



**Unaudited interim condensed financial statements
For the nine-month period ended 30th September 2022**

Registered office and principal place of business:

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

CONTENTS OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

	Page
The Board of Director's report	1 to 3
Interim condensed statement of financial position	4
Interim condensed statement of comprehensive income	5
Interim condensed statement of changes in equity	6 to 8
Interim condensed statement of cash flows	9
Notes to the interim condensed financial statements	10 to 56

THE BOARD OF DIRECTORS' REPORT FOR THE NINE MONTHS ENDED**30 SEPTEMBER 2022****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 2022.

The Bank in the first week of October 2022, successfully raised RO 115.5 million of Additional Tier 1 (AT1) perpetual securities. The new OMR denominated Additional Tier 1 (AT1) perpetual securities carries coupon rate of 6.75% and are listed on the Muscat Stock Exchange.

Bank Dhofar SAOG - Financial Highlights

Bank's operating profit (before expected credit losses) has increased to RO 55.50 million for the period ended 30 September 2022 compared to RO 47.37 million for the same period of financial year 2021 and recorded an increase of RO 8.13 million (17.2 per cent).

For the period ended 30 September 2022 and 30 September 2021, net interest income and income from Islamic financing reached to RO 91.28 million and RO 78.97 million respectively registering growth of 15.6 per cent. Non-funded income for the period, on the other hand, witnessed a declining trend in contrast to comparative period of previous year. The Bank recorded non-funded income of RO 15.36 million for the period ended 30 September 2022 compared to RO 18.50 million for the same period of previous year. Total operating income of the Bank stood at RO 106.64 million for nine months ended 30 September 2022 versus RO 97.47 million for the same period of financial year 2021, showing an increase of 9.4 per cent.

The Bank's net profit after tax for the period ended 30 September 2022 dropped by 7.8 per cent to RO 26.10 million compared to RO 28.29 million for the comparative period of last year. The reduction in net profit is mainly attributable to incremental expected credit losses maintained by the management considering the post deferment economic scenario.

Total operating cost for the period ended 30 September 2022 was marginally higher (2.1 per cent) than comparative period and reached to RO 51.15 million compared to RO 50.10 million for same period last year. The cost to income ratio has improved to 47.96 per cent as at 30-Sep-2022 compared to 51.40 per cent as at 30-Sep-2021.

Net loans and advances including Islamic financing receivables witnessed a slight reduction of 1.4 per cent and reached to RO 3.32 billion as at 30 September 2022 when compared to RO 3.36 billion as at the 30 September 2021. When compared with 31 December 2021, net loans and advances including Islamic financing receivables declined by 0.9 per cent.

Following the same trend, customer deposits including Islamic deposits, declined by 1.6 per cent compared to comparative period of last year. In absolute terms, customer deposits reached to RO 2.91 billion as at 30 September 2022 compared to RO 2.95 billion as at 30 September 2021. When compared with 31 December 2021, customer deposits including Islamic deposits has shown a drop of 2.3 per cent.

During the period ended 30 September 2022, the Bank charged expected credit losses of RO 24.76 million to income statement which is 71.3 per cent higher than last year comparative period. This increase is attributable to the Bank's cautious and conservative approach to maintain adequate level of provisions against expected credit losses. Bank's provision coverage, as a result of additional allowance for expected credit losses, has improved to 100.1 per cent as at 30 September 2022 compared to 91.6 per cent as at 30 September 2021.

The earnings per share (EPS) for the nine-months period ended 30-Sep-2022 reported at RO 0.007 compared to RO 0.008 reported for the period ended 30-Sep-2021.

Maisarah Islamic Banking Services - Financial Performance Highlights

Maisarah Islamic Banking Services, the Bank Dhofar (SAOG) Islamic Banking Window as at 30 September 2022, showed significant growth in its key financial metrics. The gross income from financing, placement, and investment increased by 9.0% to RO 27.26 million as at 30 September 2022 from RO 25.01 million reported during the same period last year. The net financing income (after the cost of funds) as at 30 September 2022 increased by 12.74%, to RO 15.57 million as compared to RO 13.81 million reported at 30 September 2021. Maisarah's total revenue for the period ended September 2022 stood at RO 16.98 million compared to RO 15.29 million at September 2021, a growth of 11.05%.

Maisarah posted year to date Operating Profit (before ECL) of RO 10.47 million as at September 2022, which is 19.25% above the last year's September 2021 operating profit of RO 8.78 million.

Maisarah as at 30 September 2022, posted a profit before tax of RO 7.80 million compared to RO 8.17 million as of 30 September 2021, reflecting a 4.53% drop over last year mainly due to higher ECL resulting from prudent measures taken by the bank during the period ended on 30 September 2022.

On the statement of financial position, Maisarah's gross financing portfolio has grown to RO 549.55 million at 30 September 2022 from RO 491.73 million at 30 September 2021, thus registering a growth of 11.76% over last year. The Sukuk investment portfolio increased by 13.19% from RO 82.04 million as at 30 September 2021 to RO 92.86 million as at 30 September 2022.

The total customer deposits of Maisarah reached RO 466.35 million as at 30 September 2022, posting a growth of 20.92% compared to OMR 385.68 million at 30 September 2021. Maisarah's total assets increased by 3.14% to OMR 680.37 million at 30 September 2022 from OMR 659.67 million at 30 September 2021.

Corporate Social Responsibility and Sustainability Initiatives

In continuation of its ongoing efforts to make meaningful contributions towards the community, Bank Dhofar supported the Omani Association for People with Hearing Impairment, to provide hearing aids for people with hearing impairment. BankDhofar has always placed great importance on the development of the society, through supporting the organizations contributing to bring meaningful changes to individuals as well as community.

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 2022.

- Top Omani Brand Award in the Banking Category by Alam Al Iktisad magazine
- Best Digital Transformation Bank – Sultanate of Oman 2022 by Global Economics Awards
- Most Innovative Marketing and Branding Campaigns in Banking – Sultanate of Oman 2022 by Global Economics Awards
- Best Corporate Bank - Sultanate of Oman 2022 by Finance Derivative Magazine
- Best Investment Bank - Sultanate of Oman by Global Banking & Finance Awards
- Straight-Through-Processing (STP) Award by CITI Bank
- Best Corporate Bank - Sultanate of Oman by International Business Magazine Awards

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 the economy that paved way for the sustainable economic recovery.

Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

BANK DHOFAR SAOG**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**

		Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Assets				
Cash and balances with Central Bank of Oman	5	174,873	192,545	251,479
Investment securities	8	507,646	437,842	446,216
Loans, advances, and financing to banks	6	194,618	160,541	125,098
Loans, advances, and financing to customers (conventional)	7	2,781,922	2,880,144	2,855,580
Islamic financing receivables	7	535,721	482,909	490,643
Other assets		165,058	244,861	245,787
Deferred tax assets		3,421	5,342	3,420
Intangible asset	9	11,363	12,337	12,766
Property and equipment	10	7,046	7,408	7,797
Total assets		4,381,668	4,423,929	4,438,786
Liabilities				
Due to banks	11	522,533	476,468	460,889
Deposits from customers (Conventional)	12	2,439,784	2,568,508	2,538,622
Islamic customers deposits	12	466,350	385,679	437,017
Other liabilities		198,501	238,208	256,960
Tax Liabilities		9,532	11,630	9,422
Employee benefit obligations		1,235	2,313	2,357
Subordinated loans	13	35,000	35,000	35,000
Total liabilities		3,672,935	3,717,806	3,740,267
Shareholders' equity				
Share capital	14	299,635	299,635	299,635
Share premium		95,656	95,656	95,656
Legal reserve		64,538	62,025	64,538
Special reserve		16,988	17,488	16,988
Special reserve –restructured loans		1,281	1,281	1,281
Special impairment reserve IFRS 9		12,184	10,649	12,184
Special revaluation reserve - investment		(709)	(709)	(709)
Subordinated loan reserve		28,000	21,000	28,000
Investment revaluation reserve		(8,687)	(3,736)	(3,477)
Retained earnings		44,347	47,334	28,923
Total equity attributable to the equity holders of the Bank		553,233	550,623	543,019
Perpetual Tier 1 Capital Securities		155,500	155,500	155,500
Total equity		708,733	706,123	698,519
Total liabilities and equity		4,381,668	4,423,929	4,438,786
Contingent liabilities and commitments	20	626,142	554,167	569,225
Net assets per share (Rial Omani)	15	0.185	0.184	0.181

The interim condensed financial statements 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

