



بنك ظفار  
BankDhofar

**Unaudited interim condensed financial statements  
For the nine month period ended 30<sup>th</sup> September 2018**

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

Bank Dhofar Building  
Bank Al Markazi street  
Post Box 1507, Ruwi  
Postal Code 112  
Sultanate of Oman

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

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

**30<sup>th</sup> September 2018**

**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 2018.

### **The Bank's Financial Performance during Quarter ended September 2018**

The bank continued its progress during the nine month period ended 30<sup>th</sup> of September 2018 achieving a net profit of OMR 36.49 million compared to OMR 34.79 million achieved during similar period of last year, recording a year-on-year growth of 4.89%. Net Loans, Advances and Financing to customers' is at OMR 3.184 billion as at 30<sup>th</sup> September 2018, compared to OMR 3.175 billion at the end of 30<sup>th</sup> September 2017. Customer Deposits, including Islamic deposits is at OMR 3.041 billion as at 30<sup>th</sup> September 2018 compared to OMR 3.102 billion as at 30<sup>th</sup> September 2017.

The Net Interest Income and income from Islamic Financing activities earned year-to-date September 2018 was OMR 74.58 million as compared to OMR 68.95 million earned during the same period last year achieving an increase of 8.17%. Non-interest income such as fees and commissions, foreign exchange profit, investment income etc. also registered a growth of 3.66% year-on-year to reach OMR 26.08 million for nine months of 30<sup>th</sup> September 2018 compared to OMR 25.16 million last year. Total operating income achieved OMR 100.66 million year-to-date 30<sup>th</sup> September 2018 as against OMR 94.11 million for the corresponding period of 2017, an increase of 6.96%.

Net provisions for loan impairment and non-funded was contained by 9.92% to OMR 11.89 million for the nine-month period ended 30<sup>th</sup> September 2018 as against OMR 13.20 million during the same period of last year mainly due to changes in provision (Expected Credit Loss) computation in compliance with International Financial Reporting Standards 9 (IFRS-9). Non-performing loans to gross loans ratio increased from 3.04% as at 30<sup>th</sup> September 2017 to 3.51% as at 30<sup>th</sup> September 2018, while Non-performing loans, net of interest reserves, to gross loans ratio stood at 1.90% as at 30<sup>th</sup> September 2018 as against 1.68% during the corresponding period of year 2017.

The earnings per share (EPS) for the nine-months period ended 30<sup>th</sup> September 2018 are OMR 0.014 as compared to corresponding period of year 2017 of OMR 0.015.

### **Maisarah Financial Performance Highlights:-**

Maisarah Islamic Banking Services has registered a positive growth in earning assets during the nine-month period ended September 2018. The gross financing portfolio has grown from RO 382.45 million as at September 2017 to OMR 387.42 million as at September 2018,

Total customer deposit for the nine month period ended 30<sup>th</sup> of September 2018 stood at OMR 320.65 million, compared to OMR 354.94 million as at 30<sup>th</sup> September 2017. The total assets increased by 3.66% to OMR 488.79 million as at 30<sup>th</sup> September 2018 from OMR 471.55 million compared to 30<sup>th</sup> September 2017.

The net financing income after cost of funds increased by 21.52% year-on-year reaching OMR 7.34 million year-to-date September 2018 against OMR 6.04 million at same period of last year. Non-financing Income such as fees and commissions, foreign exchange profit, investment income and other income increased by 61.02% year-on-year to OMR 2.85 million as at 30<sup>th</sup> September 2018, compared to OMR 1.77 million as at 30<sup>th</sup> September 2017. Cost to income ratio have improved to 49.91% for the nine month ended 30<sup>th</sup> September 2018 from 59.76% same period of year 2017.

, Maisarah posted year-to-date profit before tax of OMR 4.94 million, growth of 192.31% compared to last year Profit before tax of OMR 1.69 million.

### **Awards & Accolades**

Following key awards were won by the Bank during nine months period ended 30<sup>th</sup> September 2018 and those awards are testimony to the continued efforts put in by the Bank:

- No. 1 in Large Sized Banks Category at Best Banks Report by Oman Economic Review (OER)
- Best Islamic bank in Oman - Maisarah Islamic Banking Services at the Middle East Banking Awards 2017 (EMEA Finance)
- Best Corporate Banking Institution – Oman in The Business Awards 2017 by MEA Markets
- Best Islamic Retail Bank Oman 2017 – Maisarah Islamic Banking by Global Banking & Finance Review
- The Business Excellence Award from the BIZZ AWARDS (World Confederation of Business) 2018
- Best mobile app from Pan Arab Web Awards 2018
- Best Private Bank Oman 2017 – Bank Dhofar by Global Banking & Finance Review
- Best Bank for Human Resources Oman 2017 by the Global Business Outlook Award 2017

### **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 the Bank's staff and management for the good performance during the period.

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

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

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

# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30TH SEPTEMBER 2018

	<b>Notes</b>	<b>Unaudited 30 September 2018 RO'000</b>	<b>Unaudited 30 September 2017 RO'000</b>	<b>Audited 31 December 2017 RO'000</b>
<b>Assets</b>				
Cash and balances with Central Bank of Oman	5	298,352	255,903	326,819
Loans, advances and financing to banks	6	358,524	288,211	299,896
Loans, advances and financing to customers	7	3,184,776	3,175,026	3,248,873
Investment securities	8	295,697	278,349	290,855
Intangible asset	9	894	1,291	1,191
Property and equipment	10	13,877	8,583	9,524
Other assets		110,509	63,863	69,552
<b>Total assets</b>		<b>4,262,629</b>	<b>4,071,226</b>	<b>4,246,710</b>
<b>Liabilities</b>				
Due to banks	11	394,273	244,292	387,742
Deposits from customers	12	3,041,225	3,101,549	3,068,409
Other liabilities		163,785	98,125	114,677
Subordinated loans	13	63,875	88,875	88,875
<b>Total liabilities</b>		<b>3,663,158</b>	<b>3,532,841</b>	<b>3,659,703</b>
<b>Shareholders' equity</b>				
Share capital		243,849	204,164	225,786
Share premium		77,564	59,618	77,564
Special reserve		18,488	18,488	18,488
Legal reserve		50,254	45,176	50,254
Special reserve –restructured loans		1,281	-	1,281
Special impairment reserve IFRS 9	7	7,016	-	-
Subordinated loan reserve		42,325	31,550	42,325
Special revaluation reserve investment IFRS 9		(709)	-	-
Investment revaluation reserve		(919)	646	507
Retained earnings		44,822	63,243	55,302
<b>Total equity attributable to the equity holders of the Bank</b>		<b>483,971</b>	<b>422,885</b>	<b>471,507</b>
Perpetual Tier 1 Capital Securities		115,500	115,500	115,500
<b>Total equity</b>		<b>599,471</b>	<b>538,385</b>	<b>587,007</b>
<b>Total liabilities and equity</b>		<b>4,262,629</b>	<b>4,071,226</b>	<b>4,246,710</b>
<b>Net assets per share (Rials Omani)</b>	15	<b>0.198</b>	0.207	0.209
<b>Contingent liabilities</b>	19	<b>1,020,002</b>	997,878	1,018,969

