



**Unaudited interim condensed financial statements
For the six-month period ended 30 June 2023**

Registered office and principal place of business:

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

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BANK DHOFAR S.A.O.G.

THE BOARD OF DIRECTORS' REPORT FOR THE SIX MONTHS ENDED

30 June 2023

Dear Shareholders,

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present Bank's unaudited interim condensed financial statements for the period ended 30 June 2023.

Bank Dhofar SAOG - Financial Highlights

Bank's operating profit (before expected credit losses) has increased by 13.43% to RO 40.46 million for the period ended 30 June 2023 compared to RO 35.67 million for the same period of financial year 2022 and recorded an increase of RO 4.79 million.

For the period ended 30 June 2023 interest income and income from Islamic financing reached to RO 126.4 million registering growth of 20.92% year on year. Fee and other income for the period, has also witnessed a growth of 56.44 % and reached to RO 17.3 million for the six months period ended 30 June 2023 from RO 11.03 million for the six months period ended 30 June 2022. Total operating income of the Bank stood at RO 74.26 million for the six months ended 30 June 2023 compared to RO 70.08 million reported for the six months period ended 30 June 2022, an increase of 5.96%.

The Bank's net profit after tax for the six months period ended 30 June 2023 grew by 12.08% and increased by RO 1.99 million compared to RO 16.45 million for the six months period ended 30 June 2022. The growth in net profit is mainly attributable to increase in Operating income.

Total operating cost for the six months period ended 30 June 2023 was marginally lower by 1.78% year on year and reached to RO 33.8 million compared to RO 34.4 million for the same period of 2022. The cost to income ratio has improved to 45.51% for the period compared to 49.10% for the corresponding period.

Net loans and advances including Islamic financing receivables increased by 2.99% to RO 3.42 billion as at 30 June 2023 compared to RO 3.32 billion as at the 30 June 2022. Further, the net loans and advances including Islamic financing receivables reported a decline of 0.30% compared to 31 December 2022.

Following the same trend, customer deposits including Islamic deposits, increased by 4.05% compared to comparative period of last year. In absolute terms, customer deposits reached to RO 3.07 billion as at 30 June 2023 compared to RO 2.95 billion as at 30 June 2022., Customer deposits including Islamic deposits has shown a rise of 6.26% compared to 31 December 2022.

During the period ended 30 June 2023, the Bank recognised expected credit losses of RO 18.77 million (net of recoveries) to income statement which is 15.02% higher than the comparative period. This increase is attributable to the Bank's cautious and conservative approach to maintain adequate level of provisions against expected credit losses.

The earnings per share (EPS) for the six months period ended 30 June 2023 is RO 0.004 and remained constant with the same period of 2022.

Maisarah Islamic Banking Services - Financial Performance Highlights

Maisarah Islamic Banking Services, the Bank Dhofar (SAOG) Islamic Banking Window, has achieved a notable growth during the half year ended 30 June 2023. As at 30 June 2023, Maisarah Islamic Banking Services reported a profit before tax of RO 5.04 million compared to RO 4.12 million* as at 30 June 2022, reflecting a strong growth of 22.33% over last year.

The gross income from Financing, Placement and Investment increased by 19.29% to RO 20.47 million as at 30 June 2023 from RO 17.16 million reported during the same period last year. The net financing income (after cost of funds) as at 30 June 2023 increased by 1.85% to RO 9.89 million as compared to RO 9.71 million at 30 June 2022. Maisarah total revenue for the period ended June 2023 stood at RO 12.70 million compared to RO 10.83 million at June 2022, growth of 17.27%.

As at June 2023, Maisarah posted year to date Operating Profit (before ECL) of RO 6.75 million which is 29.06% above same period of last year operating profit of RO 5.23 million. Cost to income ratio continues to improve and reduced to 46.93% as at June 2023 from 51.71% during the same period last year.

Maisarah gross financing portfolio has increased to RO 628.35 million at 30 June 2023 from RO 536.31 million at 30 June 2022, thus registering a growth of 17.16% over last year. The gross Sukuk investment portfolio declined by 5.55% from RO 92.86 million as at 30 June 2022 to RO 87.71 million as at 30 June 2023.

The total customer deposits of Maisarah reached RO 481.11 million 30 June 2023, registering a growth of 11.19% compared to RO 432.70 million at 30 June 2022. Maisarah total assets increased by 9.03% to RO 747.10 million at 30 June 2023 from RO 685.21 million at 30 June 2022.

**Certain comparatives are adjusted and reclassified to reflect the change in accounting estimates and to conform to the presentation for the current year*

Recognitions and Awards

Being a customer centric and innovation focused organization, the Bank continue to develop and offer retail, corporate and investment banking solutions to enhance customer experience. This was evidenced with the Bank receiving following awards during 2023.

- Fastest Branch Network Expansion in Oman award at the OER Business Summit 2023;
- New Website of the Year award by Oman Banking and Finance Awards 2023 – OER;
- Best Islamic Bank in Oman award by Middle East Banking Awards;
- Best Corporate Bank Oman by International Business Magazine Awards;
- Most Innovative Payment solution (Paysticker) Oman by Gazet International Magazine; and
- Best Corporate Bank of the year Oman by Gazet International Magazine

Acknowledgment

To conclude, I would like to convey my sincere gratitude to all stakeholders for their continuous trust placed in the Board of Directors and the Executive Management of the Bank. I extend my gratefulness to Sharia Supervisory Board of Maisarah Islamic Banking Services to ensure Sharia compliance. I also thank the Management and Staff for their persistent and valuable contribution to steer the bank to achieve its objectives.

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

Finally, the Board of Directors and all staff of the Bank would like to express our most sincere gratitude to His Majesty



Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

	Notes	Unaudited 30-Jun- 2023 RO'000	Unaudited 30-Jun- 2022 RO'000	Audited 31-Dec- 2022 RO'000
Assets				
Cash and balances with Central Bank of Oman	5	197,118	81,451	176,617
Investment securities	8	442,810	506,049	469,422
Loans, advances, and financing to banks	6	504,415	244,578	148,353
Loans, advances, and financing to customers (conventional)	7 (a)	2,798,635	2,796,737	2,880,469
Islamic financing receivables	7 (b)	621,584	524,278	550,017
Other assets		84,207	200,051	67,181
Deferred tax assets		6,127	3,421	6,127
Property and equipment	10	8,872	7,915	7,854
Intangible assets	9	10,751	11,745	11,292
Total assets		4,674,519	4,376,225	4,317,332
Liabilities				
Due to banks	11	737,157	449,896	572,842
Deposits from customers (conventional)	12	2,588,611	2,520,381	2,416,687
Islamic customers deposits	12	484,141	432,697	475,132
Other liabilities		134,277	228,516	120,824
Tax liabilities		13,745	7,795	13,632
Employee benefit obligations		1,196	1,285	1,138
Subordinated loans	13	-	35,000	-
Total liabilities		3,959,127	3,675,570	3,600,255
Shareholders' equity				
Share capital	14	299,635	299,635	299,635
Share premium		95,656	95,656	95,656
Legal reserve		67,955	64,538	67,955
Special reserve		16,988	16,988	16,988
Special reserve –restructured loans		1,281	1,281	1,281
Special impairment reserve		12,184	12,184	12,184
Special revaluation reserve - investment		(709)	(709)	(709)
Subordinated loan reserve		-	28,000	-
Investment revaluation reserve		(3,257)	(7,115)	(3,506)
Retained earnings		70,159	34,697	72,093
Total equity attributable to the equity holders of the Bank		559,892	545,155	561,577
Perpetual Tier 1 Capital Securities		155,500	155,500	155,500
Total equity		715,392	700,655	717,077
Total liabilities and equity		4,674,519	4,376,225	4,317,332
Contingent liabilities and commitments	20	673,853	659,104	662,748
Net assets per share (Rial Omani)	15	0.187	0.182	0.187

The interim condensed financial statements including notes and other explanatory information on pages 9 to 53 were approved by the Board of Directors and signed on their behalf by:



Eng. Abdul Hafidh Salim Rajab Al Ojaili
Chairman



Abdul Hakeem Omar Awadh Al Ojaili
Chief Executive Officer

BANK DHOFAR SAOG**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

		Unaudited 6 months 30-Jun- 2023	Unaudited 6 months 30-Jun- 2022	Unaudited 3 months 30-Jun- 2023	Unaudited 3 months 30-Jun-2022
	<i>Notes</i>	RO'000	RO'000	RO'000	RO'000
Interest income	16	105,924	87,169	53,729	44,239
Interest expense	17	(59,638)	(38,641)	(31,661)	(19,486)
Net interest income		46,286	48,528	22,068	24,753
Income from Islamic financing & Investments	16	20,473	17,357	10,602	8,891
Unrestricted investment account holders' share of profit and profit expense	17	(9,763)	(6,839)	(5,293)	(3,514)
Net income from Islamic financing and Investment activities		10,710	10,518	5,309	5,377
Fees and commission income	21	14,417	9,825	6,791	5,740
Fees and commission expense	21	(1,849)	(1,949)	(821)	(994)
Net fees and commission income		12,568	7,876	5,970	4,746
Other operating income		4,691	3,156	2,908	1,671
Operating income		74,255	70,078	36,255	36,547
Staff and administrative costs		(30,656)	(30,879)	(15,108)	(15,573)
Depreciation		(3,140)	(3,531)	(1,559)	(1,772)
Operating expenses		(33,796)	(34,410)	(16,667)	(17,345)
Net Impairment losses on financial assets		(19,203)	(16,605)	(9,907)	(8,341)
Recovery of bad debts written-off		430	284	215	134
Profit from operations after provision		21,686	19,347	9,896	10,995
Income tax expense		(3,253)	(2,900)	(1,485)	(1,647)
Profit for the period		18,433	16,447	8,411	9,348
Other comprehensive income:					
<i>Items that will not be reclassified to P&L:</i>					
Movement in fair value reserve (FVOCI equity instrument)					
<i>Items that are or may be reclassified to profit or loss in subsequent periods:</i>					
Movement in fair value reserves FVOCI debt instruments		(183)	(28)	207	(58)
		432	(3,609)	118	(2,381)
Other comprehensive income / (loss) for the period		249	(3,637)	325	(2,439)
Total comprehensive income for the period		18,682	12,810	8,736	6,909
Earnings per share attributable to equity shareholders of the Bank (basic and diluted) (Rials Omani)	18	0.004	0.004	0.001	0.002

The accompanying notes on pages 9 to 53 form an integral part of these interim condensed financial statements.

