



**Unaudited interim condensed financial statements
For the nine-month period ended 30 September 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 NINE MONTHS ENDED

30 September 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 September 2023.

Bank Dhofar SAOG - Financial Highlights

The nine month period of 2023 the Bank's performance has been very promising, where the Bank has shown a continuous positive growth trend throughout the year. In pursuit of continued commitment to provide exceptional banking services to its customers and fulfilment of long-term goals of all stakeholders, the Bank has been investing heavily on its product and Service offerings. This includes enhancement of digital channels for banking, new products and service offerings and expansion of branch network. During the year the Bank has opened 33 new branches, bringing the total branch network to 102 branches across Sultanate of Oman which includes 22 Islamic branches.

Bank's operating profit (before expected credit losses) has increased by 5.42% to RO 58.50 million for the period ended 30 September 2023 compared to RO 55.49 million for the same period of the financial year 2022 and recorded an increase of RO 3.01 million.

For the period ended 30 September 2023 interest income and income from Islamic financing reached to RO 193.70 million registering growth of 19.08% year on year. Fee and other income for the period, has also witnessed a growth of 56.34 % and reached to RO 24.01 million for the nine months period ended 30 September 2023 from RO 15.36 million for the nine months period ended 30 September 2022. Total operating income of the Bank stood at RO 108.74 million for the nine months ended 30 September 2023 compared to RO 106.64 million reported for the nine months period ended 30 September 2022, reporting an increase of 1.97%.

The Bank's net profit after tax for the nine months period ended 30 September 2023 grew by 18.87%, reporting an increase of RO 4.92 million compared to RO 26.098 million reported for the nine months period ended 30 September 2022. The growth in net profit is mainly attributable to increase in Operating Income.

Total operating cost for the nine months period ended 30 September 2023 was marginally lower by 1.78% year on year and reported at RO 50.24 million compared to RO 51.15 million reported for the same period of 2022. The cost to income ratio improved to 46.20% for the period compared to 47.96% for the corresponding period.

Net loans and advances including Islamic financing receivables increased by 7.52% and reached to RO 3.57 billion as at 30 September 2023 compared to RO 3.32 billion as at the 30 September 2022. Further, the net loans and advances including Islamic financing receivables reported a growth of 3.98% compared to 31 December 2022.

Following the same trend, customer deposits including Islamic deposits, increased by 4.98% compared to comparative period of last year. In absolute terms, customer deposits reached to RO 3.05 billion as at 30 September 2023 compared to RO 2.91 billion reported as at 30 September 2022. Customer deposits including Islamic deposits improved by 5.50% compared to 31 December 2022.

During the period ended 30 September 2023, the Bank recognised expected credit losses of RO 22.01 million (net of recoveries) to income statement which is 11.12% lower than the comparative period.

The earnings per share (EPS) for the nine months period ended 30 September 2023 is RO 0.009 and reported an improvement from RO 0.007 which was reported for the corresponding period of 2022.

Maisarah Islamic Banking Services - Financial Performance Highlights

The nine month period of 2023 for Maisarah has been very promising, where Maisarah has shown a continuous positive growth trend throughout the year. In pursuit of continued commitment to provide exceptional Islamic banking services to its customers and fulfilment of long-term goals of all stakeholder, Maisarah has been investing heavily on its product and Service offerings. This includes enhancement of digital channels for banking, and expansion branch network. During the year Maisarah has opened 11 new branches, bringing the total branch network to 21 branches across Sultanate of Oman.

During the year Maisarah Islamic Banking Services reported an encouraging Financial Performance. As at September 2023, Maisarah registered a profit before tax of RO 6.88 million compared to RO 5.98 million as at September 2022, reflecting a growth of 15.05% over last year. This exceptional growth is supported by healthy and prudent increase in diversified portfolio of earning assets, deposits, focus on enhancing fee-based income and effective management of the cost.

As at September 2023, Maisarah posted year to date Operating Profit (before ECL) of RO 9.44 million which is 9.26% above the last year operating profit of RO 8.64 million. This growth was supported by significant increase in fees-based income which showed a surge of 129.08% to RO 3.23M as at September 2023 from RO 1.41M compared to last year; and the efficient cost management, where total administrative cost has marginally increased by 3.12% to RO 8.59M as at September 2023 from RO 8.33M last year. The cost increase was due to the strategic initiatives taken during the year such as branch expansion and the investment in technology and digital banking channels. Despite the additional cost, Maisarah's cost to income ratio continues to improve and reduced to 47.64% as at September 2023 from 49.06% during the same period last year.

On the Statement of Financial position, Maisarah's gross financing portfolio has increased to RO 639.58 million at September 2023 from RO 549.55 million at September 2022, thus registering a growth of 16.38% over last year. The gross Sukuk investment portfolio reduced by 5.55% from RO 92.86 million at September 2022 to RO 87.71 million at 30 September 2023 owing to the maturity of the Sukuk exposure.

The total customer deposits of Maisarah reached to RO 527.84 million at September 2023, registering a growth of 13.19% compared to RO 466.35 million at September 2022. Maisarah total assets increased by 9.88% to RO 747.57 million at September 2023 from RO 680.37 million at September 2022.

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.

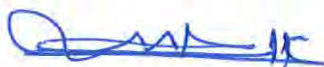
- Best Bank for Digital Solutions in Oman by Euromoney Awards for Excellence
- Fastest Branch Network Expansion in Oman award at the OER Business Summit 2023
- New Website of the Year award by Oman Banking and Finance Awards 2023 - OER
- Best Islamic Bank in Oman award by Middle East Banking Awards
- Best Corporate Bank Oman by International Business Magazine Awards
- Most Innovative Payment solution (Paysticker) Oman by Gazet International Magazine
- 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 Sultan Haitham Bin Tarik for his continuing support for the economy that paved way for the sustainable economic recovery.



Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

	Notes	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep- 2022 RO'000	Audited 31-Dec- 2022 RO'000
Assets				
Cash and balances with Central Bank of Oman	5	144,393	174,873	176,617
Investment securities	8	449,232	507,646	469,422
Loans, advances, and financing to banks	6	274,002	194,618	148,353
Loans, advances, and financing to customers (conventional)	7 (a)	2,933,321	2,781,922	2,880,469
Islamic financing receivables	7 (b)	633,692	535,721	550,017
Other assets		84,727	165,058	67,181
Deferred tax assets		6,127	3,421	6,127
Property and equipment	10	9,653	7,046	7,854
Intangible assets	9	10,705	11,363	11,292
Total assets		4,545,852	4,381,668	4,317,332
Liabilities				
Due to banks	11	614,892	522,533	572,842
Deposits from customers (conventional)	12	2,519,553	2,439,784	2,416,687
Islamic customer's deposits	12	531,265	466,350	475,132
Other liabilities		135,694	198,501	120,824
Tax liabilities		15,967	9,532	13,632
Employee benefit obligations		1,266	1,235	1,138
Subordinated loans	13	-	35,000	-
Total liabilities		3,818,637	3,672,935	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		(3,864)	(8,687)	(3,506)
Retained earnings		82,589	44,347	72,093
Total equity attributable to the equity holders of the Bank		571,715	553,233	561,577
Perpetual Tier I Capital Securities		155,500	155,500	155,500
Total equity		727,215	708,733	717,077
Total liabilities and equity		4,545,852	4,381,668	4,317,332
Contingent liabilities and commitments	20	688,671	626,142	662,748
Net assets per share (Rial Omani)	15	0.191	0.185	0.187

The interim condensed financial statements including notes and other explanatory information on pages 9 to 54 were approved by the Board of Directors and signed on their behalf by:



Eng. Abdul Hafidh Salim Rajab Al- Ojaili
Chairman



Abdul Hakeem Omar Al Ojaili
Chief Executive Officer

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

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Eng. Abdul Hafidh Salim Rajab Al- Ojaili
Chairman

Abdul Hakeem Omar Al Ojaili
Chief Executive Officer

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

	Notes	Unaudited 9 months 30-Sep- 2023 RO'000	Unaudited 9 months 30-Sep- 2022 RO'000	Unaudited 3 months 30-Sep- 2023 RO'000	Unaudited 3 months 30-Sep-2022 RO'000
Interest income	16	162,428	135,394	56,504	48,225
Interest expense	17	(93,353)	(60,596)	(33,715)	(21,955)
Net interest income		69,075	74,798	22,789	26,270
Income from Islamic financing & Investments	16	31,273	27,265	10,800	9,908
Unrestricted investment account holders' share of profit and profit expense	17	(15,621)	(10,779)	(5,858)	(3,940)
Net income from Islamic financing and Investment activities		15,652	16,486	4,942	5,968
Fees and commission income	21	21,266	14,621	6,849	4,796
Fees and commission expense	21	(3,706)	(3,285)	(1,857)	(1,336)
Net fees and commission income		17,560	11,336	4,992	3,460
Other operating income		6,453	4,023	1,762	867
Operating income		108,740	106,643	34,485	36,565
Staff and administrative costs		(45,555)	(45,893)	(14,899)	(15,014)
Depreciation		(4,682)	(5,256)	(1,542)	(1,725)
Operating expenses		(50,237)	(51,149)	(16,441)	(16,739)
Net Impairment losses on financial assets		(22,697)	(24,759)	(3,494)	(8,438)
Recovery of bad debts written-off		690	-	260	-
Profit from operations after provision		36,496	30,735	14,810	11,388
Income tax expense		(5,474)	(4,637)	(2,221)	(1,737)
Profit for the period		31,022	26,098	12,589	9,651
Other comprehensive income:					
<i>Items that will not be reclassified to P&L:</i>					
Movement in fair value reserve (FVOCI equity instrument)		(261)	49	(78)	77
Realised loss FVOCI equity instrument		(159)	-	(159)	-
<i>Items that are or may be reclassified to profit or loss in subsequent periods:</i>					
Movement in fair value reserves FVOCI debt instruments		(97)	(5,259)	(529)	(1,650)
Other comprehensive income / (loss) for the period		(517)	(5,210)	(766)	(1,573)
Total comprehensive income for the period		30,505	20,888	11,823	8,078
Earnings per share attributable to equity shareholders of the Bank (basic and diluted) (Rials Omani)	18	0.009	0.007	0.002	0.002

The accompanying notes on pages 9 to 54 form an integral part of these interim condensed financial statements.

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	-	-	-	-	-	31,022	31,022	-	31,022
Other comprehensive income for the period:													
Net changes of fair value reserve													
FVOCI equity instruments	-	-	-	-	-	-	-	-	(261)	(159)	(420)	-	(420)
FVOCI debt instruments	-	-	-	-	-	-	-	-	(97)	-	(97)	-	(97)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(358)	30,863	30,505	-	30,505
Payment towards perpetual additional Tier 1 coupon	-	-	-	-	-	-	-	-	-	(5,384)	(5,384)	-	(5,384)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	14	-	-	-	-	-	-	-	-	(14,983)	(14,983)	-	(14,983)
Balances as at 30 September 2023	299,635	95,656	67,955	16,988	1,281	12,184	(709)	-	(3,864)	82,589	571,715	155,500	727,215

The accompanying notes on pages 9 to 54 form an integral part of these interim condensed financial statements.

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	-	-	-	-	-	26,098	26,098	-	26,098
Other comprehensive income for the period:													
Net changes of fair value reserve													
FVOCI equity instruments	-	-	-	-	-	-	-	-	49	-	49	-	49
FVOCI debt instruments	-	-	-	-	-	-	-	-	(5,259)	-	(5,259)	-	(5,259)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(5,210)	26,098	20,888	-	20,888
Perpetual Tier 1 capital securities:													
Payment towards perpetual additional Tier 1 coupon	-	-	-	-	-	-	-	-	-	(4,683)	(4,683)	-	(4,683)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	2	2	-	2
Dividend paid	14	-	-	-	-	-	-	-	-	(5,993)	(5,993)	-	(5,993)
Balances as at 30 September 2022	299,635	95,656	64,538	16,988	1,281	12,184	(709)	28,000	(8,687)	44,347	553,233	155,500	708,733

The accompanying notes on pages 9 to 54 form an integral part of these interim condensed financial statements.

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 1 Issuance Cost	-	-	-	-	-	-	-	-	-	(217)	(217)	-	(217)
Dividend Paid	-	-	-	-	-	-	-	-	-	(5,993)	(5,993)	-	(5,993)
	14												
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 54 form an integral part of these interim condensed financial statements.

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000
Cashflow from operating activities		
Profit for the period before taxation	36,496	30,735
<i>Adjustment for:</i>		
Depreciation and amortization	4,682	5,256
Net impairment on financial assets and recovery of bad debts written off	22,007	24,759
Dividend income	819	-
Provision for end of service benefits	209	210
Gain / (loss) on sale investments	-	(5,210)
Operating profit before operating assets and liabilities changes	64,213	55,750
<i>Net increase/(decrease) in:</i>		
Due to banks	42,050	61,644
Due from banks	(144,272)	(33,908)
Loans & advances and financing	(158,534)	3,821
Other assets	(17,546)	80,729
Customer deposits	158,999	(69,505)
Other liabilities	14,870	(59,460)
Cash generated from / (used in) operating activities	(104,433)	(16,679)
Taxes paid	(3,140)	(4,527)
End of service benefits paid	(80)	(332)
Net cash generated from / (used in) operating activities	(43,440)	34,212
Cashflow from investing activities		
Net movement in Investment securities	19,673	(61,430)
Dividend received	(819)	-
Purchase of property and equipment	(5,894)	(3,102)
Net cash generated from / (used in) investing activities	12,960	(64,532)
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	(50,847)	(40,996)
Cash and cash equivalents at 1 January	275,679	297,203
Cash and cash equivalents at 30 September	224,832	256,207
<i>Cash and cash equivalent comprise of:</i>		
Cash and balances with Central Bank of Oman	144,393	174,873
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks with a short-term maturity of 3 months or less	80,939	81,834
	224,832	256,207

The accompanying notes on pages 9 to 54 form an integral part of these interim condensed financial statements.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 102 branches (30 September 2022: 65 branches) which comprises of 22 Islamic branches (30 September 2022: 10 Islamic branches) and 80 conventional branches (30 September 2022: 55 conventional branches). The Bank’s Islamic Banking Window, “Maisarah Islamic Banking services” has an allocated capital of RO 70 Million (30 September 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 1,677 employees as of 30 September 2023 (30 September 2022: 1,508 employees).