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

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

**Abdul Hakeem Omar Al Ojaili**  
Chief Executive Officer

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

# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED 30TH SEPTEMBER 2018

		Unaudited 9 months 30 September 2018 RO'000	Unaudited 9 months 30 September 2017 RO'000	Unaudited 3 months 30 September 2018 RO'000	Unaudited 3 months 30 September 2017 RO'000
Interest income		130,108	119,459	44,852	41,533
Interest expense		(62,872)	(56,551)	(21,121)	(20,904)
<b>Net interest income</b>	16	<b>67,236</b>	62,908	<b>23,731</b>	20,629
Income from islamic financing		15,872	13,555	5,425	4,972
Unrestricted investment account holders' share of profit		(8,533)	(7,512)	(2,905)	(2,655)
<b>Net income from islamic financing activities</b>		<b>7,339</b>	6,043	<b>2,520</b>	2,317
Fees and commission income		15,882	15,186	5,771	5,635
Fees and commission expense		(3,687)	(2,716)	(1,345)	(1,022)
<b>Net fees and commission income</b>		<b>12,195</b>	12,470	<b>4,426</b>	4,613
Other income		13,888	12,693	4,623	4,356
<b>Operating income</b>		<b>100,658</b>	94,114	<b>35,300</b>	31,915
Staff and administrative costs		(47,192)	(41,559)	(15,781)	(14,020)
Depreciation		(2,700)	(2,498)	(959)	(809)
<b>Operating expenses</b>		<b>(49,892)</b>	(44,057)	<b>(16,740)</b>	(14,829)
<b>Profit from operations</b>		<b>50,766</b>	50,057	<b>18,560</b>	17,086
Provision for loan impairment and Non funded	6 & 19	(11,888)	(13,195)	(6,807)	(4,190)
Recoveries from allowance for loan impairment	6 & 19	4,585	4,412	1,651	1,339
Bad debts written-off		(3)	(1)	-	(1)
Transfer to statement of comprehensive income on Provision for Investment impairment		(66)	(340)	168	-
<b>Profit from operations after provision</b>		<b>43,394</b>	40,933	<b>13,572</b>	14,234
Income tax expense		(6,909)	(6,140)	(2,036)	(2,135)
<b>Profit for the period</b>		<b>36,485</b>	34,793	<b>11,536</b>	12,099
<b>Profit for the period</b>		<b>36,485</b>	34,793	<b>11,536</b>	12,099
<b>Other comprehensive income:</b>					
Items that will not be reclassified to P&L					
Net changes in fair value reserve (equity instrument)					
Items that are or may be reclassified to profit or loss in subsequent periods:					
Net changes of fair value through other comprehensive income		(1,426)	(983)	(310)	(229)
Impairment of investments carried as fair value through other comprehensive income sale of available-for-sale investments		-	340	-	(26)
Reclassification adjustment on sale of available for sale financial assets		-	(170)	-	-
Other comprehensive income for the period		(1,426)	(813)	(310)	(255)
<b>Total comprehensive income for the period</b>		<b>35,059</b>	33,980	<b>11,226</b>	11,844
<b>Earnings per share (basic and diluted) (Rials Omani)</b>	17	<b>0.014</b>	0.015	<b>0.002</b>	0.002

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

# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructure	Special impairment reserve IFRS9	Special revaluation 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>	<b>225,786</b>	<b>77,564</b>	<b>50,254</b>	<b>18,488</b>	<b>1,281</b>	-	-	<b>42,325</b>	<b>507</b>	<b>55,302</b>	<b>471,507</b>	<b>115,500</b>	<b>587,007</b>
Changes on initial application of IFRS 9	-	-	-	-	-	8,455	(709)	-	-	709	8,455	-	8,455
<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>8,455</b>	<b>(709)</b>	<b>42,325</b>	<b>507</b>	<b>56,011</b>	<b>479,962</b>	<b>115,500</b>	<b>595,462</b>
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>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,426)</b>	<b>36,485</b>	<b>35,059</b>	<b>-</b>	<b>35,059</b>
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>	<b>243,849</b>	<b>77,564</b>	<b>50,254</b>	<b>18,488</b>	<b>1,281</b>	<b>7,016</b>	<b>(709)</b>	<b>42,325</b>	<b>(919)</b>	<b>44,822</b>	<b>483,971</b>	<b>115,500</b>	<b>599,471</b>

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

# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018 (CONTINUED)

	Notes	Share capital RO'000	Share premium RO'000	Special reserve RO'000	Legal reserve RO'000	Provisioned loans reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'000
<b>Balances as at 1<sup>st</sup> January 2017</b>		189,920	59,618	18,488	45,176	31,550	1,459	72,289	418,500	115,500	534,000
<b>Total comprehensive income for the period</b>											
Profit for the period		-	-	-	-	-	-	34,793	34,793	-	34,793
<b>Other comprehensive income for the period</b>											
Net change in fair value of available-for-sale investments		-	-	-	-	-	(983)	-	(983)	-	(983)
Transfer to statement of comprehensive income on sale of available-for-sale investments		-	-	-	-	-	(170)	-	(170)	-	(170)
Impairment of available-for-sale investments		-	-	-	-	-	340	-	340	-	340
<b>Total comprehensive income for the period</b>		-	-	-	-	-	(813)	34,793	33,980	-	33,980
<b>Transactions with owners recorded directly in equity</b>											
Additional Tier 1 coupon		-	-	-	-	-	-	(3,956)	(3,956)	-	(3,956)
Dividend for 2016	13	-	-	-	-	-	-	(25,639)	(25,639)	-	(25,639)
Bonus shares issued for 2016	13	14,244	-	-	-	-	-	(14,244)	-	-	-
<b>Balances as at 30 September 2017 (Unaudited)</b>		204,164	59,618	18,488	45,176	31,550	646	63,243	422,885	115,500	538,385

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



# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018 (CONTINUED)

*Attributable to equity holders of Bank*

	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Special reserve RO'000	Special reserve - restructured loans RO'000	Subordinated loans reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'000
Balances as at 1 January 2017		189,920	59,618	45,176	18,488	-	31,550	1,459	72,289	418,500	115,500	534,000
Profit for the year		-	-	-	-	-	-	-	47,627	47,627	-	47,627
Other comprehensive expense for the year		-	-	-	-	-	-	-	-	-	-	-
Net change in fair value of available-for-sale investments		-	-	-	-	-	-	(1,266)	-	(1,266)	-	(1,266)
Reclassification adjustment on sale of available-for-sale investments		-	-	-	-	-	-	(44)	-	(44)	-	(44)
Impairment of available-for-sale investments		-	-	-	-	-	-	358	-	358	-	358
Total comprehensive income for the year		-	-	-	-	-	-	(952)	47,627	46,675	-	46,675
Transfer to legal reserve	20	-	-	4,763	-	-	-	-	(4,763)	-	-	-
Transfer to subordinated loan reserve	20	-	-	-	-	-	10,775	-	(10,775)	-	-	-
Issue of right shares	19	21,622	17,946	-	-	-	-	-	-	39,568	-	39,568
Excess of receipts over rights issue expenses	19	-	-	315	-	-	-	-	-	315	-	315
Transfer to special reserve – restructured loans	20	-	-	-	-	1,281	-	-	(1,281)	-	-	-
Payment towards Perpetual Tier 1 coupon		-	-	-	-	-	-	-	(7,912)	(7,912)	-	(7,912)
Transactions with owners recorded directly in equity		-	-	-	-	-	-	-	-	-	-	-
Dividend paid for 2016	38	-	-	-	-	-	-	-	(25,639)	(25,639)	-	(25,639)
Bonus shares issued for 2016	38	14,244	-	-	-	-	-	-	(14,244)	-	-	-
Balances as at 31 December 2017		225,786	77,564	50,254	18,488	1,281	42,325	507	55,302	471,507	115,500	587,007

The attached notes 1 to 38 form part of these financial statements.

