		21,094	2,852	4,710	(1,858)	17,229	16,384	-	1,013

\* 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)	-	16,380	(16,380)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	107,060	103,418	3,642
Gross NPL ratio	4.58%	4.58%	-
Net NPL ratio	1.54%	2.17%	-0.63%

Gross NPL (Non-performing Loans) is 4.58% and Net NPL is 2.17% 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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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	RO'000	
								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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

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

<i>RO'000</i>									
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>

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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2019:

RO'000

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	147,051	-	-	147,051
Due from Banks	262,255	-	-	262,255
Sovereign	271,463	-	-	271,463
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	49,202	-	-	49,202
Loans and advances	2,197,444	818,860	138,170	3,154,474
Accrued profit	14,463	5,459	-	19,922
<b>Total funded gross exposure</b>	<b>2,942,795</b>	<b>824,319</b>	<b>138,170</b>	<b>3,905,284</b>
Letters of credit/guarantee	564,387	281,597	2,136	848,120
Acceptances	42,437	18,495	-	60,932
Loan commitment / unutilised limits	241,393	140,275	-	381,668
<b>Total non-funded gross exposure</b>	<b>848,217</b>	<b>440,367</b>	<b>2,136</b>	<b>1,290,720</b>
<b>Total gross exposure</b>	<b>3,791,012</b>	<b>1,264,686</b>	<b>140,306</b>	<b>5,196,004</b>
<b>Impairment</b>				
Central Bank balances	-	-	-	-
Due from Banks	864	-	-	864
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	189	-	-	189
Loans and advances	11,340	27,129	49,704	88,173
Accrued profit	59	146	-	205
<b>Total funded impairment</b>	<b>12,452</b>	<b>27,275</b>	<b>49,704</b>	<b>89,431</b>
Letters of credit/guarantee	2,101	8,331	-	10,432
Acceptances	132	33	-	165
Loan commitment/unutilised limits	1,933	1,457	-	3,390
<b>Total non-funded impairment</b>	<b>4,166</b>	<b>9,821</b>	<b>-</b>	<b>13,987</b>
<b>Total impairment</b>	<b>16,618</b>	<b>37,096</b>	<b>49,704</b>	<b>103,418</b>
<b>Net exposure</b>				
Central Bank balances	147,051	-	-	147,051
Due from Banks	261,391	-	-	261,391
Sovereign	271,463	-	-	271,463
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	49,013	-	-	49,013
Loans and advances	2,186,104	791,731	88,466	3,066,301
Accrued Profit	14,404	5,313	-	19,717
<b>Total funded net exposure</b>	<b>2,930,343</b>	<b>797,044</b>	<b>88,466</b>	<b>3,815,853</b>
Letter of credit/guarantee	562,286	273,266	2,136	837,688
Acceptances	42,305	18,462	-	60,767
Loan commitment / unutilised limits	239,460	138,818	-	378,278
<b>Total net non-funded exposure</b>	<b>844,051</b>	<b>430,546</b>	<b>2,136</b>	<b>1,276,733</b>
<b>Total net exposure</b>	<b>3,774,394</b>	<b>1,227,590</b>	<b>90,602</b>	<b>5,092,586</b>

Gross exposure of loans and advances of RO 138,170 thousands under stage 3 includes reserved interest of RO 22,923 thousand. Accordingly, the principal outstanding of RO 115,247 was subject to ECL. The Total Exposure is base of IFRS9 Exposure as end of 30<sup>th</sup> September 2019.

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 01 January 2019</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	1,410	(4,496)	3,086	-
- Loan commitments and financial guarantees	(1,167)	1,167	-	-
- Unutilised	(31)	31	-	-
<b>Total</b>	<b>212</b>	<b>(3,298)</b>	<b>3,086</b>	<b>-</b>
<b>Charge for the Period (net)</b>				
- Due from banks	27	-	-	27
- Loans and advances to customers	(3,420)	1,881	16,986	15,447
- Investment securities at FVOCI (Debt)	(78)	-	-	(78)
- Loan commitments and financial guarantees	10	443	-	453
- Acceptances	39	(2)	-	37
- Unutilised	622	(170)	-	452
- Interest accrued	(1)	43	-	42
<b>Total</b>	<b>(2,801)</b>	<b>2,195</b>	<b>16,986</b> <b>(11,768)</b>	<b>16,380</b> <b>(11,768)</b>
<b>Closing Balance – as at 30 September 2019</b>				
- Due from banks	864	-	-	864
- Loans and advances to customers	11,340	27,129	49,704	88,173
- Investment securities at FVOCI (Debt)	189	-	-	189
- Loan commitments and financial guarantees	2,101	8,331	-	10,432
- Acceptances	132	33	-	165
- Unutilised	1,933	1,457	-	3,390
- Interest accrued	59	146	-	205
<b>Total net exposure</b>	<b>16,618</b>	<b>37,096</b>	<b>49,704</b>	<b>103,418</b>



# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 7. Loans, advances and financing to customers (continued)

### Financial assets and financial liabilities (continued)

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

	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>

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

### 8. Investments securities

	<b>Unaudited</b> <b>30</b> <b>September</b> <b>2019</b> <b>RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
<b>Equity investments:</b>			
Designated at FVTPL	1,864	2,255	1,882
Designated at FVOCI	<u>3,671</u>	<u>4,318</u>	<u>4,118</u>
Gross equity investments	<u>5,535</u>	<u>6,573</u>	<u>6,000</u>
Less: Impairment losses on investments	-	-	-
<b>Net equity investments</b>	<u><b>5,535</b></u>	<u>6,573</u>	<u>6,000</u>
<b>Debt investments:</b>			
Designated at FVTPL	2,339	2,222	2,258
Measured at FVOCI	61,381	46,990	45,413
Measured at amortized cost	<u>262,251</u>	<u>240,135</u>	<u>250,927</u>
<b>Gross debt investments</b>	<u><b>331,506</b></u>	<u>295,920</u>	<u>304,598</u>
<b>Total investment securities</b>	<b>331,506</b>	295,920	304,598
Less: Impairment loss allowance	<u>(189)</u>	<u>(223)</u>	<u>(266)</u>
<b>Total investment securities</b>	<u><b>331,317</b></u>	<u>295,697</u>	<u>304,332</u>
	<b>Unaudited</b> <b>30</b> <b>September</b> <b>2019</b> <b>RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Investment securities designated as at FVTPL	4,203	4,477	4,140
Investment securities measured at FVOCI	64,863	51,085	49,265
Investment securities measured at amortised cost	<u>262,251</u>	<u>240,135</u>	<u>250,927</u>
	<u><b>331,317</b></u>	<u>295,697</u>	<u>304,332</u>

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

### 8. Investment securities (continued)

#### 8.2 Categories of investments by measurement

As at 30 <sup>th</sup> September 2019 (Unaudited)	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
<b>Quoted Equities:</b>				
Other services sector	-	1,140	-	1,140
Unit funds	146	-	-	146
Financial services sector	-	155	-	155
Industrial sector -	-	1,654	-	1,654
	<u>146</u>	<u>2,950</u>	<u>-</u>	<u>3,096</u>
<b>Unquoted Equities:</b>				
Local securities	-	721	-	721
Unit funds	1,718	-	-	1,718
	<u>1,718</u>	<u>721</u>	<u>-</u>	<u>2,439</u>
<b>Gross Equity investments</b>	<u>1,864</u>	<u>3,671</u>	<u>-</u>	<u>5,535</u>
<b>Quoted Debt:</b>				
Government Bonds and Sukuk & TB	-	17,633	262,251	279,884
Foreign Bonds	2,339	14,713	-	17,052
Local bonds and Sukuk	-	29,035	-	29,035
	<u>2,339</u>	<u>61,381</u>	<u>262,251</u>	<u>325,971</u>
<b>Unquoted Debt</b>				
Treasury Bills	-	-	-	-
Local Bonds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Gross Debt Investment</b>	<u>2,339</u>	<u>61,381</u>	<u>262,251</u>	<u>325,971</u>
<b>Total Investment Securities</b>	4,203	65,052	262,251	331,506
Less: FRS 9 ECL Impairment losses on Investments	-	(189)	-	(189)
	<u>4,203</u>	<u>64,863</u>	<u>262,251</u>	<u>331,317</u>