2 BASIS OF PREPARATION

2.1 Statement of compliance and basis of accounting

The unaudited interim condensed financial statements for the nine-month period ended 30 September 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000	Audited 31-Dec-2022 RO'000
Cash in hand	35,588	30,230	33,925
Balances with the Central Bank of Oman	108,798	112,215	68,050
Placements with the Central Bank of Oman	6	32,428	69,326
Cash held by a custodian	1	-	5,316
	144,393	174,873	176,617

As at 30 September 2023 cash and balances with Central bank of Oman includes capital deposit amounting to RO 0.5 million (30 September 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

6. Loans, advances and financing to banks

	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000	Audited 31-Dec-2022 RO'000
Syndicated loans to other banks	5,626	11,230	-
Placements with other banks	257,440	168,846	101,333
Current clearing accounts	11,273	14,662	47,124
	<u>274,339</u>	<u>194,738</u>	<u>148,457</u>
Less: impairment allowance	(337)	(120)	(104)
	<u><u>274,002</u></u>	<u><u>194,618</u></u>	<u><u>148,353</u></u>

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

(a) Conventional Banking

	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000	Audited 31-Dec-2022 RO'000
Loans	2,792,481	2,718,063	2,820,805
Overdraft	130,706	117,804	123,550
Loans against trust receipts	120,819	95,629	97,069
Bills discounted	53,767	28,964	31,063
Advances against credit cards	9,690	8,511	8,669
	<u>3,107,463</u>	<u>2,968,971</u>	<u>3,081,156</u>
Gross Loans, advances and financing to customers	<u>3,107,463</u>	<u>2,968,971</u>	<u>3,081,156</u>
Less: Impairment allowance including reserved interest	(174,142)	(187,049)	(200,687)
	<u><u>2,933,321</u></u>	<u><u>2,781,922</u></u>	<u><u>2,880,469</u></u>

(b) Islamic financing receivables

	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000	Audited 31-Dec-2022 RO'000
Housing finance	196,961	159,310	161,971
Corporate finance	435,576	376,859	388,808
Consumer finance	19,493	14,356	14,717
	<u>652,030</u>	<u>550,525</u>	<u>565,496</u>
Less: Impairment allowance	(18,338)	(14,804)	(15,479)
	<u><u>633,692</u></u>	<u><u>535,721</u></u>	<u><u>550,017</u></u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

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

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

	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep-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	1,251	-	343
Allowance made during the period	39,393	36,173	50,092
Released to the profit or loss during the period	(17,625)	(8,270)	(11,249)
Written off during the period	(38,468)	(841)	(866)
Balance at the end of the period	160,352	164,543	175,801
ii. Reserved interest			
1 January	40,366	30,118	30,117
Reserved during the period	15,326	9,524	13,589
Recoveries to profit or loss during the period	(8,751)	(1,634)	(2,560)
Written-off during the period	(14,813)	(698)	(780)
Balance at the end of the period	32,128	37,310	40,366
Total allowance for expected credit losses	192,480	201,853	216,167

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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 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	2,695,560	36,189	11,659	24,530	2,659,371	2,683,901	-	-
	Stage 2	515,642	5,829	21,262	(15,433)	509,813	494,380	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,211,202	42,018	32,921	9,097	3,169,184	3,178,281	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	332,930	4,008	34,846	(30,838)	328,922	298,084	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		332,930	4,008	34,846	(30,838)	328,922	298,084	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	35,276	8,968	4,249	4,719	25,924	31,027	-	384
Subtotal		35,276	8,968	4,249	4,719	25,924	31,027	-	384
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	25,696	12,652	10,490	2,162	11,815	15,206	-	1,229
Subtotal		25,696	12,652	10,490	2,162	11,815	15,206	-	1,229
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	154,389	105,571	75,363	30,208	18,303	79,026	-	30,515
Subtotal		154,389	105,571	75,363	30,208	18,303	79,026	-	30,515
Total loans and advances		3,759,493	173,217	157,869	15,348	3,554,148	3,601,624	-	32,128
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,941,134	179	2,694	(2,515)	1,940,955	1,938,440	-	-
	Stage 2	247,786	-	5,196	(5,196)	247,786	242,590	-	-
	Stage 3	5,687	-	2,483	(2,483)	5,687	3,204	-	-
Subtotal		2,194,607	179	10,373	(10,194)	2,194,428	2,184,234	-	-
Total (30 September 2023)	Stage 1	4,636,694	36,368	14,353	22,015	4,600,326	4,622,341	-	-
	Stage 2	1,096,358	9,837	61,304	(51,467)	1,086,521	1,035,054	-	-
	Stage 3	221,048	127,191	92,585	34,606	61,729	128,463	-	32,128
Total		5,954,100	173,396	168,242	5,154	5,748,576	5,785,858	-	32,128

* 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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	2,530,836	37,345	13,037	24,308	2,493,491	2,517,799	-	-
	Stage 2	489,233	6,482	24,699	(18,217)	482,751	464,534	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,020,069	43,827	37,736	6,091	2,976,242	2,982,333	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	297,844	4,203	31,502	(27,299)	293,641	266,342	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		297,844	4,203	31,502	(27,299)	293,641	266,342	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,460	2,581	4,072	(1,491)	7,596	6,388	-	283
Subtotal		10,460	2,581	4,072	(1,491)	7,596	6,388	-	283
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	18,388	6,902	7,328	(426)	10,795	11,060	-	691
Subtotal		18,388	6,902	7,328	(426)	10,795	11,060	-	691
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	172,735	119,447	83,905	35,542	16,952	88,830	-	36,336
Subtotal		172,735	119,447	83,905	35,542	16,952	88,830	-	36,336
Total loans and advances		3,519,496	176,960	164,543	12,417	3,305,226	3,354,953	-	37,310
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,906,387	179	3,850	(3,671)	1,906,208	1,902,537	-	-
	Stage 2	297,517	-	6,059	(6,059)	297,517	291,458	-	-
	Stage 3	4,441	-	-	-	4,441	4,441	-	-
Subtotal		2,208,345	179	9,909	(9,730)	2,208,166	2,198,436	-	-
Total (30 September 2022)	Stage 1	4,437,223	37,524	16,887	20,637	4,399,699	4,420,336	-	-
	Stage 2	1,084,594	10,685	62,260	(51,575)	1,073,909	1,022,334	-	-
	Stage 3	206,024	128,930	95,305	33,625	39,784	110,719	-	37,310
	Total	5,727,841	177,139	174,452	2,687	5,513,392	5,553,389	-	37,310

* 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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	70,959	712	1,232	(520)	70,247	69,727	-	-
	Stage 2	386,308	3,814	42,379	(38,565)	382,494	343,929	-	-
Subtotal		457,267	4,526	43,611	(39,085)	452,741	413,656	-	-
Classified as non-performing	Stage 3	10,403	4,657	4,867	(210)	5,077	(5,287)	-	1,223
	Sub total	10,403	4,657	4,867	(210)	5,077	(5,287)	-	1,223
Total (30 September 2023)	Stage 1	70,959	712	1,232	(520)	70,247	69,727	-	-
	Stage 2	386,308	3,814	42,379	(38,565)	382,494	343,929	-	-
	Stage 3	10,403	4,657	4,867	(210)	4,392	5,536	-	1,223
	Total	467,670	9,183	48,478	(39,295)	457,133	419,192	-	1,223

* Net of provision and reserve interest as per CBO norms

As at 30 September 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	159,774	1,595	4,680	(3,085)	158,179	155,094	-	-
	Stage 2	279,757	2,764	24,291	(21,527)	276,993	255,466	-	-
Subtotal		439,531	4,359	28,971	(24,612)	435,172	410,560	-	-
Classified as non-performing	Stage 3	13,370	8,562	7,134	1,428	2,633	6,236	-	2,175
	Sub total	13,370	8,562	7,134	1,428	2,633	6,236	-	2,175
Total (30 September 2022)	Stage 1	159,774	1,595	4,680	(3,085)	158,179	155,094	-	-
	Stage 2	279,757	2,764	24,291	(21,527)	276,993	255,466	-	-
	Stage 3	13,370	8,562	7,134	1,428	2,633	6,236	-	2,175
	Total	452,901	12,921	36,105	(23,184)	437,805	416,796	-	2,175

* Net of provision and reserve interest as per CBO norms

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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	41,473	(39,023)	431,814	392,791	-	-
Subtotal		562,360	3,738	44,721	(40,983)	558,622	517,639	-	-
Classified as non-performing	Stage 3	7,431	3,451	3,476	(25)	2,723	3,955	-	1,257
	Sub total	7,431	3,451	3,476	(25)	2,723	3,955	-	1,257
Total (31 December 2022)	Stage 1	128,096	1,288	3,248	(1,960)	126,808	124,848	-	-
	Stage 2	434,264	2,450	41,473	(39,023)	431,814	392,791	-	-
	Stage 3	7,431	3,451	3,476	(25)	2,723	3,955	-	1,257
	Total	569,791	7,189	48,197	(41,008)	561,345	521,594	-	1,257

* Net of provision and reserve interest as per CBO

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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)	173,396	168,242	5,154
Gross NPL ratio	5.73%	5.73%	-
Net NPL ratio	1.49%	2.41%	(0.92%)

Gross NPL (Non-performing Loans) are 5.73% and Net NPL is 2.41% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 32.13 million.