# BANK DHOFAR SAOG

## INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

	Unaudited 30th September 2018 RO'000	Unaudited 30th September 2017 RO'000
<b>Cash flows from operating activities</b>		
Interest, financing income, commission and other receipts	151,090	148,351
Interest payments, return on Islamic Banking deposits	(69,715)	(60,460)
Cash payments to suppliers and employees	(51,172)	(42,944)
	<u>30,203</u>	<u>44,947</u>
<b>Increase in operating assets</b>		
Loans, advances and financing to customers	56,894	(195,217)
Loans, advances and financing to banks	(28,900)	23,572
Receipts from treasury bills and certificates of deposits (net)	14,908	(52,637)
	<u>42,902</u>	<u>(224,282)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Deposits from customers	50,819	216,360
Due to banks	5,578	(106,123)
	<u>56,397</u>	<u>110,237</u>
<b>Cash flows from operating activities</b>	<u>129,502</u>	<u>(69,098)</u>
Income tax paid	(7,420)	(5,733)
<b>Net cash from/(used in) operating activities</b>	<u>122,082</u>	<u>(74,831)</u>
<b>Cash flows (used in)/from investing activities</b>		
Investment income	6,027	5,481
Purchase of investments	(20,284)	(9,124)
Proceeds from sale of investments	319	8,165
Dividend received	279	352
Purchase of property and equipment	(4,353)	(2,498)
Proceeds from sale of property and equipment	37	56
<b>Net cash (used in)/from investing activities</b>	<u>(17,975)</u>	<u>2,432</u>
<b>Cash flows used in financing activities</b>		
Subordinated loan	(25,000)	35,000
Additional Tier 1 Coupon	(3,956)	(3,956)
Dividend	(27,094)	(25,639)
<b>Net cash used in financing activities</b>	<u>(56,050)</u>	<u>5,405</u>
<b>Net change in cash and cash equivalents</b>	<u>48,057</u>	<u>(66,994)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>414,879</u>	<u>345,500</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>462,936</u>	<u>278,506</u>
Cash and balances with Central Bank of Oman	298,352	255,903
Capital deposit with Central Bank of Oman	(500)	(500)
Loans, advances and financing to banks due within 90 days	166,622	23,887
Due to banks within 90 days	(1,538)	(784)
<b>Cash and cash equivalents for the purpose of the statement of cash flows</b>	<u>462,936</u>	<u>278,506</u>

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

# BANK DHOFAR SAOG

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## INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

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

	<b>Unaudited 30th September 2018 RO'000</b>	Unaudited 30 <sup>th</sup> September 2017 RO'000
<b>Subordinated loan</b>		
Balance at beginning of the period	<b>88,875</b>	53,875
Cash flows	<b>(25,000)</b>	35,000
Balance at end of the period	<b><u>63,875</u></b>	<u>88,875</u>
<b>Retained earnings</b>		
Balance at beginning of the period	<b>55,302</b>	72,289
Changes on initial application of IFRS 9	<b>709</b>	-
Profit for the period	<b>36,485</b>	34,793
Additional Tier 1 coupon	<b>(3,956)</b>	(3,956)
Transfer to special reserve (IFRS 9)	<b>1,439</b>	-
Bonus shares issued for 2017	<b>(18,063)</b>	(14,244)
Dividend transfer	<b>(27,094)</b>	(25,639)
Balance at end of the period	<b><u>44,822</u></b>	<u>63,243</u>

# **BANK DHOFAR SAOG**

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## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018**

### **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 2017: 68 branches) which comprises of 10 Islamic branches (30th September 2017: 10 Islamic branches) and 61 conventional branches (30 September 2017: 58 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 Irish Stock Exchange. The principal place of business is the Head Office, Capital Business District (“CBD”), Muscat, Sultanate of Oman.

The Bank employed 1,598 employees as of 30 September 2018 (30 September 2017: 1,507 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 2018 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 2017 (‘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.

This is the first year Bank’s financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3.

#### **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 2017, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 3.

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 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 2017.

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 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Bank's financial statements.

#### A. IFRS 9 Financial instruments

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of initial application of 1 January 2018. The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are recognized below.

#### *Classification of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 3 Changes in significant accounting policies (continued)

#### A. IFRS 9 Financial instruments (continued)

##### *Classification of financial assets and financial liabilities (continued)*

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

IFRS 9 removes the requirement contained in IAS 39 relating to bifurcation of an embedded derivative from an asset host contract. However, entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

#### **Business model assessment**

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 3 Changes in significant accounting policies (continued)

#### A.IFRS 9 Financial instruments (continued)

##### *Classification of financial assets and financial liabilities (continued)*

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

##### **Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

##### *Modifications of financial assets*

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

##### **Impairment**

The Bank recognises loss allowances for (Expected credit losses) ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 3 Changes in significant accounting policies (continued)

#### A .IFRS 9 Financial instruments (continued)

##### *Impairment (continued)*

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Bank considers a debt security to have low credit risk when their credit risk rating is

Equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

##### **Measurement of ECL**

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.



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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 3 Changes in significant accounting policies (continued)

#### A . IFRS 9 Financial instruments (continued)

#### *Impairment (continued)*

#### **Forward-looking information**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

#### **Macroeconomic factors**

In its models, the Bank relies on a broad range of forward looking information as economic inputs, such as: real gross domestic product (GDP) growth and oil revenue (as % of GDP). The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

#### **Assessment of significant increase in credit risk**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The following quantitative guidelines are used to determine the staging of accounts:

1. An account will migrate to stage 2 if any of the changes in rating below are met
  - For risk grades 1 – 4:  $\geq$  3 notch downgrade
  - Risk grade 5: 2 notch downgrade
  - Risk grade 6 and 7: 1 notch downgrade
2. An account will also migrate to stage 2 if it is more than 30 days past due
3. An account will also be considered stage 2 if has been placed under special mention

In addition to the above, qualitative criteria as per the CBO guidelines (BM 1149, Para 12 (d)), for assessing the significant increase in credit risk are applicable to corporate clients with limits of OMR 500,000 or higher only.

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 3 Changes in significant accounting policies (continued)

#### A. IFRS 9 Financial instruments (continued)

##### *Impairment (continued)*

#### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- *Financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *Loan commitments and financial guarantee contracts:* For financial guarantee contracts and loan commitments, the loss allowance is recognised as a provision. The Bank has issued no loan commitment that are measured at FVTPL. Liabilities arising from financial guarantee and loan commitments are included within provisions under other liabilities in statement of financial position;
- *Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *Debt instruments measured at FVOCI* The debt instruments classified under FVOCI are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. ECL or reversals, interest revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income.

#### **Definition of default**

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held); or
- The borrower is past due more than 90 days on any material credit obligation to the Bank.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- Qualitative – e.g. breaches of covenant;
- Quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The Bank follows the definition of default as stipulated in CBO guidelines (BM 977 and subsequent).

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 3.Changes in significant accounting policies (continued)

#### A. IFRS 9 Financial instruments (continued)

##### *Hedge accounting*

IFRS9 introduces a new hedge accounting model that expands the scope of hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management objectives and strategy with more qualitative approach to assess hedge effectiveness. IFRS9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting.

The Bank has entered into interest rate swaps to hedge the variability in cash flows arising from changes in interest rates relating to investments. The types of hedge accounting relationships that the Bank currently designates meet the requirements of IFRS 9 and are aligned with Bank's risk management strategy and objective.

Based on Bank's assessment, there is no impact from the adoption of new standard on hedge accounting.

##### *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
  - For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see below:

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 3.Changes in significant accounting policies (continued)

#### A.IFRS 9 Financial instruments (continued)

##### *Transition (continued)*

(a)The following table reconciles the original measurement categories and carrying amounts in accordance with IAS 39 and the new measurement categories with those under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018.

				Impact of IFRS 9		
	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	Re- measure- ment	Re- classifica- tion	New carrying amount
<b>Financial assets</b>						
Cash and balances with central banks	Loans and receivables	Amortised cost	326,819	-	-	326,819
Due from banks	Loans and receivables	Amortised cost	299,896	(1,287)	-	298,609
Loans and advances to customers	Loans and receivables	Amortised cost	3,248,873	9,742	-	3,258,615
Investment securities – equity	Available-for-sale	FVOCI	4,550	-	(709)	3,841
Investment securities – debt	Available-for-sale	FVOCI	26,437	-	-	26,437
Investment securities – equity	Available-for-sale	FVTPL	4,825	-	-	4,825
Investment securities	Held to maturity	Amortised cost	255,043	-	-	255,043
Other assets			69,441	-	-	69,441
Fixed assets			9,524	-	-	9,524
Intangible assets			1,191	-	-	1,191
Derivatives financial instrument	FVTPL	FVTPL	1,243	-	-	1,243
Total			<b>4,247,842</b>	<b>8,455</b>	<b>(709)</b>	<b>4,255,588</b>
<b>Financial liabilities</b>						
Due to banks	Amortised cost	Amortised cost	387,742	-	-	387,742
Customer deposits	Amortised cost	Amortised cost	3,068,409	-	-	3,068,409
Other liabilities	Amortised cost	Amortised cost	104,561	-	-	104,561
Subordinated debt	Amortised cost	Amortised cost	88,875	-	-	88,875
Derivatives with negative fair value	FVTPL	FVTPL	1,132	-	-	1,132
Current Year Tax			10,116	-	-	10,116
Total			<b>3,660,835</b>	-	-	<b>3,660,835</b>