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

	Notes	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve	Special revaluation reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balances as at 1 January 2023		299,635	95,656	67,955	16,988	1,281	12,184	(709)	-	(3,506)	72,093	561,577	155,500	717,077
Profit for the period		-	-	-	-	-	-	-	-	-	18,433	18,433	-	18,433
Other comprehensive income for the period:														
Net changes of fair value reserve														
FVOCI equity instruments		-	-	-	-	-	-	-	-	(183)	-	(183)	-	(183)
FVOCI debt instruments		-	-	-	-	-	-	-	-	432	-	432	-	432
Total comprehensive income for the period		-	-	-	-	-	-	-	-	249	18,433	18,682	-	18,682
Payment towards perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	(5,384)	(5,384)	-	(5,384)
Dividend paid	14	-	-	-	-	-	-	-	-	-	(14,983)	(14,983)	-	(14,983)
Balances as at 30 June 2023		299,635	95,656	67,955	16,988	1,281	12,184	(709)	-	(3,257)	70,159	559,892	155,500	715,392

The accompanying notes on pages 9 to 53 form an integral part of these interim condensed financial statements.

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (CONTINUED)

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

The accompanying notes on pages 9 to 53 form an integral part of these interim condensed financial statements.

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (CONTINUED)

Notes	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve	Special revaluation reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balances as at 1 January 2022	299,635	95,656	64,538	16,988	1,281	12,184	(709)	28,000	(3,477)	28,923	543,019	155,500	698,519
Profit for the period	-	-	-	-	-	-	-	-	-	34,173	34,173	-	34,173
<i>Other comprehensive income for the period:</i>													
Net changes of fair value reserve													
FVOCI equity instruments	-	-	-	-	-	-	-	-	(406)	-	(406)	-	(406)
FVOCI debt instruments	-	-	-	-	-	-	-	-	377	-	377	-	377
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(29)	34,173	34,144	-	34,144
Transfer to legal reserve	-	-	3,417	-	-	-	-	-	-	(3,417)	-	-	-
Transfer to subordinated reserve	-	-	-	-	-	-	-	7,000	-	(7,000)	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	(35,000)	-	35,000	-	-	-
Perpetual Tier 1 capital securities:													
Repayment of Tier 1 capital securities	-	-	-	-	-	-	-	-	-	-	-	(115,500)	(115,500)
Issuance of Tier 1 capital securities	-	-	-	-	-	-	-	-	-	-	-	115,500	115,500
Payment towards perpetual additional Tier 1 coupon	-	-	-	-	-	-	-	-	-	(9,376)	(9,376)	-	(9,376)
AT Issuance Cost	-	-	-	-	-	-	-	-	-	(217)	(217)	-	(217)
Dividend Paid	14	-	-	-	-	-	-	-	-	(5,993)	(5,993)	-	(5,993)
Balances as at 31 December 2022	299,635	95,656	67,955	16,988	1,281	12,184	(709)	-	(3,506)	72,093	561,577	155,500	717,077

The accompanying notes on pages 9 to 53 form an integral part of these interim condensed financial statements.

BANK DHOFAR SAOG**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000
Cashflow from operating activities		
Profit for the period before taxation	21,686	19,347
<i>Adjustment for:</i>		
Depreciation and amortization	3,140	3,531
Net impairment on financial assets and recovery of bad debts written off	18,773	16,321
Dividend income	(490)	(66)
Provision for end of service benefits	139	153
Gain / (loss) on sale investments	-	(3,689)
Operating profit before operating assets and liabilities changes	43,248	35,597
<i>Net increase/(decrease) in:</i>		
Due to banks	164,315	(10,993)
Due from banks	(357,043)	(144,529)
Loans & advances and financing	(8,506)	8,887
Other assets	(17,026)	45,737
Customer deposits	180,933	(22,561)
Other liabilities	13,452	(29,444)
Cash generated from / (used in) operating activities	(23,875)	(152,903)
Taxes paid	(3,140)	(4,527)
End of service benefits paid	(80)	(224)
Net cash generated from / (used in) operating activities	16,153	(122,057)
Cashflow from investing activities		
Net movement in Investment securities	26,861	(59,782)
Dividend received	490	66
Purchase of property and equipment	(3,617)	(2,628)
	23,734	(62,344)
Cashflow from financing activities		
Dividend paid	(14,983)	(5,993)
Payment of AT1 coupon cost	(5,384)	(4,683)
Net cash used in from financing activities	(20,367)	(10,676)
Net changes in cash and cash equivalents	19,520	(195,077)
Cash and cash equivalents at 1 January	275,679	297,203
Cash and cash equivalents at 30 June	295,199	102,126
<i>Cash and cash equivalent comprise of:</i>		
Cash and balances with Central Bank of Oman	197,118	81,451
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks with a short-term maturity of 3 months or less	98,581	21,175
	295,199	102,126

The accompanying notes on pages 9 to 53 form an integral part of these interim condensed financial statements

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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 97 branches (30 June 2022: 65 branches) which comprises of 18 Islamic branches (30 June 2022: 10 Islamic branches) and 79 conventional branches (30 June 2022: 55 conventional branches). The Bank’s Islamic Banking Window, “Maisarah Islamic Banking services” has an allocated capital of RO 70 Million (30 June 2022: RO 70 million) from the core paid up capital of the shareholders. The Bank has a primary listing of its ordinary shares on the Muscat Stock Exchange (“MSX”), and the Bank’s Additional Tier I Perpetual Bonds are listed on the Muscat Stock Exchange (“MSX”). The Bank’s principal place of business is its Head Office located at Central Business District (“CBD”), Muscat, Sultanate of Oman.

The Bank employed 1,634 employees as of 30 June 2023 (30 June 2022: 1,493 employees).

2 BASIS OF PREPARATION

2.1 Statement of compliance and basis of accounting

The unaudited interim condensed financial statements for the six-month period ended 30 June 2023 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 2022 (‘the last annual financial statements’).

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

In preparing these interim condensed financial statements in conformity with IFRSs requires management to make judgements estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

2.4 Use of estimates and judgments (continued)

The significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2022

3 Standards effective from 1 January 2023

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

4 Standards issued but not yet effective

A number of new standards and amendments have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for the period beginning 1 January 2023. The Bank is evaluating the impact on future financial statements, if any, on adopting these pronouncements.

5. Cash and balances with the Central Bank of Oman

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Cash in hand	36,041	37,057	33,925
Balances with the Central Bank of Oman	137,087	44,394	68,050
Placements with the Central Bank of Oman	23,113	-	69,326
Cash held by a custodian	877	-	5,316
	<u>197,118</u>	<u>81,451</u>	<u>176,617</u>

As at 30 June 2023 cash and balances with Central bank of Oman includes capital deposit amounting to RO 0.5 million (30 June 2022- RO 0.5 million and 31 December 2022 – RO 0.5 million) as minimum reserve requirements. This is not available for day-to-day operations of the Bank and cannot be withdrawn without the Central Bank of Oman approval.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

6. Loans, advances and financing to banks

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Syndicated loans to other banks	5,811	16,145	-
Placements with other banks	488,506	211,355	101,333
Current clearing accounts	10,735	17,322	47,124
	<u>505,052</u>	<u>244,822</u>	<u>148,457</u>
Less: impairment allowance	(637)	(244)	(104)
	<u><u>504,415</u></u>	<u><u>244,578</u></u>	<u><u>148,353</u></u>

The Bank has made an interbank deposit of RO 146.712 Million (31 December 2022 – RO - Nil) which is held under escrow account for the benefit of the shareholders of Ahli Bank SAOG with regards to the proposed offer to them.