30 September 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)	177,139	174,452	2,687
Gross NPL ratio	5.73%	5.73%	-
Net NPL ratio	1.00%	1.96%	(0.96%)

Gross NPL (Non-performing Loans) are 5.73% and Net NPL is 1.96% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 37.31 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2023:

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	108,804	-	-	108,804
Cash held by a custodian	1	-	-	1
Due from Banks	274,339	-	-	274,339
Sovereign	370,249	-	-	370,249
Investment Securities at amortized cost	9,878	-	-	9,878
Investment Securities at FVOCI	28,680	-	-	28,680
Loans and advances	2,695,560	848,572	215,361	3,759,493
Acceptances	56,038	-	-	56,038
Total funded gross exposure	3,543,549	848,572	215,361	4,607,482
Letters of credit/guarantee	574,031	108,953	5,687	688,671
Loan commitment / unutilized limits	519,186	138,833	-	658,019
Total non-funded gross exposure	1,093,217	247,786	5,687	1,346,690
Total gross exposure	4,636,766	1,096,358	221,048	5,954,172
Allowance for expected credit losses				
Due from Banks	337	-	-	337
Investment Securities at FVOCI	49	-	-	49
Loans and advances	11,659	56,108	90,102	157,869
Acceptances	17	33	-	50
Total funded impairment	12,062	56,141	90,102	158,305
Letters of credit/guarantee	1,416	4,321	2,483	8,220
Loan commitment/unutilized limits	875	842	-	1,717
Total non-funded impairment	2,291	5,163	2,483	9,937
Total impairment	14,353	61,304	92,585	168,242
Net exposure				
Central Bank balances	108,804	-	-	108,804
Cash held by a custodian	1	-	-	1
Due from Banks	274,002	-	-	274,002
Sovereign	370,249	-	-	370,249
Investment Securities at amortized Cost	9,878	-	-	9,878
Investment Securities at FVOCI	28,631	-	-	28,631
Loans and advances	2,683,901	792,464	125,259	3,601,624
Acceptances	56,021	(33)	-	55,988
Total funded net exposure	3,531,487	792,431	125,259	4,449,177
Letter of credit/guarantee	572,615	104,632	3,204	680,451
Loan commitment / unutilized limits	518,311	137,991	-	656,302
Total net non-funded exposure	1,090,926	242,623	3,204	1,336,753
Total net exposure	4,622,413	1,035,054	128,463	5,785,930

Gross exposure of loans and advances of RO 215.36 million under stage 3 includes reserved interest of RO 32.13 million.

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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				
Loans and advances to customers	(1,408)	(12,386)	13,794	-
Loan commitments and financial guarantees	58	(58)	-	-
Unutilised	(11)	11	-	-
Total	(1,361)	(12,433)	13,794	-
Charge for the Period (net)				
Due from banks	233	-	-	233
Loans and advances to customers	358	6,329	13,847	20,534
Investment securities at FVOCI (Debt)	(15)	-	-	(15)
Loan commitments and financial guarantees	(312)	1,113	1,231	2,032
Acceptances	3	28	-	31
Unutilised	(277)	159	-	(118)
Total net of recovery	(10)	7,629	15,078	22,697
Written-off	-	-	(38,468)	(38,468)
Closing Balance – as at 30 September 2023				
- Due from banks	337	-	-	337
- Loans and advances to customers	11,661	56,106	90,100	157,867
- Investment securities at FVOCI (Debt)	49	-	-	49
- Loan commitments and financial guarantees	1,416	4,321	2,485	8,222
- Acceptances	16	34	-	50
- Unutilised	874	843	-	1,717
Total expected credit losses	14,353	61,304	92,585	168,242

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2022:

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	144,642	-	-	144,642
Due from Banks	189,444	5,294	-	194,738
Sovereign	442,384	-	-	442,384
Investment Securities at amortized cost	8,959	-	-	8,959
Investment Securities at FVOCI	51,114	-	-	51,114
Loans and advances	2,530,836	787,077	201,583	3,519,496
Accrued profit	26,272	10,735	-	37,007
Acceptances	92,665	7,226	-	99,891
Total funded gross exposure	3,486,316	810,332	201,583	4,498,231
Letters of credit/guarantee	523,785	97,918	4,441	626,144
Loan commitment / unutilized limits	427,122	176,344	-	603,466
Total non-funded gross exposure	950,907	274,262	4,441	1,229,610
Total gross exposure	4,437,223	1,084,594	206,024	5,727,841
Allowance for expected credit losses				
Central Bank balances	-	-	-	-
Due from Banks	83	36	-	119
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	78	-	-	78
Loans and advances	13,037	56,201	95,305	164,543
Accrued profit	59	167	-	226
Acceptances	67	15	-	82
Total funded impairment	13,324	56,419	95,305	165,048
Letters of credit/guarantee	2,754	5,225	-	7,979
Loan commitment/unutilized limits	809	616	-	1,425
Total non-funded impairment	3,563	5,841	-	9,404
Total impairment	16,887	62,260	95,305	174,452
Net exposure				
Central Bank balances	144,642	-	-	144,642
Due from Banks	189,361	5,258	-	194,619
Sovereign	442,384	-	-	442,384
Investment Securities at amortized Cost	8,959	-	-	8,959
Investment Securities at FVOCI	51,036	-	-	51,036
Loans and advances	2,517,799	730,876	106,278	3,354,953
Accrued Profit	26,213	10,568	-	36,781
Acceptances	92,598	7,211	-	99,809
Total funded net exposure	3,472,992	753,913	106,278	4,333,183
Letter of credit/guarantee	521,031	92,693	4,441	618,165
Loan commitment / unutilized limits	426,313	175,728	-	602,041
Total net non-funded exposure	947,344	268,421	4,441	1,220,206
Total net exposure	4,420,336	1,022,334	110,719	5,553,389

Gross exposure of loans and advances of RO 201.58 million under stage 3 includes reserved interest of RO 37.31 million.