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 3 Changes in significant accounting policies (continued)

#### A. IFRS 9 Financial instruments (continued)

##### *Transition (continued)*

The impact from the adoption of IFRS 9 as at 1 January 2018 has been to increase retained earnings by RO 709 thousand, decrease the fair value reserve by RO 709 thousand:

	<b>Retained earnings</b>	<b>Fair value reserve</b>
Closing balance under IAS 39 (31 December 2017)	55,302	-
<u>Impact on reclassification and measurements:</u>		
Investment securities (equity) from available-for-sale to those measured at fair value through other comprehensive income		(709)
Investment securities (debt) from held to maturity to those measured at fair value through other comprehensive income	-	-
Investment securities (equity) from available-for-sale to those measured at fair value through profit or loss	-	-
Investment securities (mutual funds) from available-for-sale to those measured at fair value through profit or loss	-	-
Investment securities (debt) from available-for-sale to those measured at amortized cost	-	-
	-	-
<u>Impact on recognition of Expected Credit Losses</u>		
Due from banks	-	-
Investment Securities (Debt) at fair value through other comprehensive income	-	-
Investment Securities (Debt) at amortised cost	-	-
Loans and Advances	-	-
Off balance sheet exposures subject to credit risk	-	-
	-	-
Transfer from risk reserve	709	-
(Opening balance under IFRS 9 on date of initial application of 1 January 2018)	<b>56,011</b>	<b>(709)</b>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 3 Changes in significant accounting policies (continued)

#### A. IFRS 9 Financial instruments (continued)

##### Transition (continued)

	Stage 1	Stage 2	Stage 3	Total
Exposure subject to ECL	4,305,607	1,011,149	116,493	5,433,249
<b>Opening Balance (Day 1 impact) – as at 1 January 2018</b>				
- Due from Banks	804	100	-	904
- Loans and Advances to Customers	15,914	21,498	36,407	73,819
- Investment Securities at FVOCI (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	4,023	3,946	-	7,969
	<b>20,741</b>	<b>25,544</b>	<b>36,407</b>	<b>82,692</b>
<b>Net transfer between stages</b>				
- Due from Banks	-	-	-	-
- Loans and Advances to Customers	(137)	132	5	-
- Investment Securities at FVOCI (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	37	(37)	-	-
	<b>(100)</b>	<b>95</b>	<b>5</b>	<b>-</b>
<b>Charge for the Period (net)</b>				
- Due from Banks	(22)	(100)	-	(122)
- Loans and Advances to Customers	(1,273)	(364)	2,825	1,188
- Investment Securities at FVOCI (Debt)	223	-	-	223
- Loan Commitments and Financial Guarantees	(524)	2,529	-	2,005
- Acceptances	126	24	-	150
- Unutilised	955	2,685	-	3,640
- Interest Accrued	115	141	-	256
	<b>(400)</b>	<b>4,915</b>	<b>2,825</b>	<b>7,340</b>
<b>Closing Balance – as at 30th September 2018</b>				
- Due from Banks	782	-	-	782
- Loans and Advances to Customers	14,505	21,265	39,237	75,007
- Investment Securities at FVOCI (Debt)	223	-	-	223
- Loan Commitments and Financial Guarantees	3,536	6,438	-	9,974
- Acceptances	126	24	-	150
- Unutilised	955	2,685	-	3,640
- Interest Accrued	115	141	-	256
	<b>20,242</b>	<b>30,553</b>	<b>39,237</b>	<b>90,032</b>

#### B. IFRS 15 Revenue from Contract with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank plans to adopt the new standard on the required effective date using the modified retrospective approach. The Bank has performed an initial impact assessment and concluded that the impact is not material as in majority of the Bank's facility agreements with customers generally expected to be the only performance obligation and accordingly, adoption of IFRS 15 is not expected to have any impact on the Bank's income and profit or loss.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 4 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Bank has not early adopted them in preparing these unaudited interim condensed financial statements.

The Bank has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Bank's financial statements.

### IFRS 16 Leases

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). For lessors, there is little change to the existing accounting in IAS 17 Leases. The Bank will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. In 2018, the Bank will continue to assess the potential effect of IFRS 16 on its financial statements.

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

	Unaudited 30 September 2018 RO'000	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Cash in hand	33,816	27,710	30,085
Balances with the Central Bank of Oman	116,696	198,933	240,909
Placements with Central Bank of Oman	147,840	29,260	55,825
	<u>298,352</u>	<u>255,903</u>	<u>326,819</u>

At 30 September 2018 cash and balances with Central bank of Oman included balances with the Central Bank of Oman amounting to RO 500,000 (30 September 2017- RO 500,000 and 31 December 2017 – RO 500,000) as minimum reserve requirements. These funds are not available for the Bank's daily business.

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

	Unaudited 30 September 2018 RO'000	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Syndicated loans to other banks	82,989	51,205	55,247
Placements with other banks	257,920	228,928	233,744
Current clearing accounts	18,397	8,487	11,314
	<u>359,306</u>	<u>288,620</u>	<u>300,305</u>
Less: impairment allowance (collective)	<u>(782)</u>	<u>(409)</u>	<u>(409)</u>
<b>Net loans, advances and financing</b>	<u><b>358,524</b></u>	<u>288,211</u>	<u>299,896</u>

At 30 September 2018 No placement with any bank's individually represented 20% or more of the Bank's placements and (30 September 2017: Nil) and 31<sup>st</sup> December 2017 – one local bank).

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 7. Loans, advances and financing to customers

	Unaudited 30 September 2018 RO'000	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Overdrafts	188,162	169,318	173,297
Loans	2,544,637	2,542,960	2,628,663
Loans against trust receipts	116,356	131,814	116,350
Bills discounted	9,062	17,577	13,348
Advance against credit cards	8,999	8,295	8,516
Others	58,307	55,772	58,734
Islamic Banking Window financing	387,637	382,577	387,917
<b>Gross Loans, advances and financing</b>	<b>3,313,160</b>	<b>3,308,313</b>	<b>3,386,825</b>
Less: Impairment allowance	<b>(128,384)</b>	<b>(133,287)</b>	<b>(137,952)</b>
<b>Net loans, advances and financing</b>	<b>3,184,776</b>	<b>3,175,026</b>	<b>3,248,873</b>

### The movement in the impairment allowance is analysed below:

	Unaudited 30 September 2018	Unaudited 30 September 2017	Audited 31 December 2017
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#### (a) Allowance for loan impairment

Balance at beginning of the period / year	73,709	79,242	79,242
Allowance made during the period	5,901	13,195	17,588
Released to the statement of comprehensive income during the period / year	(4,585)	(4,412)	(6,047)
Written off during the period / year	(18)	(36)	(43)
Balance at the end of the period / year	75,007	87,989	90,740

#### (b) Reserved interest

Balance at beginning of the period / year	47,212	39,640	39,640
Reserved during the period / year	7,331	6,328	8,671
Released to the statement of comprehensive income during the period / year	(1,005)	(562)	(948)
Written-off during the period / year	(161)	(108)	(151)
Balance at the end of the period / year	53,377	45,298	47,212

### Total impairment allowance

128,384	133,287	137,952
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The impairment allowance also includes the regulatory impairment reserve as follows:

	Unaudited 30 September 2018 RO'000
Provisions required as per CBO norms	97,048
Impairment allowance as per IFRS 9	(90,032)
<b>Special impairment reserve IFRS 9</b>	<b>7,016</b>



# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 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 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 1 January 2018.