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

### 8. Investment securities (continued)

#### 8.2 Categories of investments by measurement

As at 30 <sup>th</sup> September 2018 (Unaudited)	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
<b>Quoted Equities:</b>				
Other services sector	-	1,205	-	1,205
Unit funds	225	-	-	225
Financial services sector	-	444	-	444
Industrial sector -	-	1,981	-	1,981
	225	3,630	-	3,855
<b>Unquoted Equities:</b>				
Local securities	-	687	-	687
Unit funds	2,030	-	-	2,030
	2,030	687	-	2,717
<b>Gross Equity investments</b>	2,255	4,317	-	6,572
<b>Quoted Debt:</b>				
Government Bonds and Sukuk & TB	-	12,998	240,135	253,133
Foreign Bonds	2,222	3,051	-	5,273
Local bonds and Sukuk	-	30,942	-	30,942
	2,222	46,991	240,135	289,348
<b>Unquoted Debt</b>				
Treasury Bills	-	-	-	-
Local Bonds	-	-	-	-
	-	-	-	-
<b>Gross Debt Investment</b>	2,222	46,991	240,135	289,348
<b>Total Investment Securities</b>	4,477	51,308	240,135	295,920
Less: FRS 9 ECL Impairment losses on Investments	-	(223)	-	(223)
	4,477	51,085	240,135	295,697

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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>	<u>4,140</u>	<u>49,531</u>	<u>250,927</u>	<u>304,598</u>
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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

#### 9. Intangible asset

	<b>Unaudited 30 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Goodwill net of impairment	<u><b>496</b></u>	<u>894</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 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Conventional	<b>18,307</b>	12,548	13,608
Islamic window	<b>1,153</b>	1,329	1,309
	<u><b>19,460</b></u>	<u>13,877</u>	<u>14,917</u>

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

### 11. Due to banks

	<b>Unaudited 30 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Interbank borrowings	<b>389,889</b>	392,735	368,516
Payable on demand	<b>258</b>	1,538	467
	<b><u>390,147</u></b>	<u>394,273</u>	<u>368,983</u>

At 30 September 2019, two borrowings with one bank represented 20% or more of the Bank's total inter-bank borrowings (30 September 2018: Nil 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 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Current accounts	<b>585,346</b>	658,690	568,332
Savings accounts	<b>454,907</b>	446,694	456,011
Time deposits / certificate of deposits	<b>1,318,244</b>	1,599,404	1,531,677
Margin accounts	<b>8,770</b>	15,791	15,099
	<b><u>2,367,267</u></b>	<u>2,720,579</u>	<u>2,571,119</u>

### Islamic Customers Deposits

	<b>Unaudited 30 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Current accounts	<b>86,513</b>	46,818	54,008
Savings accounts	<b>37,404</b>	35,217	34,026
Time deposits	<b>231,619</b>	236,907	263,319
Margin accounts	<b>3,538</b>	1,704	2,032
	<b><u>359,074</u></b>	<u>320,646</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 1,052,217 thousand (30<sup>th</sup> September 2018 - RO 1,200,847 thousand, 31 December 2018 – RO 1,180,082 thousand)



# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

### 13. Subordinated loan

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

### 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 September 2019</b>		Unaudited 30 September 2018		Audited 31 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>23.4%</b>	528,007,436	21.7%	653,699,269	23.3%
Civil Service Employees Pension Fund	<b>314,070,420</b>	<b>10.5%</b>	251,945,218	10.3%	289,825,834	10.3%
Total	<b>1,747,309,133</b>	<b>58.3%</b>	1,462,728,821	60.0%	1,626,301,270	58.0%
Others	<b>1,249,042,303</b>	<b>41.7%</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> September 2019.

# BANK DHOFAR SAOG

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## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2019</b>	Unaudited 30 September 2018	Audited 31 December 2018
Net assets (RO'000)	<b>531,352</b>	483,971	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>0.177</b>	0.198	0.194

### 16. Net interest income

	<b>Unaudited 30 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000
Loans, advances and financing to customers	<b>116,018</b>	121,345
Debt investments	<b>359</b>	364
Money market placements	<b>12,766</b>	8,376
Others	<b>36</b>	23
<b>Total interest income</b>	<b>129,179</b>	130,108
Deposits from customers	<b>(52,866)</b>	(56,591)
Money market deposits	<b>(10,809)</b>	(7,631)
<b>Total interest expense</b>	<b>(63,675)</b>	(64,222)
<b>Net interest income</b>	<b>65,504</b>	65,886