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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				
Due from banks	(204)	204	-	-
Loans and advances to customers	139	(21,133)	20,994	-
Loan commitments and financial guarantees	(12)	12	-	-
Unutilised	36	(36)	-	-
Interest accrued	(1)	1	-	-
Total	(42)	(20,952)	20,994	-
Charge for the Period (net)				
Due from banks	(863)	(168)	-	(1,031)
Loans and advances to customers	(7,117)	42,403	(7,383)	27,903
Investment securities at FVOCI (Debt)	(169)	-	-	(169)
Loan commitments and financial guarantees	(739)	1,159	-	420
Acceptances	(861)	(1)	-	(862)
Unutilised	(897)	(488)	-	(1,385)
Interest accrued	(71)	(46)	-	(117)
Total net of recovery	(10,717)	42,859	(7,383)	24,759
Written-off			(841)	(841)
Closing Balance – as at 30 September 2022				
Due from banks	83	36	-	119
Loans and advances to customers	13,037	56,201	95,305	164,543
Investment securities at FVOCI (Debt)	78	-	-	78
Loan commitments and financial guarantees	2,783	5,225	-	8,008
Acceptances	38	15	-	53
Unutilised	809	616	-	1,425
Interest accrued	59	167	-	226
Total expected credit losses	16,887	62,260	95,305	174,452

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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:

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
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
Acceptances	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
Acceptances	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
Acceptances	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.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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
Acceptance	899	16	-	915
Unutilised	1,670	1,140	-	2,810
Interest accrued	131	212	-	343
Total	27,646	40,353	82,535	150,534
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	1,238	(21,399)	20,161	-
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)
Acceptance	(886)	(10)	-	(896)
Unutilised	(537)	(438)	-	(975)
Total net of recovery	(13,160)	47,154	349	34,343
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	15,724	66,108	102,179	184,011

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

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

(g) Reconciliation of financial assets and liabilities

30 September 2023	Notes	Designated as at FVTPL RO'000	FVOCI – equity instruments RO'000	FVOCI – debt instruments RO'000	Amortised cost RO'000	Total carrying amount RO'000
Cash and balances with CBO	5	-	-	-	144,393	144,393
Loans and advances to banks	6	-	-	-	274,002	274,002
Loans and advances to customers	7	-	-	-	3,567,013	3,567,013
Investment securities	8	747	35,300	123,630	289,555	449,232
Other assets		5,951	-	-	75,242	81,193
		<u>6,698</u>	<u>35,300</u>	<u>123,630</u>	<u>4,350,205</u>	<u>4,515,833</u>
Due to banks	11	-	-	-	614,892	614,892
Deposits from customers	12	-	-	-	3,050,818	3,050,818
Subordinated liabilities	13	-	-	-	-	-
Other liabilities		5,244	-	-	131,716	136,960
		<u>5,244</u>	<u>-</u>	<u>-</u>	<u>3,797,426</u>	<u>3,802,670</u>
30 September 2022	Notes	Designated as at FVTPL RO'000	FVOCI – equity instruments RO'000	FVOCI – debt instruments RO'000	Amortised cost RO'000	Total carrying amount RO'000
Cash and balances with CBO	5	-	-	-	174,873	174,873
Loans and advances to banks	6	-	-	-	194,618	194,618
Loans and advances to customers	7	-	-	-	3,317,643	3,317,643
Investment securities	8	1,742	149,619	4,530	351,755	507,646
Other assets		3,891	-	-	161,167	165,058
		<u>5,633</u>	<u>149,619</u>	<u>4,530</u>	<u>4,200,056</u>	<u>4,359,838</u>
Due to banks	11	-	-	-	522,533	522,533
Deposits from customers	12	-	-	-	2,906,134	2,906,134
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		5,898	-	-	192,603	198,501
		<u>5,898</u>	<u>-</u>	<u>-</u>	<u>3,656,270</u>	<u>3,662,168</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 RO'000	FVOCI – equity instruments RO'000	FVOCI – debt instruments RO'000	Amortised cost RO'000	Total carrying amount RO'000
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>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023****8. Investment's securities**

	Unaudited 30-Sep-23 RO'000	Unaudited 30-Sep-22 RO'000	Audited 31-Dec-22 RO'000
Equity investments:			
Measured at FVTPL	747	717	717
Measured at FVOCI	<u>35,300</u>	<u>4,549</u>	<u>13,975</u>
Gross equity investments	<u>36,047</u>	<u>5,266</u>	<u>14,692</u>
Debt investments:			
Designated at FVTPL	-	1,025	-
Measured at FVOCI	123,679	149,678	141,516
Measured at amortized cost	<u>289,555</u>	<u>351,755</u>	<u>313,278</u>
Gross debt investments	<u>413,234</u>	<u>502,458</u>	<u>454,794</u>
Total investment securities	449,281	507,724	469,486
Less: Impairment loss allowance	<u>(49)</u>	<u>(78)</u>	<u>(64)</u>
Total investment securities	<u>449,232</u>	<u>507,646</u>	<u>469,422</u>
	Unaudited 30-Sep-23 RO'000	Unaudited 30-Sep-22 RO'000	Audited 31-Dec-22 RO'000
Investment securities measured as at FVTPL	747	1,742	717
Investment securities measured at FVOCI	158,930	154,149	155,427
Debt investments measured at amortised cost	<u>289,555</u>	<u>351,755</u>	<u>313,278</u>
	<u>449,232</u>	<u>507,646</u>	<u>469,422</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

8. Investment securities (continued)

8.1 Categories of investments by measurement

30 September 2023	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	19,857	-	19,857
Foreign securities	-	4,580	-	4,580
Financial services sector	-	2,259	-	2,259
Industrial sector	-	7,913	-	7,913
	-	34,609	-	34,609
Unquoted Equities:				
Local securities	747	691	-	1,438
Unit funds	-	-	-	-
	747	691	-	1,438
Gross Equity investments	747	35,300	-	36,047
Quoted Debt:				
Government Bonds and Sukuk	-	94,999	275,250	370,249
Foreign Bonds	-	-	4,427	4,427
Local Bonds and Sukuks	-	28,680	9,878	38,558
Treasury Bills	-	-	-	-
Gross debt investments	-	123,679	289,555	413,234
Total Investment Securities	747	158,979	289,555	449,281
Less: Impairment losses on investments	-	(49)	-	(49)
	747	158,930	289,555	449,232

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	21,785	12,277	-	36,562
Disposals and redemption	(22,027)	(634)	(36,000)	-	(58,661)
Gain /(loss) from change in fair value	(244)	(254)	-	30	(468)
Amortisation of discount and premium	(39)	27	-	-	(12)
Movement in interest accrued	2,025	413	-	-	2,438
Total	123,679	35,300	289,555	747	449,281
Less: Impairment losses on investments	(49)	-	-	-	(49)
At 30 September 2023	123,630	35,300	289,555	747	449,232

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

8. Investment securities (continued)

8.1 Categories of investments by measurement (continued)

30 September 2022	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	320	-	320
Unit funds	-	-	-	-
Financial services sector	-	2,257	-	2,257
Industrial sector	-	1,456	-	1,456
	-	4,033	-	4,033
Unquoted Equities:				
Local securities	717	-	-	717
Unit funds	-	517	-	517
	717	517	-	1,234
Gross Equity investments	717	4,550	-	5,267
Quoted Debt:				
Government Bonds and Sukuk	-	100,371	321,755	422,126
Foreign Bonds	1,025	383	-	1,408
Local Bonds and Sukuks	-	48,923	-	48,923
Treasury Bills	-	-	30,000	30,000
Gross debt investments	1,025	149,677	351,755	502,457
Total Investment Securities	1,742	154,227	351,755	507,724
Less: Impairment losses on investments	-	(78)	-	(78)
	1,742	154,149	351,755	507,646

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	37,994	2,001	38,000	5	78,000
Disposals and redemption	-	(10)	(10,000)	(981)	(10,991)
Gain /(loss) from change in fair value	(5,259)	49	-	(105)	(5,315)
Realised gains on sale	(38)	-	(395)	-	(433)
Total	149,697	4,530	351,755	1,742	507,724
Less: Impairment losses on investments	(78)	-	-	-	(78)
At 30 September 2022	149,619	4,530	351,755	1,742	507,646