(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	2,636,217	36,238	15,890	20,348	2,599,979	2,620,327	-	-
	Stage 2	451,725	4,620	8,290	(3,670)	447,105	443,435	-	-
	Stage 3	-	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>3,087,942</b>	<b>40,858</b>	<b>24,180</b>	<b>16,678</b>	<b>3,047,084</b>	<b>3,063,762</b>	-	-
Special Mention	Stage 1	29,166	298	424	(126)	28,868	28,742	-	-
	Stage 2	219,462	6,294	13,209	(6,915)	213,168	206,253	-	-
	Stage 3	-	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>248,628</b>	<b>6,592</b>	<b>13,633</b>	<b>(7,041)</b>	<b>242,036</b>	<b>234,995</b>	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	9,718	2,340	4,491	(2,151)	7,001	5,227	-	377
<b>Subtotal</b>		<b>9,718</b>	<b>2,340</b>	<b>4,491</b>	<b>(2,151)</b>	<b>7,001</b>	<b>5,227</b>	-	<b>377</b>
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,517	4,348	4,471	(123)	5,452	6,046	-	717
<b>Subtotal</b>		<b>10,517</b>	<b>4,348</b>	<b>4,471</b>	<b>(123)</b>	<b>5,452</b>	<b>6,046</b>	-	<b>717</b>
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	85,268	37,011	27,446	9,565	2,139	57,822	-	46,118
<b>Subtotal</b>		<b>85,268</b>	<b>37,011</b>	<b>27,446</b>	<b>9,565</b>	<b>2,139</b>	<b>57,822</b>	-	<b>46,118</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,460,589	-	4,427	(4,427)	1,460,589	1,456,162	-	-
	Stage 2	152,424	-	4,046	(4,046)	152,424	148,378	-	-
	Stage 3	22	-	-	-	22	22	-	-
<b>Subtotal</b>		<b>1,613,035</b>	-	<b>8,473</b>	<b>(8,473)</b>	<b>1,613,035</b>	<b>1,604,562</b>	-	-
<b>Total (1 January 2018)</b>	Stage 1	4,125,972	36,536	20,741	15,795	4,089,436	4,105,231	-	-
	Stage 2	823,611	10,914	25,545	(14,631)	812,697	798,066	-	-
	Stage 3	105,525	43,699	36,408	7,291	14,614	69,117	-	47,212
	<b>Total</b>	<b>5,055,108</b>	<b>91,149</b>	<b>82,694</b>	<b>8,455</b>	<b>4,916,747</b>	<b>4,972,414</b>	-	<b>47,212</b>
<b>Total (30 September 2018)</b>	Stage 1	4,305,607	36,431	20,242	16,189	4,269,176	4,285,365	-	-
	Stage 2	1,011,149	11,201	30,553	(19,352)	999,948	980,596	-	-
	Stage 3	116,493	49,416	39,237	10,179	13,700	77,256	-	53,377
	<b>Total</b>	<b>5,433,249</b>	<b>97,048</b>	<b>90,032</b>	<b>7,016</b>	<b>5,282,824</b>	<b>5,343,217</b>	-	<b>53,377</b>

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

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

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 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	16,325	140	100	40	16,185	16,225	-	-
	Stage 2	45,185	4,263	2,588	1,675	40,922	42,597	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		<b>61,510</b>	<b>4,403</b>	<b>2,688</b>	<b>1,715</b>	<b>57,107</b>	<b>58,822</b>	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,559	1,353	793	560	627	1,766	-	579
Sub total		<b>2,559</b>	<b>1,353</b>	<b>793</b>	<b>560</b>	<b>627</b>	<b>1,766</b>	-	<b>579</b>
<b>Total (1 January 2018)</b>	<b>Stage 1</b>	16,325	140	100	40	16,185	16,225	-	-
	<b>Stage 2</b>	45,185	4,263	2,588	1,675	40,922	42,597	-	-
	<b>Stage 3</b>	2,559	1,353	793	560	627	1,766	-	579
	<b>Total</b>	<b>64,069</b>	<b>5,756</b>	<b>3,481</b>	<b>2,275</b>	<b>57,734</b>	<b>60,588</b>	-	<b>579</b>
<b>Total (30 September 2018)</b>	<b>Stage 1</b>	5,735	54	106	(52)	5,681	5,629	-	-
	<b>Stage 2</b>	10,925	197	1,224	(1,027)	10,728	9,701	-	-
	<b>Stage 3</b>	3,927	2,096	1,438	658	982	2,489	-	<b>849</b>
	<b>Total</b>	<b>20,587</b>	<b>2,347</b>	<b>2,768</b>	<b>(421)</b>	<b>17,391</b>	<b>17,819</b>	-	<b>849</b>

\* 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.

Out of the total provisions of RO 128,384 thousand (30th September 2017 – RO 133,287 thousand, 31 December 2017 - RO 137,952 thousand), a collective provision was recorded on a portfolio basis amounting to RO 35,770 thousand as of 30th September 2018 (30th September 2017 - RO 42,180 thousand) 31 December 2017 - RO 43,197 thousand).

At 30th September 2018, impaired loans and advances on which interest has been reserved amount to RO 116,493 thousand (30th September 2017 – RO 97,946 thousand, 31 December 2017 - RO 105,503 thousand) and loans and advances on which interest is not being accrued amount to RO 1,762 thousand (30th September 2017 - RO 1,592 thousand, 31 December 2017 – RO 1,578 thousand).

The provision made for non-funded facilities during the year of RO 14,020 thousand is included in other liabilities. For loans and advances to Bank RO 782 thousand and Investment RO 223 thousand

## BANK DHOFAR SAOG

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

#### 8. Investments securities

	<b>Unaudited 30 September 2018 RO'000</b>	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Available for sale Investments	-	36,042	35,812
Investment securities designated as at FVTPL	<b>4,477</b>	-	-
Investment securities measured at FVOCI- debt instrument	<b>46,767</b>	-	-
Investment securities designated at FVOCI- equity investment	<b>4,318</b>	-	-
Investment securities measured at amortised cost	<b>240,135</b>	-	-
Held to maturity investment	-	242,307	255,043
	<hr/> <b>295,697</b> <hr/>	<hr/> 278,349 <hr/>	<hr/> 290,855 <hr/>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 8. Investments securities (continued)

#### 8. 1 Investments measured at fair value

	Unaudited 30 September 2018		Unaudited 30 September 2017		Audited 31 December 2017	
	Cost RO'000	Fair value RO'000	Cost RO'000	Fair value RO'000	Cost RO'000	Fair value RO'000
<b>A)</b>						
<b>Quoted Investment</b>						
Financial - equity	429	444	447	429	429	429
Industrial - equity	2,036	1,341	2,124	2,033	2,036	1,910
Services - equity	1,962	1,846	2,060	2,221	2,075	2,210
Equity Funds – Quoted – Foreign	124	225	-	-	-	-
Quoted debt Foreign fixed income & bonds	5,545	5,272	5,545	5,570	5,545	5,520
Local fixed income & bonds	12,064	11,952	963	977	964	965
<b>Total quoted investments</b>	<b>22,160</b>	<b>21,080</b>	<b>11,139</b>	<b>11,230</b>	<b>11,049</b>	<b>11,034</b>
<b>Un-quoted equity</b>						
Local securities	459	688	1	1	1	1
Unit funds	1,910	2,030	2,118	2,475	2,117	2,435
<b>Total Un-Quoted Investments</b>	<b>2,369</b>	<b>2,718</b>	<b>2,119</b>	<b>2,476</b>	<b>2,118</b>	<b>2,436</b>
<b>Total</b>	<b>24,529</b>	<b>23,798</b>	<b>13,258</b>	<b>13,706</b>	<b>13,167</b>	<b>13,470</b>
<b>B) Quoted/ Sukuk</b>						
Local listed sukuk	20,000	19,856	10,000	10,198	10,000	10,000
Sovereign sukuk	12,138	11,908	12,138	12,138	12,138	12,342
	<b>32,138</b>	<b>31,764</b>	<b>22,138</b>	<b>22,336</b>	<b>22,138</b>	<b>22,342</b>
<b>Total Investments</b>	<b>56,667</b>	<b>55,562</b>	<b>35,396</b>	<b>36,042</b>	<b>35,305</b>	<b>35,812</b>

