



بنك ظفار
Bank Dhofar

**Unaudited interim condensed financial statements
For the three-month period ended 31 March 2020**

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
Interim condensed statement of financial position	2
Interim condensed statement of comprehensive income	3
Interim condensed statement of changes in equity	4 to 6
Interim condensed statement of cash flows	7 to 8
Notes to the interim condensed financial statements	9 to 51

BANK DHOFAR S.A.O.G.

THE BOARD OF DIRECTORS' REPORT FOR THE QUARTER ENDED

31st MARCH 2020

Dear Shareholders,

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present to you the Bank's Financial Statements for the year-to-date period ended 31st March 2020.

The Bank's Financial Performance during Quarter ended March 2020

The global pandemic Coronavirus (Covid19) impact started early March 2020, while the full impact is not yet felt during first quarter 2020 it started affecting the economy. The bank reported a net profit of RO 8.80 million for the year-to-date (YTD) 31st March 2020 compared to RO 12.61 million achieved during similar period of last year, a year-on-year decline of 30.21%. Total assets of the Bank reached RO 4.36 billion in March 2020 as compared to RO 4.40 billion at end of 31st March 2019, a marginal 0.91% decrease. The Net Loans, Advances and Financing to customers is at RO 3.19 billion as at 31st of March 2020, showing a growth of 2.57% from RO 3.11 billion as at 31st of March 2019. Total customer deposits, correspondingly, increased by 2.65% year-on-year from RO 3.02 billion as of 31st of March 2019 to RO 3.10 billion as of 31st of March 2020.

The Net interest income and income from Islamic Financing activities for first quarter 2020 reported RO 21.56 million as compared to RO 25.93 million, showing a decrease of 16.85% year-on-year. However, non-funded income such as fees and commissions, foreign exchange profit, investment income etc. increased by 13.48% during first quarter 2020, reaching RO 9.51 million compared to RO 8.38 million of first quarter 2019. Total operating income including non-funded income reached RO 31.07 million for year-to-date 31st March 2020 as against RO 34.32 million during the corresponding period ended 31st March 2019, decreased by 9.47% year-on-year. Operating expenses increased to RO 18.56 million YTD March 2020 compared to RO 17.03 million YTD March 2019, increase of 8.98%. This resulted in increase of the cost to income ratio to 59.74% from 49.62% for the three-months period ended 31st March 2020 compared to first quarter 2019.

Net provisions (Expected Credit Loss 'ECL') decreased to RO 2.17 million during Q1-2020 as against RO 2.48 million during Q1-2019. First quarter 2019 ECL includes classification of certain large accounts. Gross NPL (Non-performing loans) increased to 4.57% as at 31st March 2020 from 4.35% as at 31st March 2019. Net NPL, net of interest reserve is 3.78% at 31st March 2020 vs. 2.61% at 31st March 2019; Net NPL, net of interest reserve and ECL provision is 2.04% as at 31st March 2020 compared to 1.11% at 31 March 2019. NPL is based on funded non-performing exposure over total funded exposure.

The earnings per share (EPS) for year-to-date March 2020 are RO 0.003 as compared to RO 0.005 for year-to-date March 2019.

Maisarah Financial Performance Highlights: -

Maisarah Islamic Banking Services reported a strong first quarter ended March 2020 with significant growth in earning assets, financing, deposits and the operating profit. During the first quarter 2020 gross financing portfolio has grown by 15.56% from RO 406.84 million at 31 March 2019 to RO 470.24 million at 31 March 2020. The gross Sukuk investment portfolio increased by 48.26% from RO 42.15 million at March 2019 to RO 62.49 million at March 2020.

BANK DHOFAR SAOG

As at 31 March 2020 the total customer deposit stood at RO 385.34 million, registering growth of 18.52% compared to RO 325.14 million at same period last year. The total assets have increased by 12.77% to RO 553.00 million at March 2020 from RO 490.38 million at March 2019.

The net income from Islamic financing and investment activities increased by 10.51% to reach RO 2.84 million during three-month period ended March 2020 against RO 2.57 million at same period last year. Total operating income (funded and nonfunded) for the period ended March 2020 stood at RO 4.01 million compared to RO 3.59 million at March 2019, growth of 11.70%.