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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
	<u>-</u>	<u>13,284</u>	<u>-</u>	<u>13,284</u>
Unquoted Equities:				
Local securities	-	691	-	691
Unit funds	717	-	-	717
	<u>717</u>	<u>691</u>	<u>-</u>	<u>1,408</u>
Gross Equity investments	<u>717</u>	<u>13,975</u>	<u>-</u>	<u>14,692</u>
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	<u>-</u>	<u>141,516</u>	<u>313,278</u>	<u>454,794</u>
Total Investment Securities	717	155,491	313,278	469,486
Less: Impairment losses on investments	-	(64)	-	(64)
	<u>717</u>	<u>155,427</u>	<u>313,278</u>	<u>469,422</u>

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments RO 000's	FVOCI Equity investment RO 000's	Amortised cost RO 000's	FVTPL RO 000's	Total RO 000's
At 1 January 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	<u>141,516</u>	<u>13,975</u>	<u>313,278</u>	<u>717</u>	<u>469,486</u>
Less: Impairment losses on investments	(52)	(12)	-	-	(64)
At 31 December 2022	<u>141,464</u>	<u>13,963</u>	<u>313,278</u>	<u>717</u>	<u>469,422</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023****9. Intangible assets**

	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000	Audited 31-Dec-2022 RO'000
Cost			
01-Jan	34,971	32,980	32,980
Additions	1,501	1,439	1,991
Disposals	(64)	(193)	-
	<u>36,408</u>	<u>34,226</u>	<u>34,971</u>
Depreciation			
01-Jan	23,679	20,214	20,214
Charge for the year	2,024	2,658	3,465
Disposals	-	(9)	-
	<u>25,703</u>	<u>22,863</u>	<u>23,679</u>
Carrying Value	<u>10,705</u>	<u>11,363</u>	<u>11,292</u>

10. Property and equipment

	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000	Audited 31-Dec-2022 RO'000
Conventional	8,580	6,578	7,203
Islamic window	1,073	468	651
	<u>9,653</u>	<u>7,046</u>	<u>7,854</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

11. Due to banks

	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000	Audited 31-Dec-2022 RO'000
Syndicated Inter bank borrowings	346,500	279,125	288,750
Interbank borrowings	267,306	241,469	283,909
Payable on demand	1,086	1,939	183
	<u>614,892</u>	<u>522,533</u>	<u>572,842</u>

At 30 September 2023 Inter Bank borrowings with no bank represented 20% or more of the Bank's total inter-bank borrowings (30 September 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-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000	Audited 31-Dec-2022 RO'000
Current accounts	655,760	634,896	680,269
Savings accounts	395,920	401,535	398,950
Time and certificate deposits	1,432,477	1,390,779	1,324,059
Margin accounts	35,396	12,574	13,409
	<u>2,519,553</u>	<u>2,439,784</u>	<u>2,416,687</u>
Islamic Banking	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000	Audited 31-Dec-2022 RO'000
Current accounts	128,555	125,294	154,272
Savings accounts	65,237	56,402	54,145
Time deposits	337,473	284,654	266,715
	<u>531,265</u>	<u>466,350</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 1.215 billion (30 September 2022 - RO 1.130.97 billion, 31 December 2022 - RO 1.078 billion)

13. Subordinated loan

	Unaudited 30-Sep-2023 RO'000	Unaudited 30-Sep-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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

14. Share capital

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

At 30 September 2023, the issued and paid up share capital comprise 2,996,351,436 ordinary shares of RO 0.100 each (30 September 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) (2022: 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-Sep-23		Unaudited 30-Sep-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	718,683,927	23.99%	703,266,215	23.47%	713,971,362	23.83%
Civil Service Employees Pension Fund	317,239,101	10.59%	316,465,392	10.56%	317,814,101	10.61%
Total	1,766,493,526	58.95%	1,750,302,105	58.41%	1,762,355,961	58.82%
Others	1,229,857,910	41.05%	1,246,049,331	41.59%	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 September 2023 (30 September 2022: RO 70 million)

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

14. Share capital *(Continued)*

Preputial 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 RO 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 RO 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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-Sep-2023	Unaudited 30-Sep-2022	Audited 31-Dec-2022
Net assets (RO)	<u>571,715,000</u>	<u>553,233,000</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>0.191</u>	<u>0.185</u>	<u>0.187</u>

16. Interest income/ income from islamic financing and investment

Interest Income (conventional banking)	Unaudited	Unaudited	Unaudited	Unaudited
	9 months	9 months	3 months	3 months
	30-Sep-2023	30-Sep-2022	30-Sep-2023	30-Sep-2022
	RO'000	RO'000	RO'000	RO'000
Loans and advances	132,800	115,785	45,415	40,635
Due from banks	15,496	4,530	6,663	2,353
Investments	14,132	15,079	4,426	5,237
Total	<u>162,428</u>	<u>135,394</u>	<u>56,504</u>	<u>48,225</u>
Income from Islamic financing / Investments	Unaudited	Unaudited	Unaudited	Unaudited
	9 months	9 months	3 months	3 months
	30-Sep-2023	30-Sep-2022	30-Sep-2023	30-Sep-2022
	RO'000	RO'000	RO'000	RO'000
Islamic financing receivables	28,004	23,428	9,688	8,545
Islamic due from banks	43	52	11	47
Investments	3,226	3,785	1,101	1,316
Total	<u>31,273</u>	<u>27,265</u>	<u>10,800</u>	<u>9,908</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023****17. Interest expense / distribution to depositors**

Interest expense (conventional banking)	Unaudited 9 months 30-Sep-2023 RO'000	Unaudited 9 months 30-Sep- 2022 RO'000	Unaudited 3 months 30-Sep- 2023 RO'000	Unaudited 3 months 30-Sep- 2022 RO'000
Customers' deposits / Subordinated liabilities / mandatory convertible bonds	(60,938)	(50,018)	(21,816)	(17,256)
Bank borrowings	(32,415)	(10,578)	(11,899)	(4,699)
Total	<u>(93,353)</u>	<u>(60,596)</u>	<u>(33,715)</u>	<u>(21,955)</u>

Unrestricted investment account holders' share of profit and profit expense (Islamic Banking)	Unaudited 9 months 30-Sep-2023 RO'000	Unaudited 9 months 30-Sep- 2022 RO'000	Unaudited 3 months 30-Sep- 2023 RO'000	Unaudited 3 months 30-Sep- 2022 RO'000
Islamic customer deposits	(13,660)	(9,204)	(5,215)	(4,323)
Islamic bank borrowing	(1,961)	(1,575)	(643)	383
Total	<u>(15,621)</u>	<u>(10,779)</u>	<u>(5,858)</u>	<u>(3,940)</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

18. Earnings per share (basic and diluted)

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

	Unaudited 30-Sep-2023	Unaudited 30-Sep-2022
Profit for the period (RO) ('000)	31,022	26,098
Less : Additional Tier 1 Coupon	(5,384)	(4,683)
Profit for the period attributable to equity holders of the Bank ('000)	25,638	21,415
Weighted average number of shares outstanding during the period	2,996,351,436	2,996,351,436
Earnings per share basic and diluted (RO)	0.009	0.007