7. Loans, advances and financing to customers (Conventional and Islamic)

(a) Conventional Banking

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Loans	2,686,610	2,715,865	2,820,805
Overdraft	125,252	118,146	123,550
Loans against trust receipts	109,743	97,022	97,069
Bills discounted	41,211	34,990	31,063
Advances against credit cards	8,863	8,112	8,669
	<u>2,971,679</u>	<u>2,974,135</u>	<u>3,081,156</u>
Gross Loans, advances and financing to customers	<u>2,971,679</u>	<u>2,974,135</u>	<u>3,081,156</u>
Less: Impairment allowance including reserved interest	(173,044)	(177,398)	(200,687)
	<u><u>2,798,635</u></u>	<u><u>2,796,737</u></u>	<u><u>2,880,469</u></u>

(b) Islamic financing receivables

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Housing finance	187,781	159,025	161,971
Corporate finance	432,868	364,436	388,808
Consumer finance	18,121	13,781	14,717
	<u>638,770</u>	<u>537,242</u>	<u>565,496</u>
Less: Impairment allowance including profit reserved	(17,186)	(12,964)	(15,479)
	<u><u>621,584</u></u>	<u><u>524,278</u></u>	<u><u>550,017</u></u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

(c) The movement in the allowance for expected credit losses is analysed below:

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
i. Allowance for expected credit losses			
1 January	175,801	137,481	137,481
Reclassification of ECL	1,239	-	343
Allowance made during the period	26,961	24,495	50,092
Released to the profit or loss during the period	(8,806)	(5,325)	(11,249)
Written off during the period	(36,554)	(825)	(866)
Balance at the end of the period	<u>158,641</u>	<u>155,826</u>	<u>175,801</u>
ii. Reserved interest			
1 January	40,366	30,117	30,117
Reserved during the period	10,703	6,379	13,589
Recoveries to profit or loss during the period	(5,382)	(1,302)	(2,560)
Written-off during the period	(14,098)	(658)	(780)
Balance at the end of the period	<u>31,589</u>	<u>34,536</u>	<u>40,366</u>
Total allowance for expected credit losses	<u><u>190,230</u></u>	<u><u>190,362</u></u>	<u><u>216,167</u></u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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

i. 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.

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

As at 30 June 2023

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 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)
Standard	Stage 1	2,625,804	36,434	11,906	24,528	2,589,370	2,613,898	-	-
	Stage 2	446,903	5,173	18,160	(12,987)	441,730	428,743	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,072,707	41,607	30,066	11,541	3,031,100	3,042,641	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	326,063	4,300	35,258	(30,958)	321,763	290,805	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		326,063	4,300	35,258	(30,958)	321,763	290,805	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	33,097	11,968	9,070	2,898	20,762	24,027	-	367
Subtotal		33,097	11,968	9,070	2,898	20,762	24,027	-	367
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	24,803	12,240	6,870	5,370	11,616	17,933	-	947
Subtotal		24,803	12,240	6,870	5,370	11,616	17,933	-	947
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	153,779	104,826	74,868	29,958	18,678	78,911	-	30,275
Subtotal		153,779	104,826	74,868	29,958	18,678	78,911	-	30,275
Total loans and advances		3,610,449	174,941	156,132	18,809	3,403,919	3,454,317	-	31,589
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	2,190,120	179	3,212	(3,033)	2,189,941	2,186,908	-	-
	Stage 2	268,297	-	4,794	(4,794)	268,297	263,503	-	-
	Stage 3	5,706	-	2,509	(2,509)	5,706	3,197	-	-
Subtotal		2,464,123	179	10,515	(10,336)	2,463,944	2,453,608	-	-
Total (30 June 2023)	Stage 1	4,815,924	36,613	15,118	21,495	4,779,311	4,800,806	-	-
	Stage 2	1,041,263	9,473	58,212	(48,739)	1,031,790	983,051	-	-
	Stage 3	217,385	129,034	93,317	35,717	56,762	124,068	-	31,589
Total		6,074,572	175,120	166,647	8,473	5,867,863	5,907,925	-	31,589

* Net of provision and reserve interest as per CBO norms

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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

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

As at 30 June 2022

* 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.

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

* Net of provision and reserve interest as per CBO norms

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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

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

As at 31 December 2022

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)
Standard	Stage 1	2,642,217	37,850	12,483	25,367	2,604,367	2,629,734	-	-
	Stage 2	417,967	5,166	32,121	(26,955)	412,801	385,846	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,060,184	43,016	44,604	(1,588)	3,017,168	3,015,580	-	-
Special Mention	Stage 1	14,812	151	228	(77)	14,661	14,584	-	-
	Stage 2	357,577	4,951	30,042	(25,091)	352,626	327,535	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		372,389	5,102	30,270	(25,168)	367,287	342,119	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	8,552	2,111	3,044	(933)	6,193	5,508	-	248
Subtotal		8,552	2,111	3,044	(933)	6,193	5,508	-	248
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	17,694	5,454	6,444	(990)	11,210	11,250	-	1,030
Subtotal		17,694	5,454	6,444	(990)	11,210	11,250	-	1,030
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	187,833	130,050	91,439	38,611	18,695	96,394	-	39,088
Subtotal		187,833	130,050	91,439	38,611	18,695	96,394	-	39,088
Total loans and advances		3,646,652	185,733	175,801	9,932	3,420,553	3,470,851	-	40,366
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,755,388	179	3,013	(2,834)	1,755,209	1,752,375	-	-
	Stage 2	305,182	-	3,945	(3,945)	305,182	301,237	-	-
	Stage 3	3,056	-	1,252	(1,252)	3,056	1,804	-	-
Subtotal		2,063,626	179	8,210	(8,031)	2,063,447	2,055,416	-	-
Total (31 December 2022)	Stage 1	4,412,417	38,180	15,724	22,456	4,374,237	4,396,693	-	-
	Stage 2	1,080,726	10,117	66,108	(55,991)	1,070,609	1,014,618	-	-
	Stage 3	217,135	137,615	102,179	35,436	39,154	114,956	-	40,366
Total		5,710,278	185,912	184,011	1,901	5,484,000	5,526,267	-	40,366

* Net of provision and reserve interest as per CBO norms

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

(d) Restructured Loans

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

At 30 June 2023

(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	73,999	743	1,207	(464)	73,256	72,792	-	-
	Stage 2	458,576	4,537	45,534	(40,997)	454,039	413,042	-	-
Subtotal		532,575	5,280	46,741	(41,461)	527,295	485,834	-	-
	Stage 3	9,766	4,558	5,025	(467)	5,492	(5,959)	-	1,285
Sub total		9,766	4,558	5,025	(467)	5,492	(5,959)	-	1,285
Total (30 June 2023)	Stage 1	73,999	743	1,207	(464)	73,256	72,792	-	-
	Stage 2	458,576	4,537	45,534	(40,997)	454,039	413,042	-	-
	Stage 3	9,766	4,558	5,025	(467)	3,923	4,741	-	1,285
	Total	542,341	9,838	51,766	(41,928)	531,218	490,575	-	1,285

* Net of provision and reserve interest as per CBO norms

As at 30 June 2022

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

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

(d) Restructured Loans *(continued)*

At 31 December 2022

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	128,096	1,288	3,248	(1,960)	126,808	124,848	-	-
	Stage 2	434,264	2,450	41,472	(39,022)	431,814	392,792	-	-
Subtotal		562,360	3,738	44,720	(40,982)	558,622	517,640	-	-
Sub total		7,431	3,451	3,476	(25)	2,723	3,955	-	1,257
Total (31 December 2022)		569,791	7,189	48,196	(41,007)	561,345	521,595	-	1,257

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

(e) Comparison of allowance for expected credit losses charges as per IFRS 9 and as per CBO norms

i. Allowance for expected credit losses charge and provisions held

30 June 2023	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	175,120	166,647	8,473
Gross NPL ratio	5.86%	5.86%	-
Net NPL ratio	2.29%	3.35%	(1.06%)

Gross NPL (Non-performing Loans) are 5.86% and Net NPL is 2.47% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 31.59 million.

30 June 2022	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	173,316	166,334	6,982
Gross NPL ratio	5.57%	5.57%	-
Net NPL ratio	1.04%	2.03%	(0.99%)

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

Note 1: Excluding Interest Reserve of RO 34.53 million.

31 December 2022	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	185,912	184,011	1,901
Gross NPL ratio	5.87%	5.87%	-
Net NPL ratio	0.99%	2.00%	(1.01%)

Gross NPL (Non-performing Loans) are 5.87% and Net NPL is 2.00% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 40.37 million.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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

The following table discloses the stage-wise gross exposure, impairment, and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at, 30 June 2023:

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	155,200	-	-	155,200
Cash held by a custodian	877	-	-	877
Due from Banks	505,052	-	-	505,052
Sovereign	370,206	-	-	370,206
Investment Securities at amortized cost	9,848	-	-	9,848
Investment Securities at FVOCI	28,571	-	-	28,571
Loans and advances	2,625,804	772,966	211,679	3,610,449
Acceptance	53,826	6,480	-	60,306
Total funded gross exposure	3,749,384	779,446	211,679	4,740,509
Letters of credit/guarantee	576,561	91,586	5,706	673,853
Loan commitment / unutilized limits	489,979	170,231	-	660,210
Total non-funded gross exposure	1,066,540	261,817	5,706	1,334,063
Total gross exposure	4,815,924	1,041,263	217,385	6,074,572
Allowance for expected credit losses				
Central Bank balances	-	-	-	-
Cash held by a custodian	-	-	-	-
Due from Banks	637	-	-	637
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	60	-	-	60
Loans and advances	11,906	53,418	90,808	156,132
Acceptance	38	9	-	47
Total funded impairment	12,641	53,427	90,808	156,876
Letters of credit/guarantee	1,409	3,934	2,509	7,852
Loan commitment/unutilized limits	1,068	851	-	1,919
Total non-funded impairment	2,477	4,785	2,509	9,771
Total impairment	15,118	58,212	93,317	166,647
Net exposure				
Central Bank balances	155,200	-	-	155,200
Cash held by a custodian	877	-	-	877
Due from Banks	504,415	-	-	504,415
Sovereign	370,206	-	-	370,206
Investment Securities at amortized Cost	9,848	-	-	9,848
Investment Securities at FVOCI	28,511	-	-	28,511
Loans and advances	2,613,898	719,548	120,871	3,454,317
Acceptance	53,788	6,471	-	60,259
Total funded net exposure	3,736,743	726,019	120,871	4,583,633
Letter of credit/guarantee	575,152	87,652	3,197	666,001
Loan commitment / unutilized limits	488,911	169,380	-	658,291
Total net non-funded exposure	1,064,063	257,032	3,197	1,324,292
Total net exposure	4,800,806	983,051	124,068	5,907,925