Maisarah Operating Profit (before provisions) increased by 14.21% during first quarter 2020 reaching RO 2.09 million compared to RO 1.83 million last year same period. Maisarah Cost to income ratio have improved to 48.13% year-to-date March 2020 compared to 49.03% year-to-date March 2019.

Maisarah Profit before tax reported RO 1.56 million first quarter 2020 compared to RO 1.49 million last year, an increase of 4.70%.

Awards & Accolades

Bank Dhofar won the following rewards during the first quarter 2020 and those awards are testimony to the continued efforts put in by the Bank:

- Best Islamic bank in Oman - Maisarah Islamic Banking Services at the Middle East Banking Awards 2019 (EMEA Finance).
- Best Investment Banking Brand, Oman 2019 by Global Brand Awards.
- Most Successful Companies in Oman Award by Forbes Middle East.

Acknowledgment

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence they have reposed in the Board of Directors and the Executive Management. Also, I thank the shareholders for their continuous support and Chairman, members of Sharia Supervisory Board of Maisarah Islamic Banking Services, Management and Staff for their efforts and contributions in the period.

The Board of Directors also wishes to thank the Central Bank of Oman the Capital Market Authority for its valuable guidance to the local banking sector.

We would like to wish people of Oman safety and health from the current global coronavirus (Covid19) pandemic and pray for speedy recovery of those who all affected across the world. 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 wise leadership and generous support to the private sector.

Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

		Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
	<i>Notes</i>			
Assets				
Cash and balances with Central Bank of Oman	5	362,112	325,683	300,405
Loans, advances and financing to banks	6	249,109	479,188	471,158
Loans and advances (Conventional)	7	2,728,959	2,708,291	2,617,345
Islamic financing receivables	7	463,922	401,839	446,005
Investment securities	8	415,769	349,830	378,551
Intangible asset	9	298	695	397
Property and equipment	10	19,313	16,135	19,172
Other assets		116,255	113,533	92,812
Total assets		4,355,737	4,395,194	4,325,845
Liabilities				
Due to banks	11	402,049	451,097	490,179
Deposits from customers (Conventional)	12	2,710,963	2,693,850	2,537,967
Islamic customers deposits	12	385,340	325,144	405,221
Other liabilities		133,414	175,374	131,093
Tax Liabilities		9,694	7,702	11,355
Subordinated loans	13	35,000	63,875	63,875
Total liabilities		3,676,460	3,717,042	3,639,690
Shareholders' equity				
Share capital	14	299,635	299,635	299,635
Share premium		95,656	95,656	95,656
Legal reserve		58,966	55,878	58,966
Special reserve		18,488	18,488	18,488
Special reserve –restructured loans		1,281	1,281	1,281
Special impairment reserve IFRS 9		12,676	-	4,654
Special revaluation reserve - investment		(709)	(709)	(709)
Subordinated loan reserve		14,000	30,100	42,875
Investment revaluation reserve		(7,332)	(1,732)	(627)
Retained earnings		31,086	24,055	10,436
Total equity attributable to the equity holders of the Bank		523,747	522,652	530,655
Perpetual Tier 1 Capital Securities		155,530	155,500	155,500
Total equity		679,277	678,152	686,155
Total liabilities and equity		4,355,737	4,395,194	4,325,845
Net assets per share (Rials Omani)	15	0.175	0.174	0.177
Contingent liabilities	20	783,276	985,469	810,930

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 THREE-MONTH PERIOD ENDED 31 MARCH 2020

		Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000
Interest income	16	40,503	43,513
Interest expense	17	(21,789)	(20,145)
Net interest income		18,714	23,368
Income from Islamic financing / Investments	16	6,564	5,655
Unrestricted investment account holders' share of profit and profit expense	17	(3,721)	(3,089)
Net income from Islamic financing and Investment activities		2,843	2,566
Fees and commission income		4,554	4,563
Fees and commission expense		(931)	(1,037)
Net fees and commission income		3,623	3,526
Other operating income		5,887	4,855
Operating income		31,067	34,315
Staff and administrative costs		(16,914)	(15,920)
Depreciation		(1,650)	(1,111)
Operating expenses		(18,564)	(17,031)
Net Impairment losses on financial assets		(2,166)	(2,481)
Bad debts written-off		-	(1)
Profit from operations after provision		10,337	14,802
Income tax expense		(1,542)	(2,195)
Profit for the period		8,795	12,607
For the Three-Month Period ended 31st March			
Other comprehensive income:			
Items that will not be reclassified to P&L:			
Movement in fair value reserve (FVOCI instrument)		(5,942)	(1,789)
Items that are or may be reclassified to profit or loss in subsequent periods:			
Movement in fair value reserves			
-FVOCI debt instruments (MIB)		(763)	57
Other comprehensive income / (loss) for the period		(6,705)	(1,732)
Total comprehensive income for the period		2,090	10,875
Earnings per share attributable to equity holders of the Bank (basic and diluted) (Rials Omani)	18	0.003	0.005

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 THREE-MONTH PERIOD ENDED 31 MARCH 2020

	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 2020	299,635	95,656	58,966	18,488	1,281	4,654	(709)	42,875	(627)	10,436	530,655	155,500	686,155
Profit for the period	-	-	-	-	-	-	-	-	-	8,795	8,795	-	8,795
Other comprehensive income for the period:													
Net changes of fair value reserve													
-FVOCI instruments	-	-	-	-	-	-	-	-	(5,838)	-	(5,838)	-	(5,838)
-FVOCI debt instruments (MIB)	-	-	-	-	-	-	-	-	(763)	-	(763)	-	(763)
other comprehensive income	-	-	-	-	-	-	-	-	(104)	-	(104)	-	(104)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(6,705)	8,795	2,090	-	2,090
Transfer to special impairment reserve IFRS 9	-	-	-	-	-	8,022	-	-	-	(8,022)	-	-	-
Revaluation perpetual additional Tier 1 coupon	-	-	-	-	-	-	-	-	-	-	-	30	30
Interest exchange cost on perpetual Tier 1 coupon	-	-	-	-	-	-	-	-	-	(9)	(9)	-	(9)
Transfer to retained earnings	-	-	-	-	-	-	-	(28,875)	-	28,875	-	-	-
Transactions with owners recorded directly in equity													
Cash Dividend for 2019	14	-	-	-	-	-	-	-	-	(8,989)	(8,989)	-	(8,989)
Bonus shares issued for 2019	14	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at 31 March 2020	299,635	95,656	58,966	18,488	1,281	12,676	(709)	14,000	(7,332)	31,086	523,747	155,530	679,277

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 THREE-MONTH PERIOD ENDED 31 March 2020 (CONTINUED)

	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructure loan	Special impairment reserve IFRS9	Special revaluation reserve IFRS9	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 2019	280,033	95,656	55,878	18,488	1,281	4,562	(709)	30,100	(1,789)	59,162	542,662	155,500	698,162
Profit for the period	-	-	-	-	-	-	-	-	-	12,607	12,607	-	12,607
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes of fair value through other comprehensive income	-	-	-	-	-	-	-	-	57	-	57	-	57
Total comprehensive income for the period	-	-	-	-	-	-	-	-	57	12,607	12,664	-	12,664
Transfer to IFRS 9 ECL	-	-	-	-	-	(4,562)	-	-	-	-	(4,562)	-	(4,562)
Additional Tier 1 coupon	-	-	-	-	-	-	-	-	-	(109)	(109)	-	(109)
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend for 2018	14	-	-	-	-	-	-	-	-	(28,003)	(28,003)	-	(28,003)
Bonus shares issued for 2018	14	19,602	-	-	-	-	-	-	-	(19,602)	-	-	-
Balances as at 31 March 2019 (Unaudited)	299,635	95,656	55,878	18,488	1,281	-	(709)	30,100	(1,732)	24,055	522,652	155,500	678,152