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

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

	<b>Unaudited 30 September 2019</b>	Unaudited 30 September 2018
Profit for the period (RO'000)	<b>25,921</b>	36,485
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>20,469</b>	32,529
Number of shares outstanding during the period	<b>2,996,351,436</b>	2,692,040,062
Earnings per share basic and diluted (RO)	<b>0.007</b>	0.012

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2019 RO'000</b>	Unaudited 30 September 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>32,857</b>	33,737	35,993
Other related parties holding less than 10% in the Bank	<b>24,808</b>	24,764	26,055
	<b><u>57,665</u></b>	<u>58,501</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 holding less than 10% in the Bank	<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>127,781</b>	203,232	143,240
Other related parties holding less than 10% in the Bank	<b>162,948</b>	188,442	161,701
Other related parties	<b>33,102</b>	40,161	34,801
	<b><u>323,831</u></b>	<u>431,835</u>	<u>339,742</u>
<b>Contingent liabilities and commitments</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>571</b>	256	562
Other related parties holding less than 10% in the Bank	<b>5,945</b>	5,790	6,203
Other related parties	<b>6,516</b>	6,046	6,765
	<b><u>6,516</u></b>	<u>6,046</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>9</b>	10	10
<b>Other Directors</b>			
– remuneration paid	<b>108</b>	107	108
– sitting fees paid	<b>63</b>	55	66
	<b><u>196</u></b>	<u>187</u>	<u>200</u>
<b>Other transactions</b>			
<b>Rental payment to related parties</b>	<b>547</b>	495	654
Other transactions	<b>2,434</b>	2,816	3,976
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	<b>40</b>	40	43

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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

	<b>Unaudited 30 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Total exposure:			
Direct	<b>63,078</b>	63,848	67,434
Indirect	<b>6,612</b>	6,046	6,764
	<b>69,690</b>	69,894	74,198
Number of members	<b>42</b>	32	44

### 19. Contingent liabilities

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

	<b>Unaudited 30 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Letters of credit	<b>104,047</b>	107,320	91,920
Guarantees and performance bonds	<b>744,073</b>	912,682	918,894
	<b>848,120</b>	1,020,002	1,010,814

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

<b>As of 30 September 2019</b>	<b>Retail banking RO'000</b>	<b>Corporate banking RO'000</b>	<b>Treasury and investment banking RO'000</b>	<b>Total RO'000</b>
Transactional services	2,719	2,649	61	5,429
Trade services	13	3,469	303	3,785
Syndication and other financing related services	687	1,152	59	1,898
Advisory and asset management services	-	216	150	366
<b>Net fee and commission income</b>	<b>3,419</b>	<b>7,486</b>	<b>573</b>	<b>11,478</b>

The total of RO 11,478 thousands includes service charges income of RO 1,567 thousand included under other income as miscellaneous income. The reversal of long outstanding provision & written back of other assets is OMR 159

## BANK DHOFAR SAOG

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

As of 30 September 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	2,594	3,185	97	5,876
Trade services	-	4,768	61	4,829
Syndication and other financing related services	944	1,726	149	2,819
Advisory and asset management services	-	416	353	769
<b>Net fee and commission income</b>	<b>3,538</b>	<b>10,095</b>	<b>660</b>	<b>14,293</b>

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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2019</b>						
Personal	-	1,304,843	-	658,461	-	4,316
Corporate	262,255	1,602,212	51,622	1,015,663	390,147	824,954
Government	-	247,419	279,884	1,052,217	-	18,850
	<b>262,255</b>	<b>3,154,474</b>	<b>331,506</b>	<b>2,726,341</b>	<b>390,147</b>	<b>848,120</b>
<b>30 September 2018</b>						
Personal	-	1,394,985	-	620,157	-	969
Corporate	359,306	1,641,839	41,870	1,220,221	394,273	1,018,660
Government	-	276,336	254,050	1,200,847	-	373
	<b>359,306</b>	<b>3,313,160</b>	<b>295,920</b>	<b>3,041,225</b>	<b>394,273</b>	<b>1,020,002</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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

### Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for nine month period ended 30<sup>th</sup> September 2019 is 18.11% (30<sup>th</sup> September 2018 – 14.52%, 31 December 2018 – 17.33%).