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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-Sep- 2023 RO'000	Unaudited 30-Sep- 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	56,873	53,180	52,250
Other related parties	63,208	72,559	68,798
	120,081	125,739	121,048
Subordinated loans			
Directors	-	15,000	-
Other related parties	-	14,000	-
	-	29,000	-
Deposits and other accounts			
Shareholders holding 20% or more interest in the Bank and their related entities	81,746	65,633	58,452
Other related parties	67,162	382,944	306,127
	148,908	448,577	364,579
Contingent liabilities and commitments			
Shareholders holding 20% or more interest in the Bank and their related entities	3,909	3,468	3,983
Other related parties	5,702	5,961	5,678
	9,611	9,429	9,661
Remuneration paid to Directors			
Chairman			
– remuneration paid	36	19	36
– sitting fees paid	8	7	10
Other Directors			
– remuneration paid	264	131	264
– sitting fees paid	58	60	73
	366	217	383
Other transactions			
Rental payment to related parties	580	413	541
Insurance	3,725	1,847	1,847
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	40	48	46

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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-Sep-2023 RO'000	Unaudited 30-Sep- 2022 RO'000	Audited 31-Dec- 2022 RO'000
(a) Senior members			
Total exposure:			
Direct	123,835	130,307	124,974
Indirect	9,675	9,428	9,661
	133,510	139,735	134,635
Number of members	41	37	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-Sep-2023 RO'000	Unaudited 30-Sep-2022 RO'000	Audited 31-Dec-2022 RO'000
Letters of credit	93,623	60,972	88,961
Guarantees and performance bonds	595,048	565,170	573,787
	688,671	626,142	662,748

At 30 September 2023, the Irrevocable unutilised limits towards the loans, advances and financing to customer amount to RO 659.09 million (31 December 2022: 614.94 million).

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

21. Disaggregation of net fees and commission income

	Retail banking	Corporate banking	Treasury and investment banking	Sub Total	Islamic Banking	Total
30 September 2023	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Fee Income						
Transactional services	7,041	656	170	7,867	375	8,242
Trade services	-	2,978	2,196	5,174	163	5,337
Syndication and other financing related services	587	3,494	833	4,914	1,836	6,750
Advisory and asset management services	-	135	9	144	793	937
	<u>7,628</u>	<u>7,263</u>	<u>3,208</u>	<u>18,099</u>	<u>3,167</u>	<u>21,266</u>
Fee Expense						
Transactional Services	(2,480)	(190)	(94)	(2,764)	(112)	(2,876)
Syndication and Other Financing related services	-	-	(830)	(830)	-	(830)
	<u>(2,480)</u>	<u>(190)</u>	<u>(924)</u>	<u>(3,594)</u>	<u>(112)</u>	<u>(3,706)</u>
Net fee and commission income	<u>5,148</u>	<u>7,073</u>	<u>2,284</u>	<u>14,505</u>	<u>3,055</u>	<u>17,560</u>

	Retail banking	Corporate banking	Treasury and investment banking	Total
30 September 2022	RO'000	RO'000	RO'000	RO'000
Fee Income				
Transactional services	5,090	603	(106)	5,587
Trade services	-	3,303	1,169	4,472
Syndication and other financing related services	635	2,914	749	4,298
Advisory and asset management services	-	-	264	264
	<u>5,725</u>	<u>6,820</u>	<u>2,076</u>	<u>14,621</u>
Fee Expense				
Transactional Services	(2,064)	-	-	(2,064)
Syndication and Other Financing related services	-	(1)	(1,220)	(1,221)
	<u>(2,064)</u>	<u>(1)</u>	<u>(1,220)</u>	<u>(3,285)</u>
Net fee and commission income	<u>3,661</u>	<u>6,819</u>	<u>856</u>	<u>11,336</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023****21. Disaggregation of net fees and commission income (continued)**

	Retail banking	Corporate banking	Treasury and investment banking	Sub Total	Islamic Banking	Total
31 December 2022	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Fee Income						0
Transactional services	6,765	290	106	7,161	491	7,652
Trade services	-	3,995	1,376	5,371	278	5,649
Syndication and other financing related services	695	3,026	899	4,620	554	5,174
Advisory and asset management services	-	-	8	8	722	730
	<u>7,460</u>	<u>7,311</u>	<u>2,389</u>	<u>17,160</u>	<u>2,045</u>	<u>19,205</u>
Fee Expense						
Transactional Services	(2,729)	(1)	(15)	(2,745)	(53)	(2,798)
Syndication and Other Financing related services	-	-	(1,400)	(1,400)	(115)	(1,515)
	<u>(2,729)</u>	<u>(1)</u>	<u>(1,415)</u>	<u>(4,145)</u>	<u>(168)</u>	<u>(4,313)</u>
Net fee and commission income	<u>4,731</u>	<u>7,310</u>	<u>974</u>	<u>13,015</u>	<u>1,877</u>	<u>14,892</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2023						
Personal	-	1,404,727	-	819,707	-	-
Corporate	274,339	1,779,094	81,380	1,007,748	614,892	688,300
Government	-	575,672	367,901	1,223,363	-	371
	<u>274,339</u>	<u>3,759,493</u>	<u>449,281</u>	<u>3,050,818</u>	<u>614,892</u>	<u>688,671</u>
30 September 2022						
Personal	-	1,253,523	-	745,073	-	-
Corporate	194,738	1,647,437	64,558	1,030,090	522,533	626,010
Government	-	618,536	443,166	1,130,971	-	132
	<u>194,738</u>	<u>3,519,496</u>	<u>507,724</u>	<u>2,906,134</u>	<u>522,533</u>	<u>626,142</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>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2023:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
30 September 2023				
<i>Exposure</i>				
Banks and cash held with a custodian	694,455	204	-	694,659
Sovereigns	370,249	-	-	370,249
Wholesale banking	2,201,627	1,086,696	157,656	3,445,979
Retail banking	1,331,877	9,458	63,392	1,404,727
Investments	38,558	-	-	38,558
Total	4,636,766	1,096,358	221,048	5,954,172
Provision for expected credit losses	14,353	61,304	92,585	168,242
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
30 September 2022				
<i>Exposure</i>				
Banks	553,500	8,460	-	561,960
Sovereigns	460,729	-	-	460,729
Wholesale banking	2,185,267	1,056,321	143,512	3,385,100
Retail banking	1,177,162	19,813	62,512	1,259,487
Investments	60,565	-	-	60,565
Total	4,437,223	1,084,594	206,024	5,727,841
Provision for expected credit losses	16,887	62,260	132,615	211,762
	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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2023, with LCR of 124.20% calculated on weighted average value for the period ended (30 September 2022: 147.51%) (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 September 2023, with a NSFR of 111.85% calculated on weighted average value for the period ended (30 September 2022: 110.88%) (31 December 2022: 107.95%).

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2023						
Cash and balances with Central Bank of Oman	143,893	-	-	-	500	144,393
Loan and advances to customer	178,647	441,957	234,372	644,496	2,067,541	3,567,013
Loans and advances to banks	91,565	155,487	26,950	-	-	274,002
Investment Securities	-	52,840	9,480	317,724	69,188	449,232
Other assets	-	-	59,485	-	21,708	81,193
Total Assets Funded	414,105	650,284	330,287	962,220	2,158,937	4,515,833
Spot and Forward Purchases (notional value)	370,668	319,393	134,404	77,256	-	901,721
Total Assets Funded and Non Funded	784,773	969,677	464,691	1,039,476	2,158,937	5,417,554
Due to banks	147,118	121,275	-	346,499	-	614,892
Deposits from customers	290,181	655,350	549,496	899,399	656,392	3,050,818
Other liabilities	73,556	502	(4,757)	5,030	78,596	152,927
Subordinated loans	-	-	-	-	-	-
Total liabilities	510,855	777,127	544,739	1,250,928	734,988	3,818,637
Spot and Forward Purchases (notional value)	226,171	317,714	134,532	221,439	-	899,856
Loan commitments	658,019	-	-	-	-	658,019
Letter of credit	72,422	21,201	-	-	-	93,623
Guarantees and performance bonds	595,048	-	-	-	-	595,048
Total Liabilities Funded and Non Funded	2,062,515	1,116,042	679,271	1,472,367	734,988	6,065,183
Cumulative Liabilities Gap	2,062,515	3,178,557	3,857,828	5,330,195	6,065,183	
Gap	1,277,742	146,365	214,580	432,891	(1,423,949)	
Cumulative Gap	1,277,742	1,424,107	1,638,687	2,071,578	647,629	