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 THREE-MONTH PERIOD ENDED 31 March 2020 (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
Balance at 1 January 2019		280,033	95,656	55,878	18,488	1,281	4,562	(709)	30,100	(1,789)	59,162	542,662	155,500	698,162
Profit for the year		-	-	-	-	-	-	-	-	-	30,244	30,244	-	30,244
Other comprehensive income for the year:														
Net changes in fair value reserve														
-FVOCI equity instrument	18(c)	-	-	-	-	-	-	-	-	(482)	-	(482)	-	(482)
-FVOCI debt instruments	18(c)	-	-	-	-	-	-	-	-	1,644	-	1,644	-	1,644
Total comprehensive income for the year		-	-	-	-	-	-	-	-	1,162	30,244	31,406	-	31,406
Reversal of special impairment reserve to IFRS 9 provision (Net Tax)	18(f)	-	-	-	-	-	(4,562)	-	-	-	-	(4,562)	-	(4,562)
Transfer to special impairment reserve IFRS 9	18(f)	-	-	-	-	-	4,654	-	-	-	(4,654)	-	-	-
Transfer to legal reserve	18(a)	-	-	3,024	-	-	-	-	-	-	(3,024)	-	-	-
Excess of receipts over right issue expenses	18(a)	-	-	64	-	-	-	-	-	-	-	64	-	64
Transfer to subordinated loan reserve		-	-	-	-	-	-	-	12,775	-	(12,775)	-	-	-
Transfer to sub-loan reserve	18(b)	-	-	-	-	-	-	-	-	-	-	-	-	-
Perpetual Tier 1 capital securities:														
-Proceeds from issuance		-	-	-	-	-	-	-	-	-	-	-	-	-
-Issuance cost		-	-	-	-	-	-	-	-	-	-	-	-	-
-Payment towards perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	(10,912)	(10,912)	-	(10,912)
Transactions with owners recorded directly in equity														
Issue of right shares		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	35	-	-	-	-	-	-	-	-	-	(28,003)	(28,003)	-	(28,003)
Bonus shares issued	35	19,602	-	-	-	-	-	-	-	-	(19,602)	-	-	-
Balances as at 31 December 2019		299,635	95,656	58,966	18,488	1,281	4,654	(709)	42,875	(627)	10,436	530,655	155,500	686,155

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

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	10,337	14,802
<i>Adjustment for:</i>		
Depreciation and amortisation	1,749	1,211
Net impairment on financial instruments	2,166	2,482
End of service benefits provision for the year	199	(21)
(Gain)/loss on sale of investments	(177)	-
Revaluation Losses	30	-
Operating profit before working capital changes	14,304	18,474
<i>Change in working capital:</i>		
Increase in due to banks	(88,123)	75,053
Increase in due from banks	137,526	(224,706)
Increase in loans & advances and financing	(131,697)	41,671
Net movement in Investment securities	(43,745)	(45,441)
(Increase) / Decrease in other assets	(23,443)	(9,494)
Increase in customer deposits	153,115	94,490
Increase in other liabilities	2,209	30,622
Cash used in operations	20,146	19,331
Taxes paid	(3,203)	(7,679)
End of service benefits paid	(88)	(7)
Net cash (used in) / from operating activities	16,855	(27,017)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,791)	(2,330)
Proceeds from sale of property and equipment	-	-
Net cash used in investing activities	(1,791)	(2,330)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) / proceeds from subordinated debt	(28,875)	-
Dividend paid	(8,989)	(28,003)
AT1 Coupon Cost	(9)	(109)
Net cash from financing activities	(37,873)	(28,112)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,809)	(57,459)
Cash and cash equivalents at 1 January	439,018	427,455
Cash and cash equivalents at 31 March	416,209	369,996
<i>Cash and cash equivalent comprise of:</i>		
Cash and balances with Central Bank of Oman	362,112	325,683
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks	54,902	52,341
Due to banks	(305)	(7,528)
	416,209	369,996
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BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

Reconciliation of liabilities and equity arising from financing activities:

	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000
Subordinated loan		
Balance at beginning of the period	63,875	63,875
Cash flows	(28,875)	-
Balance at end of the period	<u>35,000</u>	<u>63,875</u>
Retained earnings		
Balance at beginning of the period	10,436	59,162
Changes on initial application of IFRS 9	-	-
Profit for the period	8,795	12,607
Transfer to legal reserve	-	-
Transfer to Subordinate reserve	-	-
Transfer from Subordinate to retained earning	28,875	-
Additional Tier 1 coupon	(9)	(109)
Perpetual tier 1 capital securities issuance cost	-	-
Transfer to special reserve (IFRS 9)	(8,022)	-
Transfer to special reserve restructure	-	-
Bonus shares issued	-	(19,602)
Dividend transfer	(8,989)	(28,003)
Balance at end of the period	<u>31,086</u>	<u>24,055</u>

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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 70 branches (31 March 2019: 71 branches) which comprises of 10 Islamic branches (31 March 2019: 10 Islamic branches) and 60 conventional branches (31 March 2019: 61 conventional branches). The Bank’s Islamic Banking Window, Maisarah Islamic Banking Services has an allocated capital of RO 55 million from the core paid up capital of the shareholders. The Bank has a primary listing on the Muscat Securities Market (“MSM”) and the Bank’s Perpetual Tier 1 Capital Securities are listed on Euronext Dublin (Irish Stock Exchange). The principal place of business is the Head Office, Capital Business District (“CBD”), Muscat, Sultanate of Oman.

The Bank employed 1,579 employees as of 31 March 2020 (31 March 2019: 1,603 employees).

2 BASIS OF PREPARATION

2.1 Statement of compliance and basis of accounting

The unaudited interim condensed financial statements for the three-month period ended 31 March 2020 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), and should be read in conjunction with the Bank’s last annual financial statements as at and for the year ended 31 December 2019 (‘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 thousand 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.

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 2019.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Cash in hand	51,500	33,936	31,223
Balances with the Central Bank of Oman	260,549	196,267	171,007
Placements with Central Bank of Oman	50,063	95,480	98,175
	362,112	325,683	300,405

At 31 March 2020 cash and balances with Central bank of Oman includes capital deposit amounting to RO 500,000 (31 March 2019- RO 500,000 and 31 December 2019 – RO 500,000) 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 THREE-MONTH PERIOD ENDED 31 MARCH 2020

6. Loans, advances and financing to banks

	Unaudited	Unaudited	Audited
	31 March	31 March	31 December
	2020	2019	2019
	RO'000	RO'000	RO'000
Syndicated loans to other banks	111,486	105,954	86,662
Placements with other banks	114,182	363,684	343,997
Current clearing accounts	24,766	11,166	41,752
	<u>250,434</u>	<u>480,804</u>	<u>472,411</u>
Less: impairment allowance (collective)	(1,325)	(1,616)	(1,253)
Net loans, advances and financing	<u>249,109</u>	<u>250,434</u>	<u>471,158</u>

At 31 March 2020 No placement with any bank's individually represented 20% or more of the Bank's placements and (31 March 2019: Nil) and 31st December 2019: Nil).

7. Loans, advances and financing

(a) Conventional Banking

	Unaudited	Unaudited	Audited
	31 March	31 March	31 December
	2020	2019	2019
	RO'000	RO'000	RO'000
Loans	2,569,378	2,493,270	2,425,730
Overdraft	134,106	179,575	137,827
Loans against trust receipts	90,792	96,388	109,865
Bills discounted	42,972	69,621	46,898
Advances against credit cards	9,223	9,004	9,450
	<u>2,846,471</u>	<u>2,847,858</u>	<u>2,729,770</u>
Gross Loans, advances and financing to customers	<u>2,846,471</u>	<u>2,847,858</u>	<u>2,729,770</u>
Less: Impairment allowance including reserved interest	(117,512)	(139,567)	(112,425)
Net Loans, advances and financing to customers	<u>2,728,959</u>	<u>2,708,291</u>	<u>2,617,345</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

(b) Islamic Banking Window Financing	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Housing finance	163,824	158,955	162,731
Corporate finance	293,847	236,734	276,851
Consumer finance	12,571	11,148	12,245
Less: Impairment allowance	<u>470,242</u>	<u>406,837</u>	<u>451,827</u>
	(6,320)	(4,998)	(5,822)
Net financing to customers	<u>463,922</u>	<u>401,839</u>	<u>446,005</u>