<b>Capital structure</b>	<b>Unaudited 30 September 2019 RO'000</b>	Unaudited 30 September 2018 RO'000	Audited 31 December 2018 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	299,635	243,849	280,033
Legal reserve	55,878	50,254	55,878
Share premium	95,656	77,564	95,656
Special reserve	18,488	18,488	18,488
Subordinated bonds and loan reserve	30,100	42,235	30,100
Retained earnings	2,463	8,337	11,557
Proposed bonus shares	-	-	19,602
CET I/Tier I Capital	<u>502,220</u>	440,817	511,314
Additional Tier I regulatory adjustments:			
Deferred tax Assets	(1,028)	(62)	(1,029)
Goodwill	(496)	(894)	(794)
Special revaluation reserve investment IFRS9	(709)	(709)	-
Negative investment revaluation reserve	(1,510)	(1,041)	(2,271)
Total CET 1 capital	<u>498,477</u>	438,111	507,220
Additional Tier I capital (AT1)	<u>155,500</u>	115,500	155,500
<b>Total Tier 1 Capital (T1=Cet1+AT1)</b>	<u><b>653,977</b></u>	<u>553,611</u>	<u>662,720</u>
<b>TIER II CAPITAL</b>			
Investment revaluation reserve	210	159	134
Collective provision	38,876	20,242	43,606
Subordinated loan	33,775	46,550	33,775
Total Tier II capital	<u>72,861</u>	66,951	77,515
Total eligible capital	<u><b>726,838</b></u>	620,562	740,235
<b>Risk weighted assets</b>			
Banking book	3,566,273	3,915,591	3,936,646
Trading book	189,509	114,283	75,779
Operational risk	258,086	243,793	258,086
Total	<u><b>4,013,868</b></u>	4,273,667	4,270,511
Total Tier 1 Capital (T1=CET1+AT1)	<u>653,977</u>	553,611	662,720
Tier II capital	<u>72,861</u>	66,951	77,515
Tier III capital	-	-	-
Total regulatory capital	<u><b>726,838</b></u>	620,562	740,235
Common Equity Tier 1 ratio	<u>12.42%</u>	10.25%	11.88%
Tier I capital ratio	<u>16.29%</u>	12.95%	15.52%
Total capital ratio	<u><b>18.11%</b></u>	14.52%	17.33%



## BANK DHOFAR SAOG

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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> September 2019	Notes	<i>RO'000</i>				
		Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	261,049	261,049
Loans and advances to banks	6	-	-	-	261,391	261,391
Loans and advances to customers	7	-	-	-	3,043,378	3,043,378
Investment securities	8	4,203	61,192	3,671	262,251	331,317
Other assets		387	-	-	89,905	90,292
		<b>4,590</b>	<b>61,192</b>	<b>3,671</b>	<b>3,917,974</b>	<b>3,987,427</b>
Due to banks	11	-	-	-	390,147	390,147
Deposits from customers	12	-	-	-	2,726,341	2,726,341
Subordinated liabilities	13	-	-	-	63,875	63,875
Other liabilities		-	-	-	117,572	117,572
		-	-	-	<b>3,297,935</b>	<b>3,297,935</b>

Other Assets include RO 387 thousands of derivatives financial instruments mandatorily measured at FVPTL.