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

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

		Unaudited 9 months 30-Sep- 2022 RO'000	Unaudited 9 months 30-Sep- 2021 RO'000	Unaudited 3 months 30-Sep- 2022 RO'000	Unaudited 3 months 30-Sep- 2021 RO'000
Interest income	16	135,394	131,057	48,225	45,166
Interest expense	17	(60,596)	(66,833)	(21,955)	(21,277)
Net interest income		74,798	64,224	26,270	23,889
Income from Islamic financing / Investments	16	27,265	25,012	9,908	8,557
Unrestricted investment account holders' share of profit and profit expense	17	(10,779)	(10,271)	(3,940)	(3,350)
Net income from Islamic financing and Investment activities		16,486	14,741	5,968	5,207
Fees and commission income		14,621	13,999	4,796	4,774
Fees and commission expense		(3,285)	(2,897)	(1,336)	(1,061)
Net fees and commission income		11,336	11,102	3,460	3,713
Other operating income		4,023	7,399	867	1,663
Operating income		106,643	97,466	36,565	34,472
Staff and administrative costs		(45,893)	(44,840)	(15,014)	(14,740)
Depreciation		(5,256)	(5,260)	(1,725)	(1,739)
Operating expenses		(51,149)	(50,100)	(16,739)	(16,479)
Net Impairment losses on financial assets		(24,759)	(14,454)	(8,438)	(4,775)
Bad debts written-off		-	-	-	-
Profit from operations after provision		30,735	32,912	11,388	13,218
Income tax expense		(4,637)	(4,619)	(1,737)	(1,981)
Profit for the period		26,098	28,293	9,651	11,237
Other comprehensive income:					
<i>Items that will not be reclassified to P&L:</i>					
Movement in fair value reserve (FVOCI equity instrument)					
<i>Items that are or may be reclassified to profit or loss in subsequent periods:</i>					
Movement in fair value reserves FVOCI debt instruments		49	314	77	207
		(5,259)	(1,680)	(1,650)	(299)
Other comprehensive income / (loss) for the period		(5,210)	(1,366)	(1,573)	(92)
Total comprehensive income for the period		20,888	26,927	8,078	11,145
Earnings per share attributable to equity shareholders of the Bank (basic and diluted) (Rials Omani)	18	0.007	0.008	0.002	0.002

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

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

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
Revaluation perpetual additional Tier 1 coupon	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest exchange cost on perpetual Tier 1 coupon	-	-	-	-	-	-	-	-	-	(4,683)	(4,683)	-	(4,683)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	2	2	-	2
Dividend for 2021	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 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 2022 (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 2021	299,635	95,656	62,025	17,488	1,281	12,184	(709)	21,000	(2,370)	34,174	540,364	155,500	695,864
Profit for the period	-	-	-	-	-	-	-	-	-	28,293	28,293	-	28,293
Other comprehensive income for the period:													
Net changes of fair value reserve													
FVOCI equity instruments	-	-	-	-	-	-	-	-	314	-	314	-	314
FVOCI debt instruments	-	-	-	-	-	-	-	-	(1,680)	-	(1,680)	-	(1,680)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(1,366)	28,293	26,927	-	26,927
Transfer to special impairment reserve IFRS 9 (net of tax)	-	-	-	-	-	(1,535)	-	-	-	1,535	-	-	-
Additional Teir 1 coupon	-	-	-	-	-	-	-	-	-	(4,684)	(4,684)	-	(4,684)
Perpetual Tier 1 capital securities:													
Dividend Paid for 2020	14	-	-	-	-	-	-	-	-	(11,985)	(11,985)	-	(11,985)
Balances as at 30 September 2021	299,635	95,656	62,025	17,488	1,281	10,649	(709)	21,000	(3,736)	47,333	550,622	155,500	706,122

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

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (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 2021		299,635	95,656	62,025	17,488	1,281	12,184	(709)	21,000	(2,370)	34,174	540,364	155,500	695,864
Profit for the period		-	-	-	-	-	-	-	-	-	25,123	25,123	-	25,123
Other comprehensive income for the period:														
Net changes of fair value reserve														
FVOCI equity instruments		-	-	-	-	-	-	-	-	245	-	245	-	245
FVOCI debt instruments		-	-	-	-	-	-	-	-	(1,352)	-	(1,352)	-	(1,352)
Total comprehensive income for the year		-	-	-	-	-	-	-	-	(1,107)	25,123	24,016	-	24,016
Transfer to special impairment reserve IFRS 9 (net of tax)		-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve		-	-	2,513	-	-	-	-	-	-	(2,513)	-	-	-
Transfer to subordinated loan reserve		-	-	-	-	-	-	-	7,000	-	(7,000)	-	-	-
Transfer to Retained Earnings		-	-	-	(500)	-	-	-	-	-	500	-	-	-
Perpetual Tier 1 capital securities:														
Payment towards perpetual additional Tier 1 coupon											(9,736)	(9,736)		(9,736)
Transactions with equity holders recorded directly in equity														
Dividend Paid	14										(11,985)	(11,985)		(11,985)
Balances as at 31 December 2021		299,635	95,656	64,538	16,988	1,281	12,184	(709)	28,000	(3,477)	28,563	542,659	155,500	698,159

The accompanying notes 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 2022**

	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000
Operating activities		
Profit for the period before taxation	30,735	32,912
<i>Adjustment for:</i>		
Depreciation and amortisation	5,256	5,260
Net impairment on financial instruments	24,759	14,454
Provision for end of service benefits	210	226
(Gain)/Loss on sale of investments	(5,210)	(2,114)
Operating profit before working capital changes	55,750	50,738
<i>Change in working capital:</i>		
Increase in due to banks	61,644	62,493
Increase in due from banks	(33,908)	(39,019)
Decrease in loans & advances and financing	3,821	(112,019)
Decrease in other assets	80,729	(68,288)
Decrease in customer deposits	(69,505)	92,872
Decrease in other liabilities	(59,460)	45,434
Cash (used in) / from operations	39,071	32,211
Taxes paid	(4,527)	(10,793)
End of service benefits paid	(332)	(224)
Net cash (used in) / from operating activities	34,212	21,194
Investing activities		
Net movement in Investment securities	(61,430)	20,723
Purchase of property and equipment	(3,102)	(3,559)
Net cash used in investing activities	(64,532)	17,164
Financing activities		
Dividend paid	(5,993)	(11,985)
Payment of AT1 coupon cost	(4,683)	(4,684)
Net cash from financing activities	(10,676)	(16,669)
Net changes in cash and cash equivalents	(40,996)	21,689
Cash and cash equivalents at 1 January	297,203	208,336
Cash and cash equivalents at 30 September	256,207	230,025
<i>Cash and cash equivalent comprise of:</i>		
Cash and balances with Central Bank of Oman	174,873	192,545
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks with a short-term maturity of 3 months or less	81,834	37,980
	256,207	230,025

BANK DHOFAR SAOG

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

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 65 branches (30 September 2021: 65 branches) which comprises of 10 Islamic branches (30 September 2021: 10 Islamic branches) and 55 conventional branches (30 September 2021: 55 conventional branches). The Bank’s Islamic Banking Window, “Maisarah Islamic Banking services” has an allocated capital of RO 70 Million (30 September 2021: 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 Irish Stock Exchange (“ISE”) and 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 1,508 employees as of 30th September 2022 (30th September 2021: 1,483 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 2022 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 2021 (‘the last annual financial statements’).

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

BANK DHOFAR SAOG

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

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 2021

3 Not Used – *Left blank intentionally*

4 Standards issued but not yet effective

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.

5. Cash and balances with Central Bank of Oman

	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Cash in hand	30,230	30,648	29,984
Balances with the Central Bank of Oman	112,215	113,772	144,495
Placements with Central Bank of Oman	32,428	48,125	77,000
	<u>174,873</u>	<u>192,545</u>	<u>251,479</u>

As at ,30 September 2022 cash and balances with Central bank of Oman includes capital deposit amounting to RO 0.5 million (30 September 2021- RO 0.5 million and 31 December 2021 – RO 0.5 million) as minimum reserve requirements. This is not available for day-to-day operations of the Bank and cannot be withdrawn without the Central Bank of Oman approval.