The fair value investments are classified as follows:

Available for sale investments		36,042	35,812
Investment securities designated as at FVTPL	4,477	-	-
Investment securities measured at FVOCI - debt instruments	46,767	-	-
Investment securities designated as at FVOCI - equity investments	4,318	-	-
	<b>55,562</b>	<b>36,042</b>	<b>35,812</b>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 8. Investment securities (continued)

#### 8.2 Amortised cost investment / held to maturity

	<i>Investment securities measured at amortised cost</i>	<i>Held to maturity investments</i>	
	<b>Unaudited 30 September 2018 RO'000</b>	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Treasury bills with maturity of above 90 days	-	24,944	49,917
Government Development Bonds	<b>230,135</b>	207,363	195,126
	<b>230,135</b>	232,307	245,043
Local quoted sukuk Govt.	<b>10,000</b>	10,000	10,000
	<b>240,135</b>	242,307	255,043

### 9. Intangible asset

	<b>Unaudited 30 September 2018 RO'000</b>	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Goodwill net of impairment	<b>894</b>	1,291	1,191

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 2018 RO'000</b>	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Conventional	<b>12,548</b>	7,261	8,123
Islamic window	<b>1,329</b>	1,322	1,401
	<b>13,877</b>	8,583	9,524

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 11. Due to banks

	<b>Unaudited 30 September 2018 RO'000</b>	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Interbank borrowings	<b>392,735</b>	243,508	387,157
Payable on demand	<b>1,538</b>	784	585
	<b><u>394,273</u></b>	<u>244,292</u>	<u>387,742</u>

At 30 September 2018, no borrowing with any banks represented 20% or more of the Bank's total inter-bank borrowings (30 September 2017: Nil 31 December 2017: 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

	<b>Unaudited 30th September 2018 RO'000</b>	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Current accounts	<b>658,690</b>	659,164	704,197
Savings accounts	<b>446,694</b>	437,171	442,972
Time deposits / certificate of deposits	<b>1,599,404</b>	1,600,298	1,493,204
Margin accounts	<b>15,791</b>	49,974	51,253
Islamic Banking Window deposits	<b>320,646</b>	354,942	376,783
	<b><u>3,041,225</u></b>	<u>3,101,549</u>	<u>3,068,409</u>

Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,200,847 thousand (30th September 2017 - RO 1,280,537 thousand, 31 December 2017 – RO 1,292,654 thousand).

### 13. Subordinated loan

	<b>Unaudited 30 September 2018 RO'000</b>	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Subordinated loan - US Dollar	<b>28,875</b>	28,875	28,875
Subordinated loan - RO	<b>35,000</b>	60,000	60,000
	<b><u>63,875</u></b>	<u>88,875</u>	<u>88,875</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 14. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (2017: 5,000,000,000,000 shares of RO 0.100 each).

The shareholders of the Bank in the annual general meeting held during March 2018 approved the issuance of 8% bonus shares comprising 180,628,618 shares of par value RO 0.100 each (2017: 142,440,105 shares of par value RO 0.100 each) and 12% (2017 – 13.5%) as cash dividend of the paid up share capital of the Bank amounting to RO 27,094 thousand for the year ended 31 December 2017 (2016 – RO 25,639 thousand for the year ended 31 December 2016).

At 30th September 2018, the issued and paid up share capital comprise 2,438,486,340 shares of par value RO 0.100 each. (30th September 2017 - 2,041,641,506 shares of par value of RO 0.100 each and 31 December 2017 - 2,257,857,722 shares of par value RO 0.100 each).

### Shareholders

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

	Unaudited 30th September 2018		Unaudited 30th September 2017		Audited 31st December 2017	
	No of shares	%	No of shares	%	No. of shares	%
Dhofar International Development and Investment Company SAOG	<b>682,776,167</b>	<b>28.0%</b>	571,659,616	28.0%	632,200,155	28.0%
Eng. Abdul Hafidh Salim Rajab Al Aujaili and his related Companies	<b>528,007,436</b>	<b>21.7%</b>	429,497,049	21.0%	480,433,078	21.3%
Civil Service Employees Pension Fund	<b>251,945,218</b>	<b>10.3%</b>	212,083,566	10.4%	233,552,136	10.3%
Total	<b>1,462,728,821</b>	<b>60.0%</b>	1,213,240,231	59.4%	1,346,185,369	59.6%
Others	<b>975,757,519</b>	<b>40.0%</b>	828,401,275	40.6%	911,672,353	40.4%
	<b>2,438,486,340</b>	<b>100.0%</b>	2,041,641,506	100.0%	2,257,857,722	100%

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 30th September 2018.

On 21<sup>st</sup> of February 2017 Maisarah's paid-up capital was increased from RO 40 million to RO 55 Million from Banks its shareholders core capital.

On 27 May 2015, the Bank issued Perpetual Tier 1 Capital Securities (the "Tier 1 Securities"), amounting to USD 300,000,000.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 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 2018</b>	Unaudited 30 September 2017	Audited 31 December 2017
Net assets (RO'000)	<b>483,971</b>	422,885	471,507
Number of shares outstanding at the end of the period / year	<b>2,438,486,340</b>	2,041,641,506	2,257,857,722
Net assets per share (RO)	<b>0.198</b>	0.207	0.209

### 16. Net interest income

	<b>Unaudited 30 September 2018 RO'000</b>	Unaudited 30 September 2017 RO'000
Loans, advances and financing to customers	<b>121,345</b>	113,827
Debt investments	<b>364</b>	128
Money market placements	<b>8,376</b>	5,489
Others	<b>23</b>	15
<b>Total interest income</b>	<b>130,108</b>	119,459
Deposits from customers	<b>(55,241)</b>	(50,736)
Money market deposits	<b>(7,631)</b>	(5,815)
<b>Total interest expense</b>	<b>(62,872)</b>	(56,551)
<b>Net interest income</b>	<b>67,236</b>	62,908



# BANK DHOFAR SAOG

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

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

The calculation of basic and diluted earnings per share is based on profit for the period ended 30th September 2018 attributable to ordinary shareholders as follows:

	<b>Unaudited 30 September 2018</b>	Unaudited 30 September 2017
Profit for the period (RO)	<b>36,485</b>	34,793
Less : Additional Tier 1 Coupon	<b>(3,956)</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><u>32,529</u></b>	<u>30,837</u>
	<b>2,324,448,732</b>	2,108,232,516
Number of shares outstanding during the period	<b><u>0.014</u></b>	<u>0.015</u>
Earnings per share basic and diluted (RO)	<b><u>0.014</u></b>	<u>0.015</u>

### 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 8% bonus shares of 180,628,618 shares issued in the first quarter of 2018.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 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 2018 RO'000</b>	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
<b>Loans, advances and financing</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>33,737</b>	38,250	36,588
Other related parties	<b>24,764</b>	15,459	18,345
	<b>58,501</b>	53,709	54,933
<b>Subordinated loans</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>23,663</b>	36,663	36,663
Other related parties	<b>19,775</b>	31,775	31,775
	<b>43,438</b>	68,438	68,438
<b>Deposits and other accounts</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>203,232</b>	185,246	176,576
Other related parties	<b>188,442</b>	153,236	129,123
	<b>391,674</b>	338,482	305,699
<b>Contingent liabilities and commitments</b>			
Directors and shareholders holding 10% or more interest in the Bank	<b>256</b>	856	308
Other related parties	<b>5,790</b>	2,696	2,767
	<b>6,046</b>	3,552	3,075
<b>Remuneration paid to Directors</b>			
<b>Chairman</b>			
– remuneration paid	<b>15</b>	16	15
– sitting fees paid	<b>10</b>	9	10
<b>Other Directors</b>			
– remuneration paid	<b>107</b>	107	107
– sitting fees paid	<b>55</b>	58	68
	<b>187</b>	190	200
<b>Other transactions</b>			
<b>Rental payment to related parties</b>			
Other transactions	<b>66</b>	66	80
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	<b>40</b>	46	46