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

### 23. Fair value information (continued)

As of 30 <sup>th</sup> September 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	-	-	-	298,352	298,352
Loan, advances and financing to banks	6	-	-	-	358,524	358,524
Loan, advances and financing to customers	7	-	-	-	3,184,776	3,184,776
Investment securities: Measured at fair value	8	4,477	46,767	4,318	240,135	295,697
Other assets		413	-	-	106,871	107,284
		<u>4,890</u>	<u>46,767</u>	<u>4,318</u>	<u>4,188,658</u>	<u>4,244,633</u>
Due to banks	11	-	-	-	394,273	394,273
Deposits from customers	12	-	-	-	3,041,225	3,041,225
Subordinated loans	13	-	-	-	63,875	63,875
Other liabilities		-	-	-	152,357	152,357
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,651,730</u>	<u>3,651,730</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		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	11	-	-	-	368,893	368,893
Deposits from customers	12	-	-	-	2,924,504	2,924,504
Subordinated liabilities	13	-	-	-	63,875	63,875
Other liabilities		-	-	-	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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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> September 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	64,331	721	-	65,052	66,650
Investments at FVTPL	2,339	1,864	-	4,203	4,546
<b>Derivative financial instruments</b>					
Forward foreign exchange contracts	-	387	-	387	387
<b>Total assets</b>	<b>66,670</b>	<b>2,972</b>	<b>-</b>	<b>69,642</b>	<b>71,583</b>
At 30 <sup>th</sup> September 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	50,621	687	-	51,308	51,309
Investments at FVTPL	3,099	1,378	-	4,477	4,440
<b>Derivative financial instruments</b>					
Forward foreign exchange contracts	-	-	-	-	-
<b>Total assets</b>	<b>53,720</b>	<b>2,065</b>	<b>-</b>	<b>55,785</b>	<b>55,749</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 assets</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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

### 23. Fair value information (continued)

At 31 September 2019	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
<b>Derivatives:</b>			
Currency forward - purchase contracts	1,493,247	-	3,818
Currency forward - sales contracts	1,486,982	4,204	-
Interest rate swaps – purchase contracts	84,724	5,062	-
Interest rate swaps – sales contracts	84,724	-	5,062
Option - Purchase	307	-	-
Option - Sale	307	-	-
<b>At 30 September 2018</b>			
	Contract / notional amount RO'000	Assets RO'000	Liabilities RO'000
<b>Derivatives:</b>			
Currency forward - purchase contracts	930,340	-	1,028
Currency forward - sales contracts	923,262	1,441	-
Interest rate swaps	88,627	5,950	4,579
<b>At 31 December 2018</b>			
	Contract / notional amount RO'000	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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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:

<b>At 30<sup>th</sup> September 2019</b>	<b>Retail banking RO'000</b>	<b>Corporate banking RO'000</b>	<b>Treasury and investments RO'000</b>	<b>Total RO'000</b>
Segment operating revenues	57,351	75,952	13,393	146,696
Net fees and commission income	3,419	7,486	573	11,478
Other revenues	-	160	13,879	14,039
	<hr/>	<hr/>	<hr/>	<hr/>
Segment operating revenues	60,770	83,598	27,845	172,213
Interest, Islamic Window Deposit expenses	(24,191)	(37,748)	(11,674)	(73,613)
Net operating income	36,579	45,850	16,171	98,600
<b>Segment cost</b>				
Operating expenses including depreciation	(26,016)	(22,507)	(3,252)	(51,775)
Impairment for loans and investment net recoveries from allowance for loans impairment	(314)	(16,442)	372	(16,384)
	<hr/>	<hr/>	<hr/>	<hr/>
Profit from operations after provision	10,249	6,901	13,291	30,441
Tax expenses	(1,522)	(1,025)	(1,973)	(4,520)
Profit for the period	<u>8,727</u>	<u>5,876</u>	<u>11,318</u>	<u>25,921</u>
<b>Segment assets</b>	<b>1,428,121</b>	<b>2,060,961</b>	<b>633,725</b>	<b>4,122,807</b>
Less: Impairment allowance	<u>(56,539)</u>	<u>(54,758)</u>	<u>(1,056)</u>	<u>(112,353)</u>
<b>Total segment assets</b>	<b><u>1,371,582</u></b>	<b><u>2,006,203</u></b>	<b><u>632,669</u></b>	<b><u>4,010,454</u></b>
<b>Segment liabilities</b>	<b><u>719,087</u></b>	<b><u>2,197,979</u></b>	<b><u>406,536</u></b>	<b><u>3,323,602</u></b>