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****6. Loans, advances and financing to banks**

	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Syndicated loans to other banks	11,230	33,972	25,749
Placements with other banks	168,846	109,909	73,525
Current clearing accounts	14,662	17,476	26,974
	194,738	161,357	126,248
Less: impairment allowance	(120)	(816)	(1,150)
	194,618	160,541	125,098

7. Loans, advances and financing to Customer**(a) Conventional Banking**

	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Loans	2,718,063	2,767,904	2,769,153
Overdraft	117,804	119,648	113,544
Loans against trust receipts	95,629	102,383	91,730
Bills discounted	28,964	32,936	29,160
Advances against credit cards	8,511	8,162	8,144
Gross Loans, advances and financing to customers	2,968,971	3,031,033	3,011,731
Less: Impairment allowance including reserved interest	(187,049)	(150,889)	(156,151)
	2,781,922	2,880,144	2,855,580

(b) Islamic Banking Window Financing

	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Housing finance	159,310	163,238	161,969
Corporate finance	376,859	315,830	326,541
Consumer finance	14,356	13,449	13,581
	550,525	492,517	502,091
Less: Impairment allowance	(14,804)	(9,608)	(11,448)
	535,721	482,909	490,643

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****7. Loans, advances, and financing to customers (continued)**

(c) The movement in the impairment allowance is analysed below:	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
i. Allowance for loan impairment			
Balance at the beginning of the period/year	137,481	119,568	119,568
Allowance made during the period /year	36,173	21,346	34,636
Released to the profit or loss during the period / year	(8,270)	(8,507)	(10,294)
Written off during the period /year	(841)	(1,860)	(6,429)
Balance at the end of the period/year	164,543	130,547	137,481
ii. Reserved interest			
Balance at the beginning of the period/year	30,118	24,719	24,719
Reserved during the period/year	9,524	8,451	11,524
Recoveries to profit or loss during the period/year	(1,634)	(1,667)	(2,048)
Written-off during the period/year	(698)	(1,553)	(4,077)
Balance at the end of the period/year	37,310	29,950	30,118
Total impairment allowance	201,853	160,497	167,599

BANK DHOFAR SAOG

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

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

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

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.

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	2,530,836	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 exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

BANK DHOFAR SAOG

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

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

(c) Allowance for loan impairment (conventional and Islamic) (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

As at 30 September 2021

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	2,729,736	39,976	23,406	16,570	2,689,760	2,706,330	-	-
	Stage 2	331,541	4,517	4,286	231	327,024	327,255	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,061,277	44,493	27,692	16,801	3,016,784	3,033,585	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	286,996	4,011	22,280	(18,269)	282,985	264,716	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		286,996	4,011	22,280	(18,269)	282,985	264,716	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	12,338	2,792	5,356	(2,564)	9,165	6,982	-	381
Subtotal		12,338	2,792	5,356	(2,564)	9,165	6,982	-	381
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	16,809	4,997	5,700	(703)	10,774	11,109	-	1,038
Subtotal		16,809	4,997	5,700	(703)	10,774	11,109	-	1,038
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	146,130	99,984	67,426	32,558	17,615	78,704	-	28,531
Subtotal		146,130	99,984	67,426	32,558	17,615	78,704	-	28,531
Total loans and advances		3,523,550	156,277	128,454	27,823	3,337,323	3,395,096	-	29,950
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,894,228	179	6,592	(6,413)	1,894,049	1,887,636	-	-
	Stage 2	296,232	-	7,767	(7,767)	296,232	288,465	-	-
	Stage 3	4,977	1,247	2,093	(846)	3,730	2,884	-	-
Subtotal		2,195,437	1,426	16,452	(15,026)	2,194,011	2,178,985	-	-
Total (30 September 2021)	Stage 1	4,623,964	40,155	29,998	10,157	4,583,809	4,593,966	-	-
	Stage 2	914,769	8,528	34,333	(25,805)	906,241	880,436	-	-
	Stage 3	180,254	109,020	80,575	28,445	41,284	99,679	-	29,950
	Total	5,718,987	157,703	144,906	12,797	5,531,334	5,574,081	-	29,950

* Net of provision and reserve interest as per CBO norms

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

BANK DHOFAR SAOG

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

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

(c) Allowance for loan impairment (conventional and Islamic) (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms (continued) As at 31 December 2021

		(Amounts in RO '000)							
Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	2,608,026	38,544	20,015	18,529	2,569,482	2,588,011	-	-
	Stage 2	443,462	6,034	9,157	(3,123)	437,428	434,305	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,051,488	44,578	29,172	15,406	3,006,910	3,022,316	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	282,681	3,993	25,774	(21,781)	278,688	256,907	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		282,681	3,993	25,774	(21,781)	278,688	256,907	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	16,073	4,571	6,669	(2,098)	11,177	9,404	-	325
Subtotal		16,073	4,571	6,669	(2,098)	11,177	9,404	-	325
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	13,321	5,613	5,086	527	6,840	8,235	-	868
Subtotal		13,321	5,613	5,086	527	6,840	8,235	-	868
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	150,259	102,242	70,780	31,462	19,093	79,479	-	28,924
Subtotal		150,259	102,242	70,780	31,462	19,093	79,479	-	28,924
Total loans and advances		3,513,822	160,997	137,481	23,516	3,322,708	3,376,341	-	30,117
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,887,346	179	7,630	(7,451)	1,887,167	1,879,716	-	-
	Stage 2	313,357	-	5,422	(5,422)	313,357	307,935	-	-
	Stage 3	7,202	-	-	-	7,202	7,202	-	-
Subtotal		2,207,905	179	13,052	(12,873)	2,207,726	2,194,853	-	-
Total (31 December 2021)	Stage 1	4,495,372	38,723	27,645	11,078	4,456,649	4,467,727	-	-
	Stage 2	1,039,500	10,027	40,353	(30,326)	1,029,473	999,147	-	-
	Stage 3	186,855	112,426	82,535	29,891	44,312	104,320	-	30,117
	Total	5,721,727	161,176	150,533	10,643	5,530,434	5,571,194	-	30,117

* Net of provision and reserve interest as per CBO norms

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

BANK DHOFAR SAOG

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

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

Comparison of provision held as per IFRS 9 and required as per CBO norms (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 2022

(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	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	-	-	-	-	-	-	-	-
Subtotal		439,531	4,359	28,971	(24,612)	435,172	410,560	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	13,370	8,562	7,134	1,428	5,706	(4,278)	-	2,175
Sub total		13,370	8,562	7,134	1,428	5,706	(4,278)	-	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

As at 30 SEPTEMBER 2021

(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	33,279	327	378	(51)	32,952	32,901	-	-
	Stage 2	134,216	7,323	11,179	(3,856)	126,893	123,037	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		167,495	7,650	11,557	(3,907)	159,845	155,938	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	7,092	4,188	3,900	288	1,512	3,192	-	1,392
Sub total		7,092	4,188	3,900	288	1,512	3,192	-	1,392
Total (30 September 2021)	Stage 1	33,279	327	378	(51)	32,952	32,901	-	-
	Stage 2	134,216	7,323	11,179	(3,856)	126,893	123,037	-	-
	Stage 3	7,092	4,188	3,900	288	1,512	3,192	-	1,392
	Total	174,587	11,838	15,457	(3,619)	161,357	159,130	-	1,392

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG

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

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

(d) Restructured Loans (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

At 31 December 2021

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* (7)=(3)-(4)-(10)	Net Carrying Amount as per IFRS 9 (8) = (3)-(5)	Interest recognised in P&L as per IFRS 9 (9)	Reserve interest as per CBO norms (10)
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	57,314	565	475	90	56,749	56,839	-	-
	Stage 2	145,761	7,437	13,490	(6,053)	138,324	132,271	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		203,075	8,002	13,965	(5,963)	195,073	189,110	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	7,113	4,248	3,906	342	1,650	3,207	-	1,215
Sub total		7,113	4,248	3,906	342	1,650	3,207	-	1,215
Total (30 December 2021)	Stage 1	57,314	565	475	90	56,749	56,839	-	-
	Stage 2	145,761	7,437	13,490	(6,053)	138,324	132,271	-	-
	Stage 3	7,113	4,248	3,906	342	1,650	3,207	-	1,215
	Total	210,188	12,250	17,871	(5,621)	196,723	192,317	-	1,215

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****7. Loans, advances, and financing to customer (continued)****(d) Restructured Loans (continued)****Impairment charge and provisions held (continued)**

30-Sep-22	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net recoveries)	-	(24,759)	(24,759)
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%	0.00%
Net NPL ratio	1.00%	1.96%	-0.96%

Gross NPL (Non-performing Loans) are 5.73% and Net NPL is 1.00% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 37.31 million.

30-Sep-21	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net recoveries)	-	(14,454)	(14,454)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	177,139	174,452	2,687
Gross NPL ratio	4.97%	4.97%	0.00%
Net NPL ratio	1.07%	1.90%	-0.83%

Gross NPL (Non-performing Loans) are 4.97% and Net NPL is 1.90% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 29.950 million.

31-Dec-21	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net recoveries)	-	(24,651)	(24,651)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	161,176	150,533	10,643
Gross NPL ratio	5.11%	5.11%	0.00%
Net NPL ratio	1.06%	1.91%	-0.85%

Gross NPL (Non-performing Loans) are 5.11% and Net NPL is 1.91% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 30.12 million.