## BANK DHOFAR SAOG

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### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

#### 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 2018 RO'000</b>	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Total exposure:			
Direct	<b>63,848</b>	58,910	60,052
Indirect	<b>6,046</b>	3,523	3,150
	<b>69,894</b>	62,433	63,202
Number of members	<b>32</b>	33	25

#### 19. Contingent liabilities

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

	<b>Unaudited 30 September 2018 RO'000</b>	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Letters of credit	<b>107,320</b>	131,459	132,067
Guarantees and performance bonds	<b>912,682</b>	866,419	886,902
	<b>1,020,002</b>	997,878	1,018,969

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 20. 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 advances to banks RO'000	Gross loans and advances RO'000	Investment Securities RO'000	Deposits from customers RO'000	Deposits to banks RO'000	Contingent liabilities RO'000
<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>30 September 2017</b>						
Personal	-	1,485,697	-	608,843	-	211
Corporate	288,620	1,647,948	22,958	1,212,169	244,292	981,559
Government	-	174,668	255,391	1,280,537	-	16,108
	<b>288,620</b>	<b>3,308,313</b>	<b>278,349</b>	<b>3,101,549</b>	<b>244,292</b>	<b>997,878</b>
<b>31 December 2017</b>						
Personal	-	1,482,882	-	608,967	-	184
Corporate	300,305	1,678,979	22,734	1,166,788	387,742	1,003,486
Government	-	224,964	268,121	1,292,654	-	15,299
	<b>300,305</b>	<b>3,386,825</b>	<b>290,855</b>	<b>3,068,409</b>	<b>387,742</b>	<b>1,018,969</b>

### 21. 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 comprising issued share capital, share premium, reserves and retained earnings.

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for nine month period ended 30th September 2018 is 14.52% (30th September 2017 – 14.61%, 31 December 2017 – 15.44%).

Capital structure	Unaudited 30 September 2018 RO'000	Unaudited 30 September 2017 RO'000	Audited 31 December 2017 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	243,849	204,164	225,786
Legal reserve	50,254	45,176	50,254
Share premium	77,564	59,618	77,564
Special reserve	18,488	18,488	18,488
Subordinated bonds and loan reserve	42,325	31,550	42,325
Retained earnings	8,337	28,450	10,145
Proposed bonus shares	-	-	18,063
CET I/Tier I Capital	<u>440,817</u>	<u>387,446</u>	<u>442,625</u>
Additional Tier I regulatory adjustments:			
Deferred tax Assets	(62)	(62)	(62)
Goodwill	(894)	(1,291)	(1,191)
Special revaluation reserve investment IFRS9	(709)	-	-
Negative investment revaluation reserve	<u>(1,041)</u>	<u>(218)</u>	<u>(233)</u>
<b>Total CET 1 capital</b>	<b><u>438,111</u></b>	<b><u>385,875</u></b>	<b><u>441,139</u></b>
Additional Tier I capital (AT1)	<u>115,500</u>	<u>115,500</u>	<u>115,500</u>
<b>Total Tier 1 Capital (T1=CET1+AT1)</b>	<b><u>553,611</u></b>	<b><u>501,375</u></b>	<b><u>556,639</u></b>
<b>TIER II CAPITAL</b>			
Investment revaluation reserve	159	282	275
Collective provision	20,242	42,589	43,606
Subordinated loan	<u>46,550</u>	<u>57,325</u>	<u>46,550</u>
Total Tier II capital	<u>66,951</u>	<u>100,196</u>	<u>90,431</u>
Total eligible capital	<u>620,562</u>	<u>601,571</u>	<u>647,070</u>
Risk weighted assets			
Banking book	3,915,591	3,843,363	3,881,383
Trading book	114,283	48,471	64,370
Operational risk	<u>243,793</u>	<u>224,316</u>	<u>243,793</u>
Total	<u>4,273,667</u>	<u>4,116,150</u>	<u>4,189,546</u>
Total Tier 1 Capital (T1=CET1+AT1)	<u>553,611</u>	<u>501,375</u>	<u>556,639</u>
Tier II capital	<u>66,951</u>	<u>100,196</u>	<u>90,431</u>
Tier III capital	-	-	-
Total regulatory capital	<u>620,562</u>	<u>601,571</u>	<u>647,070</u>
Common Equity Tier 1 ratio	<u>10.25%</u>	<u>9.37%</u>	<u>10.53%</u>
Tier I capital ratio	<u>12.95%</u>	<u>12.18%</u>	<u>13.29%</u>
Total capital ratio	<u>14.52%</u>	<u>14.61%</u>	<u>15.44%</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 21. Capital risk management (continued)

#### Capital adequacy (continued)

As per CBO circular BSD/2018/1 dated 20 March 2018, minimum capital adequacy ratio requirement has been reduced by 1% with effect from 1 April 2018. As per new ratio, Tier 2 capital will be restricted to 2% from 3%. CET 1, Tier 1 and capital conservation buffer requirements remained unchanged.

The adoption of IFRS 9 as disclosed in note 3 reduced the total Capital Adequacy Ratio of the Bank by 0.37% as of 30th September 2018. Had the Bank not adopted IFRS 9, total Capital Adequacy Ratio would have been 14.89% instead of 14.52% and Common Equity Tier 1 (CET 1) Capital Adequacy Ratio would have been 10.25% instead of 10.23% as of 30th September 2018.

### 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:

As of 30th September 2018	Amortised cost RO'000	Designated as at FVTPL RO'000	FVOCI – debt instruments RO'000	FVOCI - equity instruments RO'000	Total carrying value RO'000	Fair value RO'000
<b>Cash and balances with Central Bank of Oman</b>	<b>298,352</b>	-	-	-	<b>298,352</b>	<b>298,352</b>
<b>Loan, advances and financing to banks</b>	<b>358,524</b>	-	-	-	<b>358,524</b>	<b>358,524</b>
<b>Loan, advances and financing to customers</b>	<b>3,184,776</b>	-	-	-	<b>3,184,776</b>	<b>3,184,776</b>
<b>Investment securities:</b>						
Measured at fair value	-	4,477	46,767	4,318	55,562	55,562
Amortised cost investment	240,135	-	-	-	240,135	240,135
	<b>4,081,787</b>	<b>4,477</b>	<b>46,767</b>	<b>4,318</b>	<b>4,137,349</b>	<b>4,137,349</b>
<b>Due to banks</b>	<b>394,273</b>	-	-	-	<b>394,273</b>	<b>394,273</b>
<b>Deposits from customers</b>	<b>3,041,225</b>	-	-	-	<b>3,041,225</b>	<b>3,041,225</b>
<b>Subordinated loans</b>	<b>63,875</b>	-	-	-	<b>63,875</b>	<b>63,875</b>
	<b>3,499,373</b>	-	-	-	<b>3,499,373</b>	<b>3,499,373</b>

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

#### 22. Fair value information (continued)

As of 30th September 2017	Loans and receivables	Available- for-sale	Held-to- maturity	Other amortised cost	Total carrying value	Fair value
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	255,903	-	-	-	255,903	255,903
Loan, advances and financing to banks	288,211	-	-	-	288,211	288,211
Loan, advances and financing to customers	3,175,026	-	-	-	3,175,026	3,175,026
Available-for-sale investments	-	36,042	-	-	36,042	36,042
Held-to-maturity investments			242,307		242,307	242,307
	<u>3,719,140</u>	<u>36,042</u>	<u>242,307</u>	<u>-</u>	<u>3,997,489</u>	<u>3,997,489</u>
Due to banks	-	-	-	244,292	244,292	244,292
Deposits from customers	-	-	-	3,101,549	3,101,549	3,101,549
Subordinated loans	-	-	-	88,875	88,875	88,875
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,434,716</u>	<u>3,434,716</u>	<u>3,434,716</u>
As of 31 <sup>st</sup> December 2017	Loans and receivables	Available- for-sale	Held-to- maturity	Other amortised cost	Total carrying value	Fair value
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	326,819	-	-	-	326,819	326,819
Loan, advances and financing to banks	299,896	-	-	-	299,896	299,896
Loan, advances and financing to customers	3,248,873	-	-	-	3,248,873	3,248,873
<i>Investment securities:</i>						
Measured at fair value	-	35,812	255,043	-	290,855	290,855
	<u>3,875,588</u>	<u>35,812</u>	<u>255,043</u>	<u>-</u>	<u>4,166,443</u>	<u>4,166,443</u>
Due to banks	-	-	-	387,742	387,742	387,742
Deposits from customers	-	-	-	3,068,409	3,068,409	3,068,409
Subordinated loans	-	-	-	88,875	88,875	88,875
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,545,026</u>	<u>3,545,026</u>	<u>3,545,026</u>