## BANK DHOFAR SAOG

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

#### 24. Segmental information (continued)

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

At 30 <sup>th</sup> September 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	6,736	10,658	123	17,517
Net fees and commission income	162	1,147	203	1,512
Other revenues	-	159	1,715	1,874
	<u>6,898</u>	<u>11,964</u>	<u>2,041</u>	<u>20,903</u>
Unrestricted investment account holders' share of profit and profit expense	(1,569)	(7,504)	(865)	(9,938)
Net operating income	5,329	4,460	1,176	10,965
<b>Segment cost</b>				
Operating expenses including depreciation	(2,786)	(2,530)	-	(5,316)
Impairment allowance	(91)	(942)	32	(1,001)
Bad Debts Written	(3)	-	-	(3)
Profit for the period	<u>2,449</u>	<u>988</u>	<u>1,208</u>	<u>4,645</u>
<b>Segment assets</b>	174,072	285,470	101,641	561,183
Less: Impairment allowance	<u>(489)</u>	<u>(5,525)</u>	<u>(156)</u>	<u>(6,170)</u>
<b>Total segment assets</b>	<u>173,583</u>	<u>279,945</u>	<u>101,485</u>	<u>555,013</u>
<b>Segment liabilities</b>	<u>92,968</u>	<u>274,648</u>	<u>61,081</u>	<u>428,697</u>

## BANK DHOFAR SAOG

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

#### 24. Segmental information (continued)

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

At 30 <sup>th</sup> September 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	62,843	74,007	9,130	145,980
Net fees and commission income	3,538	10,095	660	14,293
Other revenues	-	-	11,790	11,790
	<u>66,381</u>	<u>84,102</u>	<u>21,580</u>	<u>172,063</u>
Interest, Islamic Window Deposit expenses	(27,546)	(40,478)	(5,076)	(73,100)
Net operating income	38,835	43,624	16,504	98,963
<b>Segment cost</b>				
Operating expenses including depreciation	(22,475)	(21,895)	(3,827)	(48,197)
Impairment for loans and investment net recoveries from allowance for loans impairment	(5,937)	(1,176)	(259)	(7,372)
	<u>10,423</u>	<u>20,553</u>	<u>12,418</u>	<u>43,394</u>
Tax expenses	(1,623)	(3,432)	(1,854)	(6,909)
Profit for the period	<u>8,800</u>	<u>17,121</u>	<u>10,564</u>	<u>36,485</u>
<b>Segment assets</b>	1,536,890	2,171,907	683,221	4,392,018
Less: Impairment allowance	(68,532)	(59,852)	(1,005)	(129,389)
<b>Total segment assets</b>	<u>1,468,358</u>	<u>2,112,055</u>	<u>682,216</u>	<u>4,262,629</u>
<b>Segment liabilities</b>	<u>660,087</u>	<u>2,543,643</u>	<u>459,428</u>	<u>3,663,158</u>

# BANK DHOFAR SAOG

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

### 24. Segmental information (continued)

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

At 30 <sup>th</sup> September 2018	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	6,296	9,339	237	15,872
Net fees and commission income	165	677	400	1,242
Other revenues	-	3	1,603	1,606
Segment operating revenues	<u>6,461</u>	<u>10,019</u>	<u>2,240</u>	<u>18,720</u>
Unrestricted investment account holders' share of profit and profit expense	<u>(719)</u>	<u>(7,742)</u>	<u>(417)</u>	<u>(8,878)</u>
Net operating income	5,742	2,277	1,823	9,842
Segment cost				
Operating expenses including depreciation	(1,421)	(2,628)	(690)	(4,739)
Impairment allowance	(69)	-	(99)	(168)
Profit for the period	<u>4,252</u>	<u>(351)</u>	<u>1,034</u>	<u>4,935</u>
Segment assets	166,578	225,461	101,391	493,430
Less: Impairment allowance	<u>(324)</u>	<u>(4,168)</u>	<u>(146)</u>	<u>(4,638)</u>
Total segment assets	<u>166,254</u>	<u>221,293</u>	<u>101,245</u>	<u>488,792</u>
Segment liabilities	<u>56,356</u>	<u>271,638</u>	<u>35,353</u>	<u>363,347</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
Net fees and commission income	4,738	12,969	776	18,483
Other revenues	-	22	15,921	15,943
Total	<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 CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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
Net fees and commission income	234	763	416	1,413
Other revenues	-	23	2,184	2,207
Total	<u>8,765</u>	<u>13,510</u>	<u>2,901</u>	<u>25,176</u>
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	(133)	(242)	(141)	(516)
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	3	528	-	531
Segment liabilities	<u>28,435</u>	<u>300,000</u>	<u>82,884</u>	<u>411,319</u>