BANK DHOFAR SAOG

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

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

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, 30th September 2022:

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
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
Acceptance	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
Impairment				
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
Acceptance	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
Acceptance	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

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****7. Loans, advances, and financing to customers, (continued)****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	(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 loss	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 2022

7. Loans, advances, and financing to customers, (continued) 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, 30th September 2021:

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	161,397	-	-	161,397
Due from Banks	161,358	-	-	161,358
Sovereign	323,377	-	-	323,377
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	110,846	-	-	110,846
Loans and advances	2,729,740	618,537	175,277	3,523,554
Accrued profit	40,791	11,074	56	51,921
Acceptance	160,358	8,013	-	168,371
Total funded gross exposure	3,688,784	637,624	175,333	4,501,741
Letters of credit/guarantee	456,798	92,448	4,921	554,167
Loan commitment / unutilized limits	483,511	184,697	-	668,208
Total non-funded gross exposure	940,309	277,145	4,921	1,222,375
Total gross exposure	4,629,093	914,769	180,254	5,724,116
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	816	-	-	816
Sovereign	-	-	-	-
Investment Securities at amortized cost	150	-	-	150
Investment Securities at FVOCI	95	-	-	95
Loans and advances	23,406	26,566	78,482	128,454
Accrued profit	162	212	-	374
Acceptance	500	24	-	524
Total funded impairment	25,129	26,802	78,482	130,413
Letters of credit/guarantee	2,935	6,380	2,093	11,408
Loan commitment/unutilized limits	1,934	1,151	-	3,085
Total non-funded impairment	4,869	7,531	2,093	14,493
Total impairment	29,998	34,333	80,575	144,906
Net exposure				
Central Bank balances	161,397	-	-	161,397
Due from Banks	160,542	-	-	160,542
Sovereign	323,377	-	-	323,377
Investment Securities at amortized Cost	767	-	-	767
Investment Securities at FVOCI	110,751	-	-	110,751
Loans and advances	2,706,334	591,971	96,795	3,395,100
Accrued Profit	40,629	10,862	56	51,547
Acceptance	159,858	7,989	-	167,847
Total funded net exposure	3,663,655	610,822	96,851	4,371,328
Letter of credit/guarantee	453,863	86,068	2,828	542,759
Loan commitment / unutilized limits	481,577	183,546	-	665,123
Total net non-funded exposure	935,440	269,614	2,828	1,207,882
Total net exposure	4,599,095	880,436	99,679	5,579,210

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****7. Loans, advances and financing to customers, (continued)
Stage wise exposure, allowance for expected credit losses and net exposures (continued)**

	Stage 1	Stage 2	Stage 3	Total
Opening Balance – as at 1 January 2021				
Due from banks	454	-	-	454
Loans and advances to customers	17,626	33,714	68,228	119,568
Investment securities at FVOCI (Debt)	238	-	-	238
Loan commitments and financial guarantees	2,598	5,739	-	8,337
Acceptances	341	15	-	356
Unutilised	2,001	958	-	2,959
Interest accrued	111	289	-	400
Total	<u>23,369</u>	<u>40,715</u>	<u>68,228</u>	<u>132,312</u>
Net transfer between stages				
Loans and advances to customers	780	(11,085)	10,305	-
Loan commitments and financial guarantees	87	(87)	-	-
Unutilised	68	(68)	-	-
Total	<u>935</u>	<u>(11,240)</u>	<u>10,305</u>	<u>-</u>
Charge for the Period (net)				
Due from banks	362	-	-	362
Loans and advances to customers	5,000	3,937	1,808	10,745
Investment securities at FVOCI (Debt)	7	-	-	7
Loan commitments and financial guarantees	250	728	2,093	3,071
Acceptances	159	9	-	168
Unutilised	(135)	261	-	126
Interest accrued	51	(77)	-	(26)
Total	<u>5,694</u>	<u>4,858</u>	<u>3,901</u>	<u>14,453</u>
Written-off			(1,860)	(1,860)
Closing Balance – as at 30 September 2021				
Due from banks	816	-	-	816
Loans and advances to customers	23,406	26,566	78,481	128,453
Investment securities at FVOCI (Debt)	245	-	-	245
Loan commitments and financial guarantees	2,935	6,380	2,093	11,408
Acceptances	500	24	-	524
Unutilised	1,934	1,151	-	3,085
Interest accrued	162	212	-	374
Total expected credit loss	<u>29,998</u>	<u>34,333</u>	<u>80,574</u>	<u>144,905</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****7. Loans, advances, and financing to customer (continued)****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, 31st December 2021:

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	221,495	-	-	221,495
Due from Banks	126,248	-	-	126,248
Sovereign	404,041	-	-	404,041
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	36,192	-	-	36,192
Loans and advances	2,608,026	726,143	179,653	3,513,822
Accrued profit	32,460	12,770	54	45,284
Acceptance	175,018	6,080	-	181,098
Total funded gross exposure	3,604,397	744,993	179,707	4,529,097
Letters of credit/guarantee	463,445	98,632	7,148	569,225
Loan commitment / unutilized limits	427,530	195,875	-	623,405
Total non-funded gross exposure	890,975	294,507	7,148	1,192,630
Total gross exposure	4,495,372	1,039,500	186,855	5,721,727
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	1,150	-	-	1,150
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	247	-	-	247
Loans and advances	20,015	34,931	82,535	137,481
Accrued profit	131	212	-	343
Acceptance	899	16	-	915
Total funded impairment	22,442	35,159	82,535	140,136
Letters of credit/guarantee	3,534	4,054	-	7,588
Loan commitment/unutilized limits	1,669	1,140	-	2,809
Total non-funded impairment	5,203	5,194	-	10,397
Total impairment	27,645	40,353	82,535	150,533
Net exposure				
Central Bank balances	221,495	-	-	221,495
Due from Banks	125,098	-	-	125,098
Sovereign	404,041	-	-	404,041
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	35,945	-	-	35,945
Loans and advances	2,588,011	691,212	97,118	3,376,341
Accrued Profit	32,329	12,558	54	44,941
Acceptance	174,119	6,064	-	180,183
Total funded net exposure	3,581,955	709,834	97,172	4,388,961
Letter of credit/guarantee	459,911	94,578	7,148	561,637
Loan commitment / unutilized limits	425,861	194,735	-	620,596
Total net non-funded exposure	885,772	289,313	7,148	1,182,233
Total net exposure	4,467,727	999,147	104,320	5,571,194

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****7. Loans, advances, and financing to customers, (continued)****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 2021				
- Due from banks	454	-	-	454
- Loans and advances to customers	17,626	33,714	68,228	119,568
- Investment securities at FVOCI (Debt)	238	-	-	238
- Loan commitments and financial guarantees	2,598	5,739	-	8,337
- Acceptances	341	15	-	356
- Unutilised	2,001	958	-	2,959
- Interest accrued	111	289	-	400
Total	<u>23,369</u>	<u>40,715</u>	<u>68,228</u>	<u>132,312</u>
Net transfer between stages				
- Loans and advances to customers	386	(11,351)	10,965	-
- Loan commitments and financial guarantees	24	(24)	-	-
- Unutilised	39	(39)	-	-
Total	<u>449</u>	<u>(11,414)</u>	<u>10,965</u>	<u>-</u>
Charge for the Period (net)				
- Due from banks	697	-	-	697
- Loans and advances to customers	2,003	12,568	9,771	24,342
- Investment securities at FVOCI (Debt)	9	-	-	9
- Loan commitments and financial guarantees	912	(1,661)	-	(749)
- Acceptances	558	1	-	559
- Unutilised	(371)	221	-	(150)
- Interest accrued	20	(77)	-	(57)
Total	<u>3,828</u>	<u>11,052</u>	<u>9,771</u>	<u>24,651</u>
Written-off			(6,429)	(6,429)
Closing Balance – as at 31 December 2021				
- Due from banks	1,151	-	-	1,151
- 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	1,669	1,140	-	2,809
- Interest accrued	131	212	-	343
Total net exposure	<u>27,646</u>	<u>40,353</u>	<u>82,535</u>	<u>150,534</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****7. Loans, advances, and financing to customers, (continued)
Reconciliation of financial assets and liabilities**

30-Sep-22	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
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>
30-Sep-21	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	192,545	192,545
Loans and advances to banks	6	-	-	-	160,541	160,541
Loans and advances to customers	7	-	-	-	3,363,053	3,363,053
Investment securities	8	2,947	107,812	2,789	324,294	437,842
Other assets		-	-	-	250,203	250,203
		<u>2,947</u>	<u>107,812</u>	<u>2,789</u>	<u>4,290,636</u>	<u>4,404,184</u>
Due to banks	11	-	-	-	476,468	476,468
Deposits from customers	12	-	-	-	2,954,187	2,954,187
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		-	-	-	240,521	240,521
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,706,176</u>	<u>3,706,176</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****7. Loans, advances, and financing to customers, (continued)
Reconciliation of financial assets and liabilities, (continued)**

31-Dec-21	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	251,479	251,479
Loans and advances to banks	6	-	-	-	125,098	125,098
Loans and advances to customers	7	-	-	-	3,346,223	3,346,223
Investment securities	8	2,823	2,490	116,753	324,150	446,216
Other assets		6,601	-	-	238,925	245,526
		<u>9,424</u>	<u>2,490</u>	<u>116,753</u>	<u>4,285,875</u>	<u>4,414,542</u>
Due to banks	11	-	-	-	460,889	460,889
Deposits from customers	12	-	-	-	2,975,639	2,975,639
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		5,053	-	-	254,264	259,317
		<u>5,053</u>	<u>-</u>	<u>-</u>	<u>3,725,792</u>	<u>3,730,845</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****8. Investments securities**