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 22. 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 30th September 2018	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
<b>Financial assets</b>				
Investments at FVTPL	3,099	1,378	-	4,477
Investments at FVOCI	50,398	687	-	51,085
<b>Total assets</b>	<b>53,497</b>	<b>2,065</b>	<b>-</b>	<b>55,562</b>
At 30th September 2017	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
<b>Financial assets</b>				
Equity instruments	10,550	3,156	-	13,706
Fixed income instruments Sukuk	12,138	10,198	-	22,336
<b>Total assets</b>	<b>22,688</b>	<b>13,354</b>	<b>-</b>	<b>36,042</b>
At 31 December 2017	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
<b>Assets</b>				
<i>Available-for-sale investments</i>				
Equity instruments	10,354	3,116	-	13,470
Sukuk	12,144	10,198	-	22,342
<b>Total assets</b>	<b>22,498</b>	<b>13,314</b>	<b>-</b>	<b>35,812</b>

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

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



# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 22. Fair value information (continued)

At 30th September 2018	Contract / notional amount RO'000	Fair value increase / decrease	
		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

  

At 30 September 2017	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
<b>Derivatives:</b>			
Currency forward - purchase contracts	700,762	-	229
Currency forward - sales contracts	923,262	564	-
Interest rate swaps	97,509	6,611	6,766
Currency options – bought	1,358	1	-
Currency options – sold	1,358	-	1

  

At 31 December 2017	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
<b>Derivatives:</b>			
Currency forward - purchase contracts	610,561	1,132	-
Currency forward - sales contracts	605,837	-	1,243
Interest rate swaps	86,185	6,558	6,396

### 23. Segmental information

The Bank is organised into three main business segments:

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

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

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

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

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 23. Segmental information (continued)

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

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

At 30th 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
Other revenues	3,538	10,095	12,450	26,083
	<u>66,381</u>	<u>84,102</u>	<u>21,580</u>	<u>172,063</u>
Interest, Islamic Window Deposit expenses	(25,851)	(40,478)	(5,076)	(71,405)
Net operating income	40,530	43,624	16,504	100,658
<b>Segment cost</b>				
Operating expenses including depreciation	(24,170)	(21,895)	(3,827)	(49,892)
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>
Profit from operations after provision	10,423	20,553	12,418	43,394
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>	<b>1,536,890</b>	<b>2,171,907</b>	<b>683,221</b>	<b>4,392,018</b>
Less: Impairment allowance	(68,532)	(59,852)	(1,005)	(129,389)
<b>Total segment assets</b>	<b><u>1,468,358</u></b>	<b><u>2,112,055</u></b>	<b><u>682,216</u></b>	<b><u>4,262,629</u></b>
<b>Segment liabilities</b>	<b><u>660,087</u></b>	<b><u>2,543,643</u></b>	<b><u>459,428</u></b>	<b><u>3,663,158</u></b>

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

#### 23. Segmental information (continued)

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

At 30th 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
Other revenues	165	680	2,003	2,848
	<u>6,461</u>	<u>10,019</u>	<u>2,240</u>	<u>18,720</u>
Segment operating revenues	6,461	10,019	2,240	18,720
Profit expenses	(374)	(7,742)	(417)	(8,533)
holders' share of profit	<u>(374)</u>	<u>(7,742)</u>	<u>(417)</u>	<u>(8,533)</u>
Net operating income	6,087	2,277	1,823	10,187
<b>Segment cost</b>				
Operating expenses including depreciation	(1,766)	(2,628)	(690)	(5,084)
Impairment allowance	(69)	-	(99)	(168)
Profit for the period	<u>4,252</u>	<u>(351)</u>	<u>1,034</u>	<u>4,935</u>
<b>Segment assets</b>	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>
<b>Total segment assets</b>	<u>166,254</u>	<u>221,293</u>	<u>101,245</u>	<u>488,792</u>
<b>Segment liabilities</b>	<u>56,356</u>	<u>271,638</u>	<u>35,353</u>	<u>363,347</u>

## BANK DHOFAR SAOG

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

#### 23. Segmental information (continued)

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

At 30th September 2017	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	63,560	63,524	5,930	133,014
Other revenues	4,063	10,383	10,717	25,163
Segment operating revenues	67,623	73,907	16,647	158,177
Interest, Islamic Window Deposit expenses	(25,929)	(33,607)	(4,527)	(64,063)
Net operating income	41,694	40,300	12,120	94,114
<b>Segment cost</b>				
Operating expenses including depreciation	(21,251)	(19,390)	(3,416)	(44,057)
Impairment for loans and investment net recoveries from allowance for loans impairment	(7,020)	(1,764)	(340)	(9,124)
Profit from operations after provision	13,423	19,146	8,364	40,933
Tax expenses	(2,013)	(2,872)	(1,255)	(6,140)
Profit for the period	11,410	16,274	7,109	34,793
<b>Segment assets</b>	1,605,283	1,982,452	617,060	4,204,795
Less: Impairment allowance	(63,543)	(69,617)	(409)	(133,569)
<b>Total segment assets</b>	1,541,740	1,912,835	616,651	4,071,226
<b>Segment liabilities</b>	640,405	2,558,991	333,445	3,532,841

# BANK DHOFAR SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2018

### 23. Segmental information (continued)

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

At 30th September 2017	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	5,274	8,191	90	13,555
Other revenues	145	483	1,142	1,770
	<u>5,419</u>	<u>8,674</u>	<u>1,232</u>	<u>15,325</u>
Profit expenses	(320)	(6,916)	(276)	(7,512)
holders' share of profit				
Net operating income	5,099	1,758	956	7,813
<b>Segment cost</b>				
Operating expenses including depreciation	(1,557)	(2,453)	(659)	(4,669)
Impairment allowance	(341)	(1,109)	-	(1,450)
Profit for the period	<u>3,201</u>	<u>(1,804)</u>	<u>297</u>	<u>1,694</u>
<b>Segment assets</b>	154,690	231,492	60,575	446,757
Less: Impairment allowance	<u>(1,740)</u>	<u>(2,727)</u>	<u>-</u>	<u>(4,467)</u>
<b>Total segment assets</b>	<u>152,950</u>	<u>228,765</u>	<u>60,575</u>	<u>442,290</u>
<b>Segment liabilities</b>	<u>38,286</u>	<u>323,405</u>	<u>28,378</u>	<u>390,069</u>

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

At 31 <sup>st</sup> December 2017	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
<b>Segment assets</b>	1,580,149	2,070,435	734,487	4,385,071
Less: Impairment allowance	<u>(66,404)</u>	<u>(71,548)</u>	<u>(409)</u>	<u>(138,361)</u>
<b>Total segment assets</b>	<u>1,513,745</u>	<u>1,998,887</u>	<u>734,078</u>	<u>4,246,710</u>
<b>Segment liabilities</b>	<u>640,590</u>	<u>2,542,029</u>	<u>477,084</u>	<u>3,659,703</u>

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

At 31 <sup>st</sup> December 2017	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment assets	157,839	233,266	139,318	530,423
Less: Impairment allowance	<u>(1,787)</u>	<u>(2,685)</u>	<u>-</u>	<u>(4,472)</u>
Total segment assets	<u>156,052</u>	<u>230,581</u>	<u>139,318</u>	<u>525,951</u>
Segment liabilities	<u>41,481</u>	<u>343,251</u>	<u>72,417</u>	<u>457,149</u>