Gross exposure of loans and advances of RO 211.68 million under stage 3 includes reserved interest of RO 31.59 million.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2023				
Due from banks	104	-	-	104
Loans and advances to customers	12,711	62,163	100,927	175,801
Investment securities at FVOCI (Debt)	64	-	-	64
Loan commitments and financial guarantees	1,670	3,266	1,252	6,188
Acceptances	13	6	-	19
Unutilised	1,162	673	-	1,835
Total	15,724	66,108	102,179	184,011
Net transfer between stages				
Due from banks	-	-	-	-
Loans and advances to customers	(1,506)	(14,253)	15,759	-
Loan commitments and financial guarantees	21	(21)	-	-
Unutilised	(14)	14	-	-
Total	(1,499)	(14,260)	15,759	-
Charge for the Period (net)				
Due from banks	533	-	-	533
Loans and advances to customers	697	5,512	10,689	16,898
Investment securities at FVOCI (Debt)	(4)	-	-	(4)
Loan commitments and financial guarantees	(282)	689	1,257	1,664
Acceptances	25	3	-	28
Unutilised	(76)	160	-	84
Total net of recovery	893	6,364	11,946	19,203
Written-off	-	-	(36,554)	(36,554)
Closing Balance – as at 30 June 2023				
- Due from banks	637	-	-	637
- Loans and advances to customers	11,902	53,422	90,808	156,132
- Investment securities at FVOCI (Debt)	60	-	-	60
- Loan commitments and financial guarantees	1,409	3,934	2,509	7,852
- Acceptances	38	9	-	47
- Unutilised	1,072	847	-	1,919
Total expected credit losses	15,118	58,212	93,317	166,647

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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

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

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	44,394	-	-	44,394
Due from Banks	279,576	-	-	279,576
Sovereign	317,810	-	-	317,810
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	45,092	-	-	45,092
Loans and advances	2,558,320	757,630	195,427	3,511,377
Accrued profit	21,550	8,930	-	30,480
Acceptance	140,286	9,731	-	150,017
Total funded gross exposure	3,407,945	776,291	195,427	4,379,663
Letters of credit/guarantee	549,581	105,357	4,165	659,103
Loan commitment / unutilized limits	397,880	175,022	-	572,902
Total non-funded gross exposure	947,461	280,379	4,165	1,232,005
Total gross exposure	4,355,406	1,056,670	199,592	5,611,668
Allowance for expected credit losses				
Central Bank balances	-	-	-	-
Due from Banks	244	-	-	244
Sovereign	-	-	-	-
Investment Securities at amortized cost	80	-	-	80
Investment Securities at FVOCI	6	-	-	6
Loans and advances	11,566	54,512	89,758	155,836
Accrued profit	51	150	-	201
Acceptance	176	18	-	194
Total funded impairment	12,123	54,680	89,758	156,561
Letters of credit/guarantee	2,551	4,948	-	7,499
Loan commitment/unutilized limits	869	1,104	-	1,973
Total non-funded impairment	3,420	6,052	-	9,472
Total impairment	15,543	60,732	89,758	166,033
Net exposure				
Central Bank balances	44,394	-	-	44,394
Due from Banks	279,332	-	-	279,332
Sovereign	317,810	-	-	317,810
Investment Securities at amortized Cost	837	-	-	837
Investment Securities at FVOCI	45,086	-	-	45,086
Loans and advances	2,546,754	703,118	105,669	3,355,541
Accrued Profit	21,499	8,780	-	30,279
Acceptance	140,110	9,713	-	149,823
Total funded net exposure	3,395,822	721,611	105,669	4,223,102
Letter of credit/guarantee	547,030	100,409	4,165	651,604
Loan commitment / unutilized limits	397,011	173,918	-	570,929
Total net non-funded exposure	944,041	274,327	4,165	1,222,533
Total net exposure	4,339,863	995,938	109,834	5,445,635

Gross exposure of loans and advances of RO 195.43 million under stage 3 includes reserved interest of RO 34.53 million.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2022				
Due from banks	1,150	-	-	1,150
Loans and advances to customers	20,015	34,931	82,535	137,481
Investment securities at FVOCI (Debt)	247	-	-	247
Loan commitments and financial guarantees	3,534	4,054	-	7,588
Acceptances	899	16	-	915
Unutilised	1,670	1,140	-	2,810
Interest accrued	130	213	-	343
Total	27,645	40,354	82,535	150,534
Net transfer between stages				
Loans and advances to customers	(80)	(5,476)	5,556	-
Loan commitments and financial guarantees	(8)	8	-	-
Unutilised	63	(63)	-	-
Total	(25)	(5,531)	5,556	-
Charge for the Period (net)				
Due from banks	(906)	-	-	(906)
Loans and advances to customers	(8,369)	25,057	2,489	19,177
Investment securities at FVOCI (Debt)	(161)	-	-	(161)
Loan commitments and financial guarantees	(975)	886	-	(89)
Acceptances	(723)	2	-	(721)
Unutilised	(864)	27	-	(837)
Interest accrued	(79)	(63)	-	(142)
Total net of recovery	(12,077)	25,909	2,489	16,321
Written-off			(822)	(822)
Closing Balance – as at 30 June 2022				
Due from banks	244	-	-	244
Loans and advances to customers	11,566	54,512	89,758	155,836
Investment securities at FVOCI (Debt)	86	-	-	86
Loan commitments and financial guarantees	2,551	4,948	-	7,499
Acceptances	176	18	-	194
Unutilised	869	1,104	-	1,973
Interest accrued	51	150	-	201
Total expected credit loss	15,543	60,732	89,758	166,033

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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

The following table discloses the stage-wise gross exposure, impairment, and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at, 31 December 2022:

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	137,376	-	-	137,376
Cash held by a custodian	5,316	-	-	5,316
Due from Banks	148,457	-	-	148,457
Sovereign	398,445	-	-	398,445
Investment Securities at amortized cost	9,647	-	-	9,647
Investment Securities at FVOCI	46,702	-	-	46,702
Loans and advances	2,657,029	775,544	214,079	3,646,652
Acceptance	34,225	5,771	-	39,996
Total funded gross exposure	3,437,197	781,315	214,079	4,432,591
Letters of credit/guarantee	559,104	100,588	3,056	662,748
Loan commitment / unutilized limits	416,116	198,823	-	614,939
Total non-funded gross exposure	975,220	299,411	3,056	1,277,687
Total gross exposure	4,412,417	1,080,726	217,135	5,710,278
Allowance for expected credit losses				
Central Bank balances	-	-	-	-
Cash held by a custodian	-	-	-	-
Due from Banks	104	-	-	104
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	64	-	-	64
Loans and advances	12,711	62,163	100,927	175,801
Acceptance	13	6	-	19
Total funded impairment	12,892	62,169	100,927	175,988
Letters of credit/guarantee	1,670	3,266	1,252	6,188
Loan commitment/unutilized limits	1,162	673	-	1,835
Total non-funded impairment	2,832	3,939	1,252	8,023
Total impairment	15,724	66,108	102,179	184,011
Net exposure				
Central Bank balances	137,376	-	-	137,376
Cash held by a custodian	5,316	-	-	5,316
Due from Banks	148,353	-	-	148,353
Sovereign	398,445	-	-	398,445
Investment Securities at amortized Cost	9,647	-	-	9,647
Investment Securities at FVOCI	46,638	-	-	46,638
Loans and advances	2,644,318	713,381	113,152	3,470,851
Acceptance	34,212	5,765	-	39,977
Total funded net exposure	3,424,305	719,146	113,152	4,256,603
Letter of credit/guarantee	557,434	97,322	1,804	656,560
Loan commitment / unutilized limits	414,954	198,150	-	613,104
Total net non-funded exposure	972,388	295,472	1,804	1,269,664
Total net exposure	4,396,693	1,014,618	114,956	5,526,267

Gross exposure of loans and advances of RO 214.08 million under stage 3 includes reserved interest of RO 40.37 million.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