	Unaudited 30-Sep-22 RO'000	Unaudited 30-Sep-21 RO'000	Audited 31-Dec-21 RO'000
Equity investments:			
Measured at FVTPL	717	1,766	1,649
Measured at FVOCI	<u>4,549</u>	<u>2,789</u>	<u>2,490</u>
Gross equity investments	5,266	4,555	4,139
Less: Impairment losses on investments	-	-	-
Net equity investments	<u>5,266</u>	<u>4,555</u>	<u>4,139</u>
Debt investments:			
Designated at FVTPL	1,025	1,181	1,174
Measured at FVOCI	149,678	108,057	117,000
Measured at amortized cost	<u>351,755</u>	<u>324,294</u>	<u>324,150</u>
Gross debt investments	<u>502,458</u>	<u>433,532</u>	<u>442,324</u>
Total investment securities	507,724	438,087	446,463
Less: Impairment loss allowance	<u>(78)</u>	<u>(245)</u>	<u>(247)</u>
Total investment securities	<u>507,646</u>	<u>437,842</u>	<u>446,216</u>
	Unaudited 30-Sep-22 RO'000	Unaudited 30-Sep-21 RO'000	Audited 31-Dec-21 RO'000
Investment securities measured as at FVTPL	1,742	2,947	2,823
Investment securities measured at FVOCI	154,149	110,601	119,243
Debt investments measured at amortised cost	<u>351,755</u>	<u>324,294</u>	<u>324,150</u>
	<u>507,646</u>	<u>437,842</u>	<u>446,216</u>

BANK DHOFAR SAOG
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**
8. Investment securities (continued)
8.1 Categories of investments by measurement

30-Sep-22	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
	<u>-</u>	<u>4,033</u>	<u>-</u>	<u>4,033</u>
Unquoted Equities:				
Local securities	717	-	-	717
Unit funds	-	517	-	517
	<u>717</u>	<u>517</u>	<u>-</u>	<u>1,234</u>
Gross Equity investments	<u>717</u>	<u>4,550</u>	<u>-</u>	<u>5,267</u>
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	<u>1,025</u>	<u>149,677</u>	<u>351,755</u>	<u>502,457</u>
Total Investment Securities	<u>1,742</u>	<u>154,227</u>	<u>351,755</u>	<u>507,724</u>
Less: Impairment losses on investments	-	(78)	-	(78)
	<u>1,742</u>	<u>154,149</u>	<u>351,755</u>	<u>507,646</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	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)
Amortisation of discount and premium	(38)	-	(395)	-	(433)
Total	<u>149,697</u>	<u>4,530</u>	<u>351,755</u>	<u>1,742</u>	<u>507,724</u>
Less: Impairment losses on investments	(78)	-	-	-	(78)
At 30 September 2022	<u>149,619</u>	<u>4,530</u>	<u>351,755</u>	<u>1,742</u>	<u>507,646</u>

BANK DHOFAR SAOG
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**
8. Investment securities, (continued)
8.1 Categories of investments by measurement

30-Sep-21	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	291	-	291
Unit funds	-	-	-	-
Financial services sector	-	181	-	181
Industrial sector	-	1,745	-	1,745
	<u>-</u>	<u>2,217</u>	<u>-</u>	<u>2,217</u>
Unquoted Equities:				
Local securities	-	572	-	572
Unit funds	1,766	-	-	1,766
	<u>1,766</u>	<u>572</u>	<u>-</u>	<u>2,338</u>
Gross Equity investments	<u>1,766</u>	<u>2,789</u>	<u>-</u>	<u>4,555</u>
Quoted Debt:				
Government Bonds and Sukuk	-	76,424	324,294	400,718
Foreign Bonds	1,181	398	-	1,579
Local Bonds and Sukuks	-	31,235	-	31,235
Treasury Bills	-	-	-	-
Gross debt investments	<u>1,181</u>	<u>108,057</u>	<u>324,294</u>	<u>433,532</u>
Total Investment Securities	2,947	110,846	324,294	438,087
Less: Impairment losses on investments	-	(245)	-	(245)
	<u>2,947</u>	<u>110,601</u>	<u>324,294</u>	<u>437,842</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 2021	115,057	3,276	335,602	4,120	458,055
Additions	12,893	-	64,692	5	77,590
Disposals and redemption	(20,051)	(801)	(76,000)	(1,243)	(98,095)
Gain /(loss) from change in fair value	196	314	-	65	575
Amortisation of discount and premium	(38)	-	-	-	(38)
Total	<u>108,057</u>	<u>2,789</u>	<u>324,294</u>	<u>2,947</u>	<u>438,087</u>
Less: Impairment losses on investments	(245)	-	-	-	(245)
At 30 September 2021	<u>107,812</u>	<u>2,789</u>	<u>324,294</u>	<u>2,947</u>	<u>437,842</u>

BANK DHOFAR SAOG
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**
8. Investment securities (continued)
8.1 Categories of investments by measurement

31-Dec-21	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	286	-	286
Unit funds	-	-	-	-
Financial services sector	-	199	-	199
Industrial sector	-	1,488	-	1,488
	<u>-</u>	<u>1,973</u>	<u>-</u>	<u>1,973</u>
Unquoted Equities:				
Local securities	-	517	-	517
Unit funds	1,649	-	-	1,649
	<u>1,649</u>	<u>517</u>	<u>-</u>	<u>2,166</u>
Gross Equity investments	<u>1,649</u>	<u>2,490</u>	<u>-</u>	<u>4,139</u>
Quoted Debt:				
Government Bonds and Sukuk	-	-	-	-
Foreign Bonds	1,174	80,808	323,233	404,041
Local Bonds and Sukuks	-	395	-	1,569
Treasury Bills	-	35,797	917	36,714
Gross debt investments	<u>1,174</u>	<u>117,000</u>	<u>324,150</u>	<u>442,324</u>
Total Investment Securities	2,823	119,490	324,150	446,463
Less: Impairment losses on investments	-	(247)	-	(247)
	<u>2,823</u>	<u>119,243</u>	<u>324,150</u>	<u>446,216</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 RO000's	Total RO 000's
At 1 January 2021	115,057	3,276	335,602	4,120	458,055
Additions	21,474	-	64,706	5	86,185
Disposals and redemption	(20,051)	(1,031)	(76,158)	(1,348)	(98,588)
Gain /(loss) from change in fair value	570	245	-	46	861
Amortisation of discount and premium	(50)	-	-	-	(50)
Total	<u>117,000</u>	<u>2,490</u>	<u>324,150</u>	<u>2,823</u>	<u>446,463</u>
Less: Impairment losses on investments	(247)	-	-	-	(247)
At 31 December 2021	<u>116,753</u>	<u>2,490</u>	<u>324,150</u>	<u>2,823</u>	<u>446,216</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****9. Intangible asset**

	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Cost			
1-Jan	32,980	28,506	28,506
Additions	1,439	3,099	4,474
Disposals	(193)	-	-
	<u>34,226</u>	<u>31,605</u>	<u>32,980</u>
Depreciation			
1-Jan	20,214	16,702	16,703
Charge for the year	2,658	2,566	3,511
Disposals	(9)	-	-
	<u>22,863</u>	<u>19,268</u>	<u>20,214</u>
Carrying Value	<u>11,363</u>	<u>12,337</u>	<u>12,766</u>

10. Property and equipment

	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Conventional	6,578	6,626	6,732
Islamic window	468	782	1,065
	<u>7,046</u>	<u>7,408</u>	<u>7,797</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****11. Due to banks**

	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Syndicated Inter bank borrowings	279,125	288,750	308,000
Interbank borrowings	241,469	187,610	152,615
Payable on demand	1,939	108	274
	<u>522,533</u>	<u>476,468</u>	<u>460,889</u>

At 30 September 2022 Inter Bank borrowings with two bank represented 20% or more of the Bank's total inter-bank borrowings (30th September 2021 and 31 December 2021: 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-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Current accounts	634,896	700,982	754,317
Savings accounts	401,535	489,340	485,352
Time and certificate deposits	1,390,779	1,365,766	1,287,917
Margin accounts	12,574	12,420	11,036
	<u>2,439,784</u>	<u>2,568,508</u>	<u>2,538,622</u>
Islamic Banking	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Current accounts	125,294	132,261	153,436
Savings accounts	56,402	63,934	64,443
Time deposits	284,654	189,484	219,138
	<u>466,350</u>	<u>385,679</u>	<u>437,017</u>

Consolidated Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,130.97 million (30th September 2021 - RO 910.3 million, 31 December 2021 – RO 1,119.10 million)

13. Subordinated loan

	Unaudited 30-Sep-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Subordinated loan - RO	35,000	35,000	35,000
	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>

BANK DHOFAR SAOG

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

14. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (30th September 2021: 5,000,000,000 ordinary shares of RO 0.100 each).