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2022						
Cash and balances with Central Bank of Oman	174,373	-	-	-	500	174,873
Loan and advances to customer	174,459	371,798	202,798	679,723	1,888,865	3,317,643
Loans and advances to banks	159,436	35,182	-	-	-	194,618
Investments securities	20,874	53,793	36,028	275,802	121,149	507,646
Other assets	30,977	-	99,611	-	34,470	165,058
Total Assets Funded	560,119	460,773	338,437	955,525	2,044,984	4,359,838
Spot and Forward Purchases (notional value)	188,576	73,453	66,226	48,125	-	376,380
Total Assets Funded and Non Funded	748,695	534,226	404,663	1,003,650	2,044,984	4,736,218
Due to banks	189,730	47,904	-	284,899	-	522,533
Deposits from customers	257,548	708,274	527,240	821,863	591,208	2,906,133
Other liabilities	88,138	5,155	79,106	5,169	31,699	209,267
Subordinated loans	-	-	35,000	-	-	35,000
Total liabilities	535,416	761,333	641,346	1,111,931	622,907	3,672,933
Spot and Forward Purchases (notional value)	188,907	73,476	66,306	48,203	-	376,892
Loan commitments	583,444	-	-	-	-	583,444
Letter of credit	60,972	-	-	-	-	60,972
Guarantees and performance bonds	565,171	-	-	-	-	565,171
Total Liabilities Funded and Non Funded	1,933,910	834,809	707,652	1,160,134	622,907	5,259,412
Cumulative Liabilities	1,933,910	2,768,719	3,476,371	4,636,505	5,259,412	
Gap	1,185,215	300,583	302,989	156,484	(1,422,077)	
Cumulative Gap	1,185,215	1,485,798	1,788,787	1,945,271	523,194	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH period ended 30 September 2023 is 18.81% (30 September 2022 – 17.55%, 31 December 2022 – 17.61%).

Capital structure	Unaudited 30-Sep-23 RO'000	Unaudited 30-Sep-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	(6,786)	(9,873)	(6,615)
Total CET 1 capital	524,432	514,453	524,603
Additional Tier I capital (AT1)	155,500	155,500	155,500
Total Tier 1 Capital (T1=CET1+AT1)	679,932	669,953	680,103
TIER II CAPITAL			
Investment revaluation reserve	1,096	215	1,006
General provision	24,995	33,423	34,226
Total Tier II capital	26,091	33,638	35,232
Total eligible capital	706,023	703,591	715,335
Risk weighted assets			
Banking book	3,446,436	3,732,809	3,744,350
Trading book	59,340	36,166	70,428
Operational risk	248,375	240,038	248,375
Total	3,754,151	4,009,013	4,063,153
Total Tier 1 Capital (T1=CET1+AT1)	679,932	669,953	680,103
Tier II capital	26,091	33,638	35,232
Total regulatory capital	706,023	703,591	715,335
Common Equity Tier 1 ratio	13.97%	12.83%	12.91%
Tier I capital ratio	18.11%	16.71%	16.74%
Total capital ratio	18.81%	17.55%	17.61%

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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).

30 September 2023	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
<i>Financial asset</i>					
Investments at FVOCI	148,299	9,867	691	158,857	160,279
Investments at FVTPL	-	-	747	747	1,008
<i>Derivative financial instruments</i>					
Forward foreign exchange contracts	-	557	-	557	-
IRS customer	-	5,394	-	5,394	-
Total assets	148,299	15,818	1,438	165,555	161,287
30 September 2022	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
<i>Financial assets</i>					
Investments at FVOCI	154,628	-	517	155,145	163,830
Investments at FVTPL	1,025	-	717	1,742	2,260
Forward foreign exchange contracts	917	-	-	917	917
Total assets	156,570	-	1,234	157,804	167,007
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
<i>Derivative financial instruments</i>					
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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

24. Fair value information (continued)

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.

30 September 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	-	5,394	53,526	-	-	53,526
IRS customer	5,394	-	53,526	-	-	53,526
Forward purchase contracts	-	(150)	901,721	570,788	253,677	77,256
Forward sales contracts	557	-	899,856	569,117	253,675	77,064
Total	5,951	5,244	1,908,629	1,139,905	507,352	261,372

30 September 2022	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets	Liabilities
		RO'000	RO'000
Derivatives:			
Currency forward - purchase contracts	1,036,914	-	893
Currency forward - sales contracts	1,034,516	2,901	-
Interest rate swaps – purchase contracts	117,388	3,891	-
Interest rate swaps – sales contracts	117,388	-	3,891

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

25. Segmental information (continued)

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

30 September 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	20,170	40,366	10,709	-	(1,253)	69,992
Net income from Islamic financing	-	-	-	13,483	1,253	14,736
Other revenues	6,951	6,557	6,871	3,633	-	24,012
Segment operating revenues	27,121	46,923	17,580	17,116	-	108,740
Operating expenses including depreciation	(23,589)	(14,751)	(3,302)	(8,595)	-	(50,237)
Net Impairment losses on financial assets	(733)	(18,568)	(151)	(2,555)	-	(22,007)
Profit from operations after provision	2,799	13,604	14,127	5,966	-	36,496
Tax expenses	(419)	(2,041)	(2,119)	(895)	-	(5,474)
Profit for the period	2,380	11,563	12,008	5,071	-	31,022
Segment assets	1,278,357	1,981,612	877,894	766,149	(165,244)	4,738,768
Less: Impairment allowance	(57,607)	(116,527)	(205)	(18,577)	-	(192,916)
Total segment assets	1,220,750	1,865,085	877,689	747,572	(165,244)	4,545,852
Segment Liabilities	620,152	2,009,102	704,568	642,605	(165,244)	3,811,183
Add: Impairment allowance	2	6,612	645	195	-	7,454
Total segment Liabilities	620,154	2,015,714	705,213	642,800	(165,244)	3,818,637

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023****25. Segmental information (continued)**

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

30 September 2022	Retail banking	Corporate banking	Treasury and investments	Subtotal	Islamic Banking	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Segment operating revenues	26,400	45,577	4,655	76,632	-	76,632
Net income from Islamic financing	-	-	-	-	14,651	14,651
Other revenues	4,879	6,235	2,830	13,944	1,407	15,351
Segment operating revenues	31,279	51,812	7,485	90,576	16,058	106,634
Operating expenses including depreciation	(22,395)	(18,146)	(4,088)	(44,629)	(6,509)	(51,138)
Net Impairment losses on financial assets	(1,042)	(22,821)	1,765	(22,098)	(2,662)	(24,760)
Profit from operations after provision	7,842	10,845	5,162	23,849	6,887	30,736
Tax expenses	(1,176)	(1,627)	(802)	(3,605)	(1,033)	(4,638)
Profit for the period	6,666	9,218	4,360	20,244	5,854	26,098
Segment assets	1,197,818	2,094,784	596,105	3,888,707	695,247	4,583,954
Less: Impairment allowance	(56,587)	(130,666)	(157)	(187,410)	(14,875)	(202,285)
Total segment assets	1,141,231	1,964,118	595,948	3,701,297	680,372	4,381,669
Segment liabilities	633,575	1,984,142	542,088	3,159,805	513,130	3,672,935

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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