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

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

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2022				
Due from banks	1,150	-	-	1,150
Loans and advances to customers	20,015	34,931	82,535	137,481
Investment securities at FVOCI (Debt)	247	-	-	247
Loan commitments and financial guarantees	3,534	4,054	-	7,588
Acceptances	899	16	-	915
Unutilised	1,670	1,140	-	2,810
Interest accrued	131	212	-	343
Total	<u>27,646</u>	<u>40,353</u>	<u>82,535</u>	<u>150,534</u>
Net transfer between stages				
Due from banks	(204)	204	-	-
Loans and advances to customers	1,426	(21,587)	20,161	-
Loan commitments and financial guarantees	(13)	13	-	-
Unutilised	29	(29)	-	-
Total	<u>1,238</u>	<u>(21,399)</u>	<u>20,161</u>	<u>-</u>
Charge for the Period (net)				
Due from banks	(842)	(204)	-	(1,046)
Loans and advances to customers	(8,861)	48,607	(903)	38,843
Investment securities at FVOCI (Debt)	(183)	-	-	(183)
Loan commitments and financial guarantees	(1,851)	(801)	1,252	(1,400)
Acceptances	(886)	(10)	-	(896)
Unutilised	(537)	(438)	-	(975)
Total net of recovery	<u>(13,160)</u>	<u>47,154</u>	<u>349</u>	<u>34,343</u>
Written-off			(866)	(866)
Closing Balance – as at 31 December 2022				
Due from banks	104	-	-	104
Loans and advances to customers	12,711	62,163	100,927	175,801
Investment securities at FVOCI (Debt)	64	-	-	64
Loan commitments and financial guarantees	1,670	3,266	1,252	6,188
Acceptances	13	6	-	19
Unutilised	1,162	673	-	1,835
Total expected credit loss	<u>15,724</u>	<u>66,108</u>	<u>102,179</u>	<u>184,011</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**
7. Loans, advances, and financing to customers (continued)
(g) Reconciliation of financial assets and liabilities

30 June 2023	Notes	Designated as at FVTPL	FVOCI – equity instruments	FVOCI – debt instruments	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	197,118	197,118
Loans and advances to banks	6	-	-	-	504,415	504,415
Loans and advances to customers	7	-	-	-	3,420,219	3,420,219
Investment securities	8	739	33,506	123,462	285,103	442,810
Other assets		4,975	-	-	76,850	81,825
		<u>5,714</u>	<u>33,506</u>	<u>123,462</u>	<u>4,483,705</u>	<u>4,646,387</u>
Due to banks	11	-	-	-	737,157	737,157
Deposits from customers	12	-	-	-	3,072,752	3,072,752
Subordinated liabilities	13	-	-	-	-	-
Other liabilities		3,943	-	-	131,530	135,473
		<u>3,943</u>	<u>-</u>	<u>-</u>	<u>3,941,439</u>	<u>3,945,382</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

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

(g) Reconciliation of financial assets and liabilities *(continued)*

31 December 2022	Notes	Designated as at FVTPL	FVOCI – equity instruments	FVOCI – debt instruments	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	176,617	176,617
Loans and advances to banks	6	-	-	-	148,353	148,353
Loans and advances to customers	7	-	-	-	3,430,486	3,430,486
Investment securities	8	717	13,963	141,464	313,278	469,422
Other assets		4,730	-	-	60,771	65,501
		<u>5,447</u>	<u>13,963</u>	<u>141,464</u>	<u>4,129,505</u>	<u>4,290,379</u>
Due to banks	11	-	-	-	572,842	572,842
Deposits from customers	12	-	-	-	2,891,819	2,891,819
Subordinated liabilities	13	-	-	-	-	-
Other liabilities		3,970	-	-	117,992	121,962
		<u>3,970</u>	<u>-</u>	<u>-</u>	<u>3,582,653</u>	<u>3,586,623</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

8. Investment's securities

	Unaudited 30-Jun-23 RO'000	Unaudited 30-Jun-22 RO'000	Audited 31-Dec-22 RO'000
Equity investments:			
Measured at FVTPL	739	1,707	717
Measured at FVOCI	33,506	2,472	13,975
Gross equity investments	34,245	4,179	14,692
Debt investments:			
Designated at FVTPL	-	1,069	-
Measured at FVOCI	123,522	139,009	141,516
Measured at amortized cost	285,103	361,878	313,278
Gross debt investments	408,625	501,956	454,794
Total investment securities	442,870	506,135	469,486
Less: Impairment loss allowance	(60)	(86)	(64)
Total investment securities	442,810	506,049	469,422
	Unaudited 30-Jun-23 RO'000	Unaudited 30-Jun-22 RO'000	Audited 31-Dec-22 RO'000
Investment securities measured as at FVTPL	739	2,776	717
Investment securities measured at FVOCI	156,968	141,395	155,427
Debt investments measured at amortised cost	285,103	361,878	313,278
	442,810	506,049	469,422

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

8. Investment securities (continued)

8.1 Categories of investments by measurement

30 June 2023	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	4,062	-	4,062
Financial services sector	-	20,520	-	20,520
Industrial sector	-	8,233	-	8,233
	-	32,815	-	32,815
Unquoted Equities:				
Local securities	739	691	-	1,430
Unit funds	-	-	-	-
	739	691	-	1,430
Gross Equity investments	739	33,506	-	34,245
Quoted Debt:				
Government Bonds and Sukuk	-	94,951	275,255	370,206
Foreign Bonds	-	-	-	-
Local Bonds and Sukuks	-	28,571	9,848	38,419
Gross debt investments	-	123,522	285,103	408,625
Total Investment Securities	739	157,028	285,103	442,870
Less: Impairment losses on investments	-	(60)	-	(60)
	739	156,968	285,103	442,810

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments RO 000's	FVOCI Equity investment RO 000's	Amortised cost RO 000's	FVTPL RO 000's	Total RO 000's
At 1 January 2023	141,464	13,963	313,278	717	469,422
Additions	2,500	19,725	6,401	-	28,626
Disposals and redemption	(21,784)	(282)	(35,814)	-	(57,880)
Gain /(loss) from change in fair value	432	(185)	-	22	269
Amortisation of discount and premium	(26)	13	-	-	(13)
Movement in interest accrued	936	272	1,238	-	2,446
Total	123,522	33,506	285,103	739	442,870
Less: Impairment losses on investments	(41)	(19)	-	-	(60)
At 30 June 2023	123,481	33,487	285,103	739	442,810

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

8. Investment securities (continued)

8.1 Categories of investments by measurement (continued)

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

The movements in investment securities are summarised as follows:

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

8. Investment securities (continued)

8.1 Categories of investments by measurement (continued)

31 December 2022	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	518	-	518
Unit funds	-	-	-	-
Financial services sector	-	11,284	-	11,284
Industrial sector	-	1,482	-	1,482
	-	13,284	-	13,284
Unquoted Equities:				
Local securities	-	691	-	691
Unit funds	717	-	-	717
	717	691	-	1,408
Gross Equity investments	717	13,975	-	14,692
Quoted Debt:				
Government Bonds and Sukuk	-	94,814	303,631	398,445
Foreign Bonds	-	383	-	383
Local Bonds and Sukuks	-	46,319	9,647	55,966
Treasury Bills	-	-	-	-
Gross debt investments	-	141,516	313,278	454,794
Total Investment Securities	717	155,491	313,278	469,486
Less: Impairment losses on investments	-	(64)	-	(64)
	717	155,427	313,278	469,422

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments RO 000's	FVOCI Equity investment RO 000's	Amortised cost RO 000's	FVTPL RO 000's	Total RO 000's
At 1 January 2022	116,753	2,490	324,150	2,823	446,216
Additions	22,073	11,807	47,648	5	81,533
Disposals and redemption	(4,627)	-	(60,874)	(1,996)	(67,497)
Gain/(loss) from change in fair value	377	(406)	-	(115)	(144)
Amortisation of discount and premium	(51)	-	(520)	-	(571)
Movement in interest accrued	6,991	84	2,874	-	9,949
Total	141,516	13,975	313,278	717	469,486
Less: Impairment losses on investments	(52)	(12)	-	-	(64)
At 31 December 2022	141,464	13,963	313,278	717	469,422

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

9. Intangible assets

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Cost			
01-Jan	34,971	32,980	32,980
Additions	920	969	1,991
Disposals	(64)	(193)	-
	<u>35,827</u>	<u>33,756</u>	<u>34,971</u>
Depreciation			
01-Jan	23,679	20,214	20,214
Charge for the year	1,397	1,808	3,465
Disposals	-	(11)	-
	<u>25,076</u>	<u>22,011</u>	<u>23,679</u>
Carrying Value	<u>10,751</u>	<u>11,745</u>	<u>11,292</u>

10. Property and equipment

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Conventional	7,804	7,409	7,203
Islamic window	1,068	506	651
	<u>8,872</u>	<u>7,915</u>	<u>7,854</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

11. Due to banks

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Syndicated Inter bank borrowings	442,750	279,125	288,750
Interbank borrowings	294,193	145,737	283,909
Payable on demand	214	25,034	183
	<u>737,157</u>	<u>449,896</u>	<u>572,842</u>

At 30 June 2023 Inter Bank borrowings with one bank represented 20% or more of the Bank's total inter-bank borrowings (30 June 2022 and 31 December 2022: two banks). The Bank has not had any defaults of principal, interest, or other breaches during the year on its borrowed funds.