At 30th September 2022, the issued and paid up share capital comprise 2,996,351,436 ordinary shares of RO 0.100 each (30th September 2021: 2,996,351,436 ordinary shares of RO 0.100 each).

The Board of Directors in their meeting held on 27th January 2022 proposed a total cash dividend of 2%, (2 (two) baizas per share, total of RO 5.993 million) (2020: 4%; RO 11.985 million) and nil bonus share issue distribution for the year ended 31st December 2021 (2020: Nil). However, the Bank received CBO approval for cash dividend of 2%, (2 (two) baizas per share, total of RO 5.993 million) for the year 2022. The shareholders' in the Annual General Meeting held on 22nd March 2022, approved the cash dividend of 2% and this has been paid in March 2022.

Shareholders

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

	Unaudited 30-Sep-22		Unaudited 30-Sep-21		Audited 31-Dec-21	
	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	703,266,215	23.47%	702,766,215	23.45%	702,766,215	23.45%
Civil Service Employees Pension Fund	316,465,392	10.56%	316,365,211	10.56%	316,992,297	10.58%
Total	1,750,302,105	58.41%	1,749,701,924	58.39%	1,750,329,010	58.42%
Others	1,246,049,331	41.59%	1,246,649,512	41.61%	1,246,022,426	41.58%
	<u>2,996,351,436</u>	<u>100.00%</u>	<u>2,996,351,436</u>	<u>100.00%</u>	<u>2,996,351,436</u>	<u>100.00%</u>

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 30th September 2022 (30th September 2021: RO 70 million)

BANK DHOFAR SAOG

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

14. Share capital (Continued)

Tier 1 USD Securities

Tier 1 USD Securities

On 27 May 2015, the Bank issued Perpetual Tier 1 USD Capital Securities (the “Tier 1 USD Securities”), amounting to USD 300,000,000. This Tier 1 USD Securities is listed in Irish Stock Exchange (now traded as Euronext Dublin).

The Tier 1 USD Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 USD Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion on 27 May 2020 (the “First Call Date”) or on any interest payment date thereafter subject to the prior consent of the regulatory authority. However, due to the prevailing Covid-19 global pandemic and market conditions at that time, the Bank was not able to exercise the option at the First Call Date.

The Tier 1 USD Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 6.85%. Thereafter the interest rate will be reset at five year intervals. As specified in the terms and conditions of Tier 1 USD Securities, the interest for the five year reset period is at fixed annual rate of 5.519% from the First Call Date. Interest will be payable semi-annually in arrears and treated as deduction from equity.

Tier 1 RO Securities

On 27 December 2018, the Bank issued Perpetual Tier 1 RO Capital Securities (the “Tier 1 RO Securities”), amounting to OMR 40,000,000, denominated in Riyal Omani. This Tier 1 RO Securities is listed on Muscat Stock Exchange.

The Tier 1 RO Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 RO Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion on 27 December 2023 (the “First Call Date”) or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****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-2022	Unaudited 30-Sep-2021	Audited 31-Dec-2021
Net assets (RO)	553,233,000	550,623,000	543,019,000
Number of shares outstanding at the end of the period / year	2,996,351,436	2,996,351,436	2,996,351,436
Net assets per share (RO)	0.185	0.184	0.181

16. Interest income/ Income from Islamic Financing

Conventional Banking	Unaudited 9 months 30-Sep-2022 RO'000	Unaudited 9 months 30-Sep-2021 RO'000	Unaudited 3 months 30-Sep-2022 RO'000	Unaudited 3 months 30-Sep-2021 RO'000
Loans and advances	115,785	113,588	40,635	40,089
Due from banks	4,530	4,340	2,353	647
Investments	15,079	13,129	5,237	4,430
Total	135,394	131,057	48,225	45,166
Islamic Banking	Unaudited 9 months 30-Sep-2022 RO'000	Unaudited 9 months 30-Sep-2021 RO'000	Unaudited 3 months 30-Sep-2022 RO'000	Unaudited 3 months 30-Sep-2021 RO'000
Islamic financing receivables	23,428	21,536	8,545	7,354
Islamic due from banks	52	57	47	53
Investments	3,785	3,419	1,316	1,150
Total	27,265	25,012	9,908	8,557

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****17. Interest expense / distribution to depositors**

Conventional Banking	Unaudited 9 months 30-Sep-2022 RO'000	Unaudited 9 months 30-Sep-2021 RO'000	Unaudited 3 months 30-Sep-2022 RO'000	Unaudited 3 months 30-Sep-2021 RO'000
Customers' deposits / Subordinated liabilities / mandatory convertible bonds	(50,018)	(59,793)	(17,256)	(19,115)
Bank borrowings	(10,578)	(7,040)	(4,699)	(2,162)
Total	<u>(60,596)</u>	<u>(66,833)</u>	<u>(21,955)</u>	<u>(21,277)</u>
Islamic Banking	Unaudited 9 months 30-Sep-2022 RO'000	Unaudited 9 months 30-Sep-2021 RO'000	Unaudited 3 months 30-Sep-2022 RO'000	Unaudited 3 months 30-Sep-2021 RO'000
Islamic customer deposits	(9,204)	(9,108)	(4,323)	(3,040)
Islamic bank borrowing	(1,575)	(1,163)	383	(310)
Total	<u>(10,779)</u>	<u>(10,271)</u>	<u>(3,940)</u>	<u>(3,350)</u>

BANK DHOFAR SAOG

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

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 2022 attributable to ordinary shareholders as follows:

	Unaudited 30-Sep-2022	Unaudited 30-Sep-2021
Profit for the period (RO) ('000)	26,098	28,293
Less : Additional Tier 1 Coupon	(4,683)	(4,684)
Profit for the period attributable to equity holders of the Bank ('000)	21,415	23,609
Weighted average number of shares outstanding during the period	2,996,351,436	2,996,351,436
Earnings per share basic and diluted (RO)	0.007	0.008

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 2022****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-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Loans, advances and financing			
Directors and shareholders holding 10% or more interest in the Bank	-	-	-
Directors, shareholders (holding 20% or more interest in the Bank)	53,180	51,845	53,728
Other related parties	72,559	57,377	63,788
	125,739	109,222	117,516
Subordinated loans			
Directors and shareholders holding 10% or more interest in the Bank	-	-	-
Directors, shareholders (holding 20% or more interest in the Bank)	15,000	15,000	15,000
Other related parties	14,000	14,000	14,000
	29,000	29,000	29,000
Deposits and other accounts			
Directors and shareholders holding 10% or more interest in the Bank	45,981	162,299	75,906
Directors, shareholders (holding 20% or more interest in the Bank)	65,633	82,530	54,117
Other related parties	336,963	176,721	211,388
	448,577	421,550	341,411
Contingent liabilities and commitments			
Directors and shareholders holding 10% or more interest in the Bank	-	-	-
Directors, shareholders (holding 20% or more interest in the Bank)	3,468	3,262	3,100
Other related parties	5,961	14,148	16,950
	9,429	17,410	20,050
Remuneration paid to Directors			
Chairman			
– remuneration paid	19	36	36
– sitting fees paid	7	7	10
Other Directors			
– remuneration paid	131	264	264
– sitting fees paid	60	63	74
	217	370	384
Other transactions			
Rental payment to related parties	413	409	539
Insurance	1,847	1,346	1,970
Other transactions	-	101	101
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	48	46	53

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****19. Related parties' transactions (continued)**

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

Single borrower and senior members

	Unaudited 30-Sep- 2022 RO'000	Unaudited 30-Sep- 2021 RO'000	Audited 31-Dec- 2021 RO'000
(a) Senior members			
Total exposure:			
Direct	130,307	114,962	123,432
Indirect	9,428	17,410	20,050
	<u>139,735</u>	<u>132,372</u>	<u>143,482</u>
Number of members	<u>37</u>	<u>41</u>	<u>41</u>

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-2022 RO'000	Unaudited 30-Sep-2021 RO'000	Audited 31-Dec-2021 RO'000
Letters of credit	60,972	59,435	68,983
Guarantees and performance bonds	565,170	494,732	500,242
	<u>626,142</u>	<u>554,167</u>	<u>569,225</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****21. Disaggregation of net fees and commission income**

	Retail banking	Corporate banking	Treasury and investment banking	Total
30-Sep-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>

	Retail banking	Corporate banking	Treasury and investment banking	Total
30-Sep-2021	RO'000	RO'000	RO'000	RO'000
Fee Income				
Transactional services	4,705	444	-	5,149
Trade services	-	2,557	575	3,132
Syndication and other financing related services	572	3,903	1,028	5,503
Advisory and asset management services	-	22	193	215
	<u>5,277</u>	<u>6,926</u>	<u>1,796</u>	<u>13,999</u>
Fee Expense				
Transactional Services	(1,382)	(11)	(16)	(1,409)
Syndication and Other Financing related services	-	(1,364)	(124)	(1,488)
	<u>(1,382)</u>	<u>(1,375)</u>	<u>(140)</u>	<u>(2,897)</u>
Net fee and commission income	<u>3,895</u>	<u>5,551</u>	<u>1,656</u>	<u>11,102</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****21. Disaggregation of net fees and commission income (continued)**

	Retail banking	Corporate banking	Treasury and investment banking	Total
31-Dec-2021	RO'000	RO'000	RO'000	RO'000
Fee Income				
Transactional services	7,461	21	-	7,482
Trade services	-	3,784	57	3,841
Syndication and other financing related services	782	4,448	1,244	6,474
Advisory and asset management services	-	109	-	109
	<u>8,243</u>	<u>8,362</u>	<u>1,301</u>	<u>17,906</u>
Fee Expense				
Transactional Services	(1,409)	-	-	(1,409)
Syndication and Other Financing related services	-	-	(1,050)	(1,050)
	<u>(1,409)</u>	<u>-</u>	<u>(1,050)</u>	<u>(2,459)</u>
Net fee and commission income	<u>6,834</u>	<u>8,362</u>	<u>251</u>	<u>15,447</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****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-Sep-22						
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>
30-Sep-21						
Personal	-	1,262,743	-	772,658	-	-
Corporate	161,357	1,808,013	438,087	1,266,982	476,468	553,924
Government	-	452,798	-	914,547	-	243
	<u>161,357</u>	<u>3,523,554</u>	<u>438,087</u>	<u>2,954,187</u>	<u>476,468</u>	<u>554,167</u>
31-Dec-21						
Personal	-	1,260,349	-	801,147	-	1,674
Corporate	126,248	1,804,372	41,505	1,055,394	460,889	567,308
Government	-	449,101	404,958	1,119,098	-	243
	<u>126,248</u>	<u>3,513,822</u>	<u>446,463</u>	<u>2,975,639</u>	<u>460,889</u>	<u>569,225</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****22. Risk Management (continued)****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, 30th September 2022:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
30-Sep-22				
<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	<u>4,437,223</u>	<u>1,084,594</u>	<u>206,024</u>	<u>5,727,841</u>
Provision for expected credit losses	<u>16,887</u>	<u>62,260</u>	<u>132,615</u>	<u>211,762</u>
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
30-Sep-21				
<i>Exposure</i>				
Banks	500,626	497	-	501,123
Sovereigns	396,380	-	-	396,380
Wholesale banking	2,475,433	903,585	117,595	3,496,613
Retail banking	1,201,698	10,687	62,659	1,275,044
Investments	49,827	-	-	49,827
Total	<u>4,623,964</u>	<u>914,769</u>	<u>180,254</u>	<u>5,718,987</u>
Provision for expected credit losses	<u>29,998</u>	<u>34,333</u>	<u>80,575</u>	<u>144,906</u>
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31-Dec-21				
<i>Exposure</i>				
Banks	539,930	390	-	540,320
Sovereigns	404,041	-	-	404,041
Wholesale banking	2,302,494	1,026,136	126,457	3,455,087
Retail banking	1,211,798	12,974	60,398	1,285,170
Investments	37,109	-	-	37,109
Total	<u>4,495,372</u>	<u>1,039,500</u>	<u>186,855</u>	<u>5,721,727</u>
Provision for expected credit losses	<u>27,645</u>	<u>40,353</u>	<u>82,535</u>	<u>150,533</u>

BANK DHOFAR SAOG

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

22. Risk Management (continued)

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, a significant increase in credit risk cannot be assessed using forward looking information at an individual account level. Therefore, the assessment is done at the segment level. Segment migration thresholds exist for each PD model by product which considers the proportionate change in PD as well as the absolute change in PD. The thresholds used for PD migration are reviewed and assessed at least annually, unless there is a significant change in credit risk management practices in which case the review is brought forward.

For non-retail exposures the Bank uses an internal risk rating scale (IG codes) for its non-retail exposures. All non-retail exposures have an IG code assigned that reflects the probability of default of the borrower. Both borrower specific and non-borrower specific (i.e. macroeconomic) forward looking information is considered and reflected in the IG rating. Significant increase in credit risk is evaluated based on the migration of the exposures among IG codes.

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, 30th September 2022, with LCR of 147.51% calculated on weighted average value for the period ended (30th September 2021: 132.80%) (31st December 2021: 154.09%).

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, 30th September 2022, with a NSFR of 110.88% calculated on weighted average value for the period ended (30 September 2021: 119.26%) (31st December 2021: 117.02%).

The full report on LCR and NSFR is disclosed by the Bank in its website under the Investors Relations section.

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****22. Risk Management (continued)****A. Liquidity risk (continued)****Maturity profile of assets and liabilities**

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
30-Sep-22	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
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	209,268
Subordinated loans	-	-	35,000	-	-	35,000
Total liabilities	535,416	761,334	641,346	1,111,931	622,907	3,672,934
Spot and Forward Purchases (notional value)	188,907	73,476	66,306	48,203	-	376,891
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	834,810	707,652	1,160,133	622,907	5,259,412
Cumulative Liabilities	1,933,910	2,768,720	3,476,372	4,636,505	5,259,412	
Gap	(1,185,215)	(300,584)	(302,989)	(156,483)	1,422,077	
Cumulative Gap	(1,185,215)	(1,485,799)	(1,788,788)	(1,945,271)	(523,194)	

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****22. Risk Management (continued)****A. Liquidity risk (continued)****Maturity profile of assets and liabilities**

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
30-Sep-21	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	192,045	-	-	-	500	192,545
Loan and advances to customer	182,817	522,086	209,633	880,429	1,568,089	3,363,053
Loans and advances to banks	98,953	42,396	19,192	-	-	160,541
Investments Securities	-	5,736	10,083	240,484	181,539	437,842
Other assets	52,707	-	147,466	-	50,030	250,203
Total Assets Funded	526,522	570,217	386,374	1,120,913	1,800,158	4,404,184
Spot and Forward Purchases (notional value)	299,871	700,446	432,576	99,120	-	1,532,012
Total Assets Funded and Non Funded	299,871	700,446	432,576	99,120	-	1,532,012
Due to banks	113,538	228,180	38,500	96,250	-	476,468
Deposits from customers	268,312	913,280	478,565	703,521	590,508	2,954,187
Other liabilities	58,152	627	153,664	8,774	30,935	252,151
Subordinated loans	-	-	-	35,000	-	35,000
Total liabilities	440,002	1,142,087	670,729	843,545	621,443	3,717,806
Spot and Forward Purchases (notional value)	299,332	697,481	432,375	98,175	-	1,527,363
Loan commitments	668,208	-	-	-	-	668,208
Letter of credit	59,435	-	-	-	-	59,435
Guarantees and performance bonds	494,732	-	-	-	-	494,732
Total Liabilities Funded and Non-Funded	1,521,707	697,481	432,375	98,175	-	2,749,738
Cumulative Liabilities	1,521,707	2,219,188	2,651,563	2,749,738	2,749,738	
Gap	(695,314)	573,182	386,575	1,121,858	1,800,158	
Cumulative Gap	(695,314)	(122,132)	264,442	1,386,301	3,186,458	

BANK DHOFAR SAOG
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**
22. Risk Management (continued)
A. 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
31-Dec-21	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	250,979				500	251,479
Loan and advances to customer	169,023	507,969	171,014	762,567	1,735,650	3,346,223
Loans and advances to banks	46,223	56,552	22,323			125,098
Investments FVTPL	-	-	-	-	2,823	2,823
Investments FVOCI Debt Instrument	-	-	10	89,628	27,115	116,753
Investments FVOCI-Equity	-	-	-	-	2,490	2,490
Investments at amortized cost	-	-	-	213,935	110,215	324,150
Other assets	46,399	-	181,098		18,290	245,787
Total Assets Funded	512,624	564,521	374,445	1,066,130	1,897,083	4,414,803
Spot and Forward Purchases (notional value)	472,119	731,465	154,973	120,537	-	1,479,094
Total Assets Funded and Non Funded	984,743	1,295,986	529,418	1,186,667	1,897,083	5,893,897
Future Interest cash inflows	15,439	70,126	70,623	415,065	331,237	902,490
Due to banks	119,009	201,355	9,625	130,900	-	460,889
Deposits from customers	274,992	679,501	554,497	861,068	605,581	2,975,639
Other liabilities	66,185	9973	181,649	5,515	5,417	268,739
Subordinated loans				35,000		35,000
Total liabilities	460,186	890,829	745,771	1,032,483	610,998	3,740,267
Spot and Forward Purchases (notional value)	470,398	730,512	154,707	119,350	-	1,474,967
Loan commitments	623,405	-	-	-	-	623,405
Letter of credit	68,983	-	-	-	-	68,983
Guarantees and performance bonds	500,242	-	-	-	-	500,242
Total Liabilities Funded and Non Funded	2,123,214	1,621,341	900,478	1,151,833	610,998	6,407,864
Future Interest cash outflows	4,823	53,749	43,590	142,112	620,832	865,106
Cumulative Liabilities	2,123,214	3,744,555	4,645,033	5,796,866	6,407,864	
Gap	1,138,471	325,355	371,060	(34,834)	(1,286,085)	
Cumulative Gap	1,138,471	1,463,826	1,834,886	1,800,052	513,967	

BANK DHOFAR SAOG

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

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 30th September 2022 is 17.55% (30th September 2020 – 17.36%, 31 December 2021 – 17.74%).