12. Deposits from customers

Conventional Banking		Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Current accounts		766,161	646,733	680,269
Savings accounts		398,789	414,820	398,950
Time and certificate deposits		1,400,844	1,446,645	1,324,059
Margin accounts		22,817	12,183	13,409
		<u>2,588,611</u>	<u>2,520,381</u>	<u>2,416,687</u>
Islamic Banking		Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Current accounts		116,101	139,615	154,272
Savings accounts		59,907	55,892	54,145
Time deposits		308,133	237,190	266,715
Margin accounts		-	-	-
		<u>484,141</u>	<u>432,697</u>	<u>475,132</u>

The current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1.294 billion (30 June 2022 - RO 1.103 billion, 31 December 2022 - RO 1.078 billion)

13. Subordinated loan

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Subordinated loan - RO	-	35,000	-
	<u>-</u>	<u>35,000</u>	<u>-</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

14. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (30 June 2022: 5,000,000,000 ordinary shares of RO 0.100 each).

At 30 June 2023, the issued and paid up share capital comprise 2,996,351,436 ordinary shares of RO 0.100 each (30 June 2022: 2,996,351,436 ordinary shares of RO 0.100 each).

The Board of Directors in their meeting held on 25 January 2023 proposed a total cash dividend of 5%, (5 (five) baizas per share, total of RO 14.983 million) (2021: 2%; RO 5.993 million). However, the Bank received CBO approval for cash dividend of 5%, (5 (five) baizas per share, total of RO 14.982 million) for the year 2022. The shareholders in the Annual General Meeting held on 22 March 2023, approved the cash dividend of 5% and this has been paid in March 2023.

Shareholders

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

	Unaudited 30-Jun-23		Unaudited 30-Jun-22		Audited 31-Dec-22	
	No. of shares	%	No. of shares	%	No. of shares	%
Dhofar International Development and Investment Company SAOG	730,570,498	24.38%	730,570,498	24.38%	730,570,498	24.38%
Eng. Abdul Hafidh Salim Rajab Al Ojaili and his related Companies	713,971,362	23.83%	703,266,215	23.47%	713,971,362	23.83%
Civil Service Employees Pension Fund	317,564,101	10.60%	313,949,510	10.48%	317,814,101	10.61%
Others	1,234,245,475	41.19%	1,248,565,213	41.67%	1,233,995,475	41.18%
	2,996,351,436	100.00%	2,996,351,436	100.00%	2,996,351,436	100.00%

The Bank's Islamic Banking Window, "Maisarah" Islamic Banking Services has an allocated capital of RO 70 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 30 June 2023 (30 June 2022: RO 70 million)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

14. Share capital *(Continued)*

Perpetual Tier 1 RO Capital Securities

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

The Tier 1 RO Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 RO Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion in December 2023 (the “First Call Date”) or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

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

- (b) In October 2022, the Bank issued Perpetual Tier 1 RO Capital Securities (the “Tier 1 RO Securities”), amounting to OMR 115,500,000, denominated in Riyal Omani. This Tier 1 RO Securities is listed on Muscat Stock Exchange.

The Tier 1 RO Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 RO Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion in October 2027 (the “First Call Date”) or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

The Tier 1 RO Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 6.75%. Thereafter the interest rate will be reset at five-year intervals. Interest will be payable semi-annually in arrears and treated as deduction from equity.

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

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

15. Net assets per share

Net assets per share are calculated by dividing the net assets attributable to equity holders of the bank at the period end by the number of shares outstanding at period end as follows:

	Unaudited 30-Jun-2023	Unaudited 30-Jun-2022	Audited 31-Dec-2022
Net assets (RO)	<u>559,892,000</u>	<u>545,155,000</u>	<u>561,577,000</u>
Number of shares outstanding at the end of the period / year	<u>2,996,351,436</u>	<u>2,996,351,436</u>	<u>2,996,351,436</u>
Net assets per share (RO)	<u>0.187</u>	<u>0.182</u>	<u>0.187</u>

16. Interest income/ income from islamic financing and investment

Conventional Banking	Unaudited 6 months 30-Jun-2023 RO'000	Unaudited 6 months 30-Jun-2022 RO'000	Unaudited 3 months 30-Jun-2023 RO'000	Unaudited 3 months 30-Jun-2022 RO'000
Loans and advances	87,385	75,150	43,646	38,258
Due from banks	8,833	2,177	5,268	970
Investments	9,706	9,842	4,815	5,011
Total	<u>105,924</u>	<u>87,169</u>	<u>53,729</u>	<u>44,239</u>
Islamic Banking	Unaudited 6 months 30-Jun-2023 RO'000	Unaudited 6 months 30-Jun-2022 RO'000	Unaudited 3 months 30-Jun-2023 RO'000	Unaudited 3 months 30-Jun-2022 RO'000
Islamic financing receivables	18,316	14,883	9,664	7,637
Islamic due from banks	32	5	12	4
Investments	2,125	2,469	926	1,250
Total	<u>20,473</u>	<u>17,357</u>	<u>10,602</u>	<u>8,891</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

17. Interest expense / distribution to depositors

Interest expense (conventional banking)	Unaudited 6 months 30-Jun-2023 RO'000	Unaudited 6 months 30-Jun- 2022 RO'000	Unaudited 3 months 30-Jun- 2023 RO'000	Unaudited 3 months 30-Jun- 2022 RO'000
Customers' deposits / Subordinated liabilities / mandatory convertible bonds	(39,122)	(32,762)	(21,386)	(15,761)
Bank borrowings	(20,516)	(5,879)	(10,275)	(3,725)
Total	(59,638)	(38,641)	(31,661)	(19,486)

Unrestricted investment account holders' share of profit and profit expense (Islamic Banking)	Unaudited 6 months 30-Jun-2023 RO'000	Unaudited 6 months 30-Jun- 2022 RO'000	Unaudited 3 months 30-Jun- 2023 RO'000	Unaudited 3 months 30-Jun- 2022 RO'000
Islamic customer deposits	(8,445)	(6,456)	(4,478)	(3,286)
Islamic bank borrowing	(1,318)	(383)	(815)	(228)
Total	(9,763)	(6,839)	(5,293)	(3,514)

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

18. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per share is based on profit for the six-month period ended 30th June 2023 attributable to ordinary shareholders as follows:

	Unaudited 30-Jun-2023	Unaudited 30-Jun-2022
Profit for the period (RO) ('000)	18,433	16,447
Less : Additional Tier 1 Coupon	(5,384)	(4,683)
Profit for the period attributable to equity holders of the Bank ('000)	13,049	11,764
Weighted average number of shares outstanding during the period	2,996,351,436	2,995,851,436
Earnings per share basic and diluted (RO)	0.004	0.004

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

19. Related parties' transactions

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

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec- 2022 RO'000
Loans, advances and financing			
Shareholders holding 20% or more interest in the Bank and their related entities	54,189	49,407	52,250
Other related parties	52,577	62,172	68,798
	<u>106,766</u>	<u>111,579</u>	<u>121,048</u>
Subordinated loans			
Directors	-	15,000	-
Other related parties	-	14,000	-
	<u>-</u>	<u>29,000</u>	<u>-</u>
Deposits and other accounts			
Shareholders holding 20% or more interest in the Bank and their related entities	74,242	66,382	58,452
Other related parties	67,411	375,390	306,127
	<u>141,653</u>	<u>441,772</u>	<u>364,579</u>
Contingent liabilities and commitments			
Shareholders holding 20% or more interest in the Bank and their related entities	3,606	3,857	3,983
Other related parties	6,358	6,235	5,678
	<u>9,964</u>	<u>10,092</u>	<u>9,661</u>
Remuneration paid to Directors			
Chairman			
– remuneration paid	36	19	36
– sitting fees paid	5	5	10
Other Directors			
– remuneration paid	257	131	264
– sitting fees paid	37	44	73
	<u>335</u>	<u>199</u>	<u>383</u>
Other transactions			
Rental payment to related parties	253	248	541
Insurance	2,149	1,091	1,847
Other transactions	-	-	-
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	49	42	46

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

19. 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 members

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
(a) Senior members			
Total exposure:			
Direct	110,733	116,623	124,974
Indirect	9,965	10,092	9,661
	120,698	126,715	134,635
Number of members	41	41	41

20. Contingent Liabilities and Commitment

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

	Unaudited 30-Jun-2023 RO'000	Unaudited 30-Jun-2022 RO'000	Audited 31-Dec-2022 RO'000
Letters of credit	66,970	88,786	88,961
Guarantees and performance bonds	606,883	570,318	573,787
	673,853	659,104	662,748

At 30 June 2023, the Irrevocable unutilised limits towards the loans, advances and financing to customer amount to RO 660.21 million (31 December 2022: 614.94 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**
21. Disaggregation of net fees and commission income

	Retail banking	Corporate banking	Treasury and investment banking	Sub Total	Islamic Banking	Total
30 June 2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Fee Income						
Transactional services	4,145	287	64	4,496	271	4,767
Trade services	-	1,905	1,489	3,394	113	3,507
Syndication and other financing related services	422	2,586	864	3,872	1,310	5,182
Advisory and asset management services	-	135	-	135	826	961
	<u>4,567</u>	<u>4,913</u>	<u>2,417</u>	<u>11,897</u>	<u>2,520</u>	<u>14,417</u>
Fee Expense						
Transactional Services	(1,063)	(130)	(58)	(1,251)	(63)	(1,314)
Syndication and Other Financing related services	-	-	(535)	(535)	-	(535)
	<u>(1,063)</u>	<u>(130)</u>	<u>(593)</u>	<u>(1,786)</u>	<u>(63)</u>	<u>(1,849)</u>
Net fee and commission income	<u>3,504</u>	<u>4,783</u>	<u>1,824</u>	<u>10,111</u>	<u>2,457</u>	<u>12,568</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**
22. Risk Management