Capital structure	Unaudited 30-Sep-22 RO'000	Unaudited 30-Sep-21 RO'000	Audited 31-Dec-21 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	299,635	299,635	299,635
Legal reserve	64,538	95,656	64,538
Share premium	95,656	62,025	95,656
Special reserve	16,988	17,488	16,988
Subordinated bonds and loan reserve	28,000	21,000	28,000
Retained earnings	22,930	19,040	22,930
CET I/Tier I Capital	<u>527,747</u>	<u>514,844</u>	<u>527,747</u>
Additional Tier I regulatory adjustments:			
Deferred tax assets	(3,421)	(5,340)	(3,420)
Special revaluation reserve investment IFRS 9	-	(709)	-
Negative investment revaluation reserve	<u>(9,873)</u>	<u>(4,736)</u>	<u>(5,627)</u>
Total CET 1 capital	<u>514,453</u>	<u>504,059</u>	<u>518,700</u>
Additional Tier I capital (AT1)	<u>155,500</u>	<u>155,500</u>	<u>155,500</u>
Total Tier 1 Capital (T1=CET1+AT1)	<u>669,953</u>	<u>659,559</u>	<u>674,200</u>
TIER II CAPITAL			
Investment revaluation reserve	215	450	649
General provision	33,423	36,938	39,108
Subordinated loan	-	14,000	-
Total Tier II capital	<u>33,638</u>	<u>51,388</u>	<u>39,757</u>
Total eligible capital	<u>703,591</u>	<u>710,947</u>	<u>713,957</u>
Risk weighted assets			
Banking book	3,732,809	3,728,728	3,719,641
Trading book	36,166	99,886	64,345
Operational risk	240,038	267,556	240,038
Total	<u>4,009,013</u>	<u>4,096,170</u>	<u>4,024,024</u>
Total Tier 1 Capital (T1=CET1+AT1)	<u>669,953</u>	<u>659,559</u>	<u>674,200</u>
Tier II capital	<u>33,638</u>	<u>51,388</u>	<u>39,757</u>
Total regulatory capital	<u>703,591</u>	<u>710,947</u>	<u>713,957</u>
Common Equity Tier 1 ratio	<u>12.83%</u>	<u>12.31%</u>	<u>12.89%</u>
Tier I capital ratio	<u>16.71%</u>	<u>16.10%</u>	<u>16.75%</u>
Total capital ratio	<u>17.55%</u>	<u>17.36%</u>	<u>17.74%</u>

BANK DHOFAR SAOG

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

24. Fair value information

Fair value measurements recognised in the statement of financial position

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

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

At 30 September 2022	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial asset					
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
At 30 September 2021					
	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial assets					
Investments at FVOCI	110,273	-	572	110,845	114,736
Investments at FVTPL	1,181	-	1,767	2,948	3,255
Forward foreign exchange contracts	917	-	-	917	917
Total assets	112,371	-	2,339	114,710	118,908
At 31 December 2021					
	Level 1 RO '000	Level 2 RO '000	Level 3 RO '000	Total RO '000	Cost RO '000
Financial assets					
Investments at FVOCI	118,973	-	517	119,490	122,967
Investments at FVTPL	1,174	-	1,649	2,823	3,155
Derivative financial instruments					
Forward foreign exchange contracts	-	2,291	-	2,291	-
IRS customer	-	4,310	-	4,310	-
Total	120,147	6,601	2,166	128,914	126,122

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

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

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****24. Fair value information****At 30 September 2022**

	Contract / notional amount	Fair value increase / decrease	
		Assets	Liabilities
		RO'000	RO'000
<i>Derivatives:</i>			
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

At 30 September 2021

	Contract / notional amount	Fair value increase / decrease	
		Assets	Liabilities
		RO'000	RO'000
<i>Derivatives:</i>			
Currency forward - purchase contracts	1,532,012	-	981
Currency forward - sales contracts	1,527,363	3,340	-
Interest rate swaps – purchase contracts	65,129	5,685	-
Interest rate swaps – sales contracts	65,129	-	5,685

At 31 December 2021

	Contract / notional amount	Fair value increase / decrease	
		Assets	Liabilities
		RO'000	RO'000
<i>Derivatives:</i>			
Currency forward - purchase contracts	1,511,919	1,511,919	-
Currency forward - sales contracts	1,507,691	-	1,507,691
Interest rate swaps – purchase contracts	63,134	4,310	-
Interest rate swaps – sales contracts	63,134	-	4,310

BANK DHOFAR SAOG

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

25 . Segmental information

The Bank is organised into three main business segments:

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

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

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

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

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

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****25. Segmental information (continued)**

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

30-Sep-22	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)	(3,605)
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	3,888,706	695,247	4,583,953
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	3,701,296	680,372	4,381,668
Segment liabilities	633,575	1,984,142	542,088	3,159,805	513,130	3,672,935

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 2022****25. Segmental information (continued)**

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

30-Sep-21	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	51,551	80,772	23,746	156,069
Other revenues	5,157	7,323	6,021	18,501
Segment operating revenues	56,708	88,095	29,767	174,570
Interest, Islamic Window Deposit expenses	(20,897)	(42,677)	(13,530)	(77,104)
Net operating income	35,811	45,418	16,237	97,466
Segment cost				
Operating expenses including depreciation	(23,488)	(22,454)	(4,158)	(50,100)
Impairment for loans and investment net recoveries from allowance for loans impairment	(8,198)	(5,416)	(840)	(14,454)
Profit from operations after provision	4,125	17,548	11,239	32,912
Tax expenses	(619)	(2,632)	(1,368)	(4,619)
Profit for the period	3,506	14,916	9,871	28,293
Segment assets	1,405,013	2,579,401	601,447	4,585,861
Less: Impairment allowance	(60,446)	(100,419)	(1,067)	(161,932)
Total segment assets	1,344,567	2,478,982	600,380	4,423,929
Segment liabilities	821,076	2,396,490	500,240	3,717,806

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022****25. Segmental information (continued)**

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

31-Dec-21	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	68,591	106,791	31,338	206,720
Other revenues	7,151	9,596	7,276	24,023
Segment operating revenues	75,742	116,387	38,614	230,743
Interest, Islamic Window Deposit expenses	(28,764)	(57,450)	(18,083)	(104,297)
Net operating income	46,978	58,937	20,531	126,446
Segment cost				
Operating expenses including depreciation	(35,035)	(31,576)	(5,729)	(72,340)
Impairment for loans and investment net recoveries from allowance for loans impairment	(4,834)	(18,331)	(1,486)	(24,651)
Profit from operations after provision	7,109	9,030	13,316	29,455
Tax expenses	(1,046)	(1,328)	(1,958)	(4,332)
Profit for the period	6,063	7,702	11,358	25,123
Segment assets	1,418,703	2,601,875	588,461	4,609,039
Less: Impairment allowance	(56,123)	(112,723)	(1,407)	(170,253)
Total segment assets	1,362,580	2,489,152	587,054	4,438,786
Segment Liabilities	832,353	2,351,371	546,146	3,729,870

BANK DHOFAR SAOG

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

26. Comparative figures

Certain corresponding amounts have been reclassified to conform to the presentation for the current year. Such reclassifications are considered as restatements as per IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors as set out below:

A. Cash and cash equivalents

Due from banks with a short term maturity of 3 months or less were previously presented under due from banks instead of cash and cash equivalents within the statement of cash flows. These items are reclassified from due from banks to cash and cash equivalents as set out below:

	Revised 30-Sep-21 RO'000	Original 30-Sep-21 RO'000
<u>Cash and cash equivalents comprises of:</u>		
Cash and balances with Central Bank of Oman	192,545	192,545
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks with a short-term maturity of 3 months or less	37,980	-
Cash and cash equivalents at the end of period	<u>230,025</u>	<u>192,045</u>

These changes did not impact on other line items within the statement of cash flows apart from operating cash flows or on the other primary statements.