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

(a) Credit Risk
Customer concentrations

	Assets			Liabilities		
	Gross loans and financing to banks	Gross Loans, advances and financing to customers	Gross Investment Securities	Deposits from customers	Due to banks	Contingent liabilities
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
30 June 2023						
Personal	-	1,368,807	-	779,103	-	-
Corporate	505,052	1,728,832	72,664	988,544	737,157	673,570
Government	-	512,810	370,206	1,305,105	-	283
	<u>505,052</u>	<u>3,610,449</u>	<u>442,870</u>	<u>3,072,752</u>	<u>737,157</u>	<u>673,853</u>
30 June 2022						
Personal	-	1,256,852	-	729,383	-	-
Corporate	244,822	1,627,033	51,942	1,120,258	44,986	658,697
Government	-	627,492	454,193	1,103,437	-	407
	<u>244,822</u>	<u>3,511,377</u>	<u>506,135</u>	<u>2,953,078</u>	<u>44,986</u>	<u>659,104</u>
31 December 2022						
Personal	-	1,272,216	-	736,352	-	-
Corporate	148,457	1,757,432	61,394	1,054,981	572,842	662,446
Government	-	617,004	408,092	1,100,486	-	302
	<u>148,457</u>	<u>3,646,652</u>	<u>469,486</u>	<u>2,891,819</u>	<u>572,842</u>	<u>662,748</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

22. Risk Management (continued)

(a) Credit Risk (continued)

Credit Quality Analysis:

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

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

The following table provides the exposure to non-trading financial assets measured at amortized cost & FVOCI. Exposure to financial asset includes outstanding as at, 30 June 2023:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
30 June 2023				
<i>Exposure</i>				
Banks and cash held with a custodian	849,226	214	-	849,440
Sovereigns	370,206	-	-	370,206
Wholesale banking	2,269,696	1,030,168	152,836	3,452,700
Retail banking	1,293,377	10,881	64,549	1,368,807
Investments	38,419	-	-	38,419
Total	4,820,924	1,041,263	217,385	6,079,572
Provision for expected credit losses	15,118	58,212	124,906	198,236
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
30 June 2022				
<i>Exposure</i>				
Banks	523,171	2,896	-	526,067
Sovereigns	317,810	-	-	317,810
Wholesale banking	2,282,472	1,037,446	138,299	3,458,217
Retail banking	1,185,944	16,328	61,293	1,263,565
Investments	46,009	-	-	46,009
Total	4,355,406	1,056,670	199,592	5,611,668
Provision for expected credit losses	15,543	60,732	89,758	166,033
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31 December 2022				
<i>Exposure</i>				
Banks and cash held with a custodian	689,594	-	-	689,594
Sovereigns	398,445	-	-	398,445
Wholesale banking	2,077,857	1,060,905	154,912	3,293,674
Retail banking	1,190,172	19,821	62,223	1,272,216
Investments	56,349	-	-	56,349
Total	4,412,417	1,080,726	217,135	5,710,278
Provision for expected credit losses	15,724	66,108	102,179	184,011

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

22. Risk Management *(continued)*

(a) Credit Risk *(continued)*

Inputs, assumptions, and techniques used for estimating impairment

a. Significant increase in credit risk (SICR)

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

For retail exposures, significant increase in credit risk is more objective and is estimated at account level. The assessment is done using days past due information as well change in the rating grade of the borrower. The process of identifying the significant increase in credit risk has been automated and based on the days past due or deterioration in the rating grade of the borrower significant increase in credit risk is assessed. For non-retail exposures, the Bank uses both quantitative and qualitative criteria. Under quantitative criteria, Bank uses the days past due parameter or change in the rating grade to assess significant increase in credit risk. Under qualitative criteria, Bank uses various criteria like change in value or quality of collateral, modification of terms including extension of moratorium, deferment of payment, waiver of covenants (restructure), frequent change in senior management, deferment / delay in commencement of commercial operations etc. to assess the significant increase in credit risk.

Incorporation of forward-looking information

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

b. Liquidity Risk

The Central Bank of Oman has issued guidelines on the implementation of Basel III liquidity framework which are Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The Bank is in compliance of the regulatory limit of LCR as at, 30 June 2023, with LCR of 131.08% calculated on weighted average value for the period ended (30 June 2022: 147.83%) (31 December 2022: 107.71%).

The Net Stable Funding Ratio (NSFR) is a longer-term structural ratio designed to address liquidity mismatches and reduce funding risk over a one-year horizon. It is effective January 2018, with a minimum ratio of 100% as per the regulatory guidance. The Bank is meeting the regulatory limit of NSFR as at, 30 June 2023, with a NSFR of 112.15% calculated on weighted average value for the period ended (30 June 2022: 111.93%) (31 December 2022: 107.95%).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

22. Risk Management (continued)

b. Liquidity Risk (continued)

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
30 June 2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	196,618	-	-	-	500	197,118
Loan and advances to customer	208,925	411,207	152,343	634,708	2,013,036	3,420,219
Loans and advances to banks	239,798	235,742	28,875	-	-	504,415
Investment Securities	-	47,772	8,984	317,310	68,744	442,810
Other assets	-	-	63,053	-	18,772	81,825
Total Assets Funded	645,341	694,721	253,255	952,018	2,101,052	4,646,387
Spot and Forward Purchases (notional value)	707,823	338,337	193,071	181,211	-	1,420,442
Total Assets Funded and Non Funded	1,353,164	1,033,058	446,326	1,133,229	2,101,052	6,066,829
Due to banks	227,033	125,125	38,500	346,499	-	737,157
Deposits from customers	246,437	490,162	804,541	874,493	657,119	3,072,752
Other liabilities	66,513	578	54,976	5,770	21,381	149,218
Subordinated loans	-	-	-	-	-	-
Total liabilities	539,983	615,865	898,017	1,226,762	678,500	3,959,127
Spot and Forward Purchases (notional value)	592,397	337,443	193,082	296,517	-	1,419,439
Loan commitments	660,210	-	-	-	-	660,210
Letter of credit	46,025	20,945	-	-	-	66,970
Guarantees and performance bonds	606,883	-	-	-	-	606,883
Total Liabilities Funded and Non Funded	2,445,498	974,253	1,091,099	1,523,279	678,500	6,712,629
Cumulative Liabilities	2,445,498	3,419,751	4,510,850	6,034,129	6,712,629	
Gap	1,092,334	(58,805)	644,773	390,050	(1,422,552)	
Cumulative Gap	1,092,334	1,033,529	1,678,302	2,068,352	645,800	

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

22. Risk Management *(continued)*

b. Liquidity Risk *(continued)*

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
30 June 2022						
Cash and balances with Central Bank of Oman	80,951	-	-	-	500	81,451
Loan and advances to customer	166,176	334,175	249,235	692,053	1,879,377	3,321,016
Loans and advances to banks	123,713	120,865	-	-	-	244,578
Investments securities	40,990	25,125	55,542	255,671	128,721	506,049
Other assets	25,315	-	147,982	-	49,836	223,133
Total Assets Funded	437,145	480,165	452,759	947,724	2,058,434	4,376,227
Spot and Forward Purchases (notional value)	346,933	319,137	295,183	231,892	-	1,193,145
Total Assets Funded and Non Funded	784,078	799,302	747,942	1,179,616	2,058,434	5,569,372
Due to banks	85,403	79,472	96,250	188,772	-	449,897
Deposits from customers	223,090	644,668	670,306	844,672	570,342	2,953,078
Other liabilities	69,028	3,406	139,003	5,045	21,114	237,596
Subordinated loans	-	-	-	35,000	-	35,000
Total liabilities	377,521	727,546	905,559	1,073,489	591,456	3,675,571
Spot and Forward Purchases (notional value)	346,680	319,026	294,818	231,209	-	1,191,733
Loan commitments	583,444	-	-	-	-	583,444
Letter of credit	76,364	-	-	-	-	76,364
Guarantees and performance bonds	557,486	-	-	-	-	557,486
Total Liabilities Funded and Non Funded	1,941,495	1,046,572	1,200,377	1,304,698	591,456	6,084,598
Cumulative Liabilities	1,941,495	2,988,067	4,188,444	5,493,142	6,084,598	
Gap	1,157,417	247,270	452,435	125,082	(1,466,978)	
Cumulative Gap	1,157,417	1,404,687	1,857,122	1,982,204	515,226	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

22. Risk Management *(continued)*

b. Liquidity Risk *(continued)*

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2022						
Cash and balances with Central Bank of Oman	176,117	-	-	-	500	176,617
Loan and advances to customer	156,232	424,390	144,228	718,245	1,987,391	3,430,486
Loans and advances to banks	108,166	40,187	-	-	-	148,353
Investments FVTPL	-	717	-	-	-	717
Investments FVOCI Debt Instrument	-	22,134	15,926	71,592	31,812	141,464
Investments FVOCI-Equity	-	-	-	-	13,963	13,963
Investments at amortized cost	3,867	36,014	10,014	186,798	76,585	313,278
Other assets	5,316	-	3,484	-	56,701	65,501
Total Assets Funded	449,698	523,442	173,652	976,635	2,166,952	4,290,379
Spot and Forward Purchases (notional value)	165,706	403,838	82,416	152,199	-	804,160
Total Assets Funded and Non Funded	615,404	927,280	256,068	1,128,834	2,166,952	5,094,539
Future Interest cash inflows	17,188	87,546	81,355	472,981	384,821	1,043,891
Due to banks	167,435	116,658	19,250	269,499	-	572,842
Deposits from customers	330,130	618,975	471,905	907,207	563,602	2,891,819
Other liabilities	67,636	524	524	5,247	61,663	135,594
Total liabilities	565,201	736,157	491,679	1,181,953	625,265	3,600,255
Spot and Forward Purchases (notional value)	177,087	393,567	80,320	152,224	-	803,198
Loan commitments	614,939	-	-	-	-	614,939
Letter of credit	88,961	-	-	-	-	88,961
Guarantees and performance bonds	573,787	-	-	-	-	573,787
Total Liabilities Funded and Non Funded	2,019,975	1,129,724	571,999	1,334,177	625,265	5,681,140
Future Interest cash outflows	4,119	49,829	38,888	114,248	96,118	303,202
Cumulative Liabilities	2,019,975	3,149,699	3,721,698	5,055,875	5,681,140	
Gap	1,404,571	202,444	315,931	205,343	(1,541,687)	
Cumulative Gap	1,404,571	1,607,015	1,922,946	2,128,289	586,602	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

23. Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders within acceptable risk return framework. The Bank's overall strategy remains unchanged from prior year.

The capital base of the Bank consists of debt, which includes borrowings and equity attributable to shareholders of the Bank

Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for six-month period ended 30 June 2023 is 19.02% (30 June 2022 – 17.15%, 31 December 2022 – 17.61%).

Capital structure	Unaudited 30-Jun-23 RO'000	Unaudited 30-Jun-22 RO'000	Audited 31-Dec-22 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	299,635	299,635	299,635
Legal reserve	67,955	64,538	67,955
Share premium	95,656	95,656	95,656
Special reserve	16,988	16,988	16,988
Subordinated bonds and loan reserve	-	28,000	-
Retained earnings	57,111	22,930	57,111
CET I/Tier I Capital	537,345	527,747	537,345
Additional Tier I regulatory adjustments:			
Deferred tax assets	(6,127)	(3,421)	(6,127)
Negative investment revaluation reserve	(6,872)	(8,309)	(6,615)
Total CET 1 capital	524,346	516,017	524,603
Additional Tier I capital (AT1)	155,500	155,500	155,500
Total Tier 1 Capital (T1=CET1+AT1)	679,846	671,517	680,103
TIER II CAPITAL			
Investment revaluation reserve	1,095	220	1,006
General provision	24,523	31,162	34,226
Total Tier II capital	25,618	31,382	35,232
Total eligible capital	705,464	702,899	715,335
Risk weighted assets			
Banking book	3,392,736	3,780,376	3,744,350
Trading book	67,181	79,159	70,428
Operational risk	248,375	240,038	248,375
Total	3,708,292	4,099,573	4,063,153
Total Tier 1 Capital (T1=CET1+AT1)	679,846	671,517	680,103
Tier II capital	25,618	31,382	35,232
Total regulatory capital	705,464	702,899	715,335
Common Equity Tier 1 ratio	14.14%	12.59%	12.91%
Tier I capital ratio	18.33%	16.38%	16.74%
Total capital ratio	19.02%	17.15%	17.61%

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**
24. Fair value information
Fair value measurements recognised in the statement of financial position

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

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

At 30 June 2023	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial asset					
Investments at FVOCI	146,640	9,692	691	157,023	160,279
Investments at FVTPL	-	-	739	739	1,008
Forward foreign exchange contracts	-	930	-	930	-
Total assets	146,640	10,622	1,430	158,692	161,287
At 30 June 2022	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial assets					
Investments at FVOCI	140,878	-	517	141,395	144,564
Investments at FVTPL	1,069	-	1,707	2,776	3,160
Forward foreign exchange contracts	-	-	-	-	-
Total assets	141,947	-	2,224	144,171	147,724
At 31 December 2022	Level 1 RO '000	Level 2 RO '000	Level 3 RO '000	Total RO '000	Cost RO '000
Financial assets					
Investments at FVOCI	134,843	19,957	691	155,491	158,651
Investments at FVTPL	-	-	717	717	758
Derivative financial instruments					
Forward foreign exchange contracts	-	877	-	877	-
IRS customer	-	3,853	-	3,853	-
Total	134,843	24,687	1,408	160,938	159,409

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

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

24. Fair value information

30 June 2023	Positive Fair Value	Negative Fair Value	Notional Amount Total	Notional amounts by term to maturity		
				within 3 months	4-12 months	> 12 months
Derivatives:						
Interest rate swaps	-	4,045	55,023	-	-	55,023
IRS customer	4,045	-	55,023	-	-	55,023
Forward purchase contracts	-	(102)	1,420,442	943,559	332,672	144,211
Forward sales contracts	930	-	1,419,439	790,532	332,390	296,517
Total	4,975	3,943	2,949,927	1,734,091	665,062	550,774

30 June 2022	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
Derivatives:			
Currency forward - purchase contracts	1,008,318	-	366,650
Currency forward - sales contracts	1,006,907	1,504,530	-
Interest rate swaps – purchase contracts	121,340	3,046	-
Interest rate swaps – sales contracts	121,340	-	3,046

31 December 2022	Positive Fair Value	Negative Fair Value	Notional Amount Total	Notional amounts by term to maturity		
				within 3 months	4-12 months	> 12 months
Derivatives:						
Interest rate swaps	-	3,853	56,888	-	-	56,888
IRS customer	3,853	-	56,888	-	-	56,888
Forward purchase contracts	-	117	804,160	316,849	355,112	152,199
Forward sales contracts	877	-	803,198	316,787	334,167	152,224
Total	4,730	3,970	1,721,134	633,636	689,279	418,199

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

25 . Segmental information

The Bank is organised into four main business segments:

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

Other operations comprise investment management and institutional finance neither of which constitutes a separately reportable segment which are included in “Treasury and investments” segment. Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income or expense between the business segments. Segment total revenue presented in the table below is the total Interest income, income from Islamic financing/investments, net fees and commission income and other operating income.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position. The profit for the period also includes inter segment revenues

In 2023, certain enhancements were carried in the segmental performance reporting to facilitate better monitoring and management review and accordingly, Cost allocation mechanism was also reviewed and revised in accordance with management guidance. Proposed changes in cost allocation have been applied for the current year period.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

25. Segmental information (continued)

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

30 June 2023	Retail banking	Corporate banking	Treasury and investments	Islamic Banking	Inter Segment	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Segment operating revenues	12,894	27,398	6,818	-	(824)	46,286
Net income from Islamic financing	-	-	-	9,886	824	10,710
Other revenues	4,859	4,463	5,119	2,818	-	17,259
Segment operating revenues	17,753	31,861	11,937	12,704	-	74,255
Operating expenses including depreciation	(15,870)	(9,783)	(2,186)	(5,957)	-	(33,796)
Net Impairment losses on financial assets	(528)	(16,159)	(383)	(1,703)	-	(18,773)
Profit from operations after provision	1,355	5,919	9,368	5,044	-	21,686
Tax expenses	(203)	(887)	(1,406)	(757)	-	(3,253)
Profit for the period	1,152	5,032	7,962	4,287	-	18,433
Segment assets	1,273,881	1,896,066	1,074,013	764,341	(145,317)	4,862,984
Less: Impairment allowance	(57,288)	(113,083)	(853)	(17,241)	-	(188,465)
Total segment assets	1,216,593	1,782,983	1,073,160	747,100	(145,317)	4,674,519
Segment Liabilities	629,575	2,058,948	762,318	643,832	(145,317)	3,949,356
Add: Impairment allowance	2	8,790	574	405	-	9,771
Total segment Liabilities	629,577	2,067,738	762,892	644,237	(145,317)	3,959,127

Segmental profit for the current period considers the impact of Fund Transfer Pricing (FTP).

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

25. Segmental information (continued)

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

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

25. Segmental information (continued)

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

31 December 2022	Retail banking	Corporate banking	Treasury and investments	Islamic Banking	Inter Segment	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Segment operating revenues	34,404	58,729	10,047		(1,224)	101,956
Net income from Islamic financing	-	-	-	20,472	-	20,472
Other revenues	6,807	6,746	4,610	2,561	-	20,724
Segment operating revenues	41,211	65,475	14,657	23,033	(1,224)	143,152
Operating expenses including depreciation	(32,017)	(21,276)	(4,952)	(11,439)	-	(69,684)
Net Impairment losses on financial assets	(1,989)	(30,052)	2,028	(3,252)	-	(33,265)
Profit from operations after provision	7,205	14,147	11,733	8,342	(1,224)	40,203
Tax expenses	(1,081)	(2,122)	(1,576)	(1,251)	-	(6,030)
Profit for the period	6,124	12,025	10,157	7,091	(1,224)	34,173
Segment assets	1,157,346	2,178,926	653,805	690,354	(146,745)	4,533,686
Less: Impairment allowance	(58,337)	(142,380)	(108)	(15,529)		(216,354)
Total segment assets	1,099,009	2,036,546	653,697	674,825	(146,745)	4,317,332
Segment Liabilities	611,219	1,827,704	651,102	648,952	(146,745)	3,592,232
Add: Impairment allowance	1	6,925	720	377	-	8,023
Total segment Liabilities	611,220	1,834,629	651,822	649,329	(146,745)	3,600,255