(c) The movement in the impairment allowance is analysed below:	Unaudited 31 March 2020	Unaudited 31 March 2019	Audited 31 December 2019
i. Allowance for loan impairment			
1 January	94,078	79,308	79,308
Reversal of special impairment reserve to IFRS 9 provision	-	-	5,185
Allowance made during the period	6,341	8,815	30,151
Released to the profit or loss during the year during the period	(2,838)	(1,896)	(7,996)
Written off during the period	(10)	(3)	(12,570)
Balance at the end of the period	<u>97,571</u>	<u>86,224</u>	<u>94,078</u>
ii. Reserved interest			
1 January	24,169	55,793	55,793
Reserved during the period	2,867	3,288	12,519
Recoveries to profit or loss during the period	(745)	(642)	(1,623)
Written-off during the period	(30)	(98)	(42,520)
Balance at the end of the period	<u>26,261</u>	<u>58,341</u>	<u>24,169</u>
Total impairment allowance	<u>123,832</u>	<u>144,565</u>	<u>118,247</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

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

In accordance with CBO requirements, where the aggregate provision on portfolio & specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, is transferred to an impairment reserve as an appropriation from the retained earnings.

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

Disclosure requirements containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognized as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

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

		(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	2,268,805	31,174	11,492	19,682	2,237,631	2,257,313	-	-
	Stage 2	652,798	7,477	10,732	(3,255)	645,321	642,066	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		2,921,603	38,651	22,224	16,427	2,882,952	2,899,379	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	243,448	2,928	17,599	(14,671)	240,520	225,849	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		243,448	2,928	17,599	(14,671)	240,520	225,849	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	16,222	4,163	7,419	(3,256)	11,276	8,803	-	783
Subtotal		16,222	4,163	7,419	(3,256)	11,276	8,803	-	783
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	13,797	5,891	5,753	138	6,950	8,044	-	956
Subtotal		13,797	5,891	5,753	138	6,950	8,044	-	956
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	121,643	71,342	44,576	26,766	25,779	77,067	-	24,522
Subtotal		121,643	71,342	44,576	26,766	25,779	77,067	-	24,522
Total loans and advances		3,316,713	122,975	97,571	25,404	3,167,477	3,219,142	-	26,261
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,477,692	487	5,401	(4,914)	1,477,205	1,472,291	-	-
	Stage 2	398,106	-	7,814	(7,814)	398,106	390,292	-	-
	Stage 3	2,462	-	-	-	2,462	2,462	-	-
Subtotal		1,878,260	487	13,215	(12,728)	1,877,773	1,865,045	-	-
Total (31 March 2020)	Stage 1	3,746,497	31,661	16,893	14,768	3,714,836	3,729,604	-	-
	Stage 2	1,294,352	10,405	36,145	(25,740)	1,283,947	1,258,207	-	-
	Stage 3	154,124	81,396	57,748	23,648	72,728	96,376	-	26,261
	Total	5,194,973	123,462	110,786	12,676	5,071,511	5,084,187	-	26,261

* 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 THREE-MONTH PERIOD ENDED 31 MARCH 2020

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 as end of 31st March 2019

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held (6) = (4)-(5)	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	2,447,676	30,088	13,662	16,426	2,417,588	2,434,014	-	-
	Stage 2	413,465	5,109	7,523	(2,414)	408,356	405,942	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		2,861,141	35,197	21,185	14,012	2,825,944	2,839,956	-	-
Special Mention	Stage 1	117	1	-	1	116	117	-	-
	Stage 2	249,998	3,109	16,368	(13,259)	246,889	233,630	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		250,115	3,110	16,368	(13,258)	247,005	233,747	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	25,511	7,313	9,158	(1,845)	17,555	16,353	-	643
Subtotal		25,511	7,313	9,158	(1,845)	17,555	16,353	-	643
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	7,887	3,272	3,076	196	4,009	4,811	-	606
Subtotal		7,887	3,272	3,076	196	4,009	4,811	-	606
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	110,041	48,898	36,437	12,461	4,051	73,604	-	57,092
Subtotal		110,041	48,898	36,437	12,461	4,051	73,604	-	57,092
Total loans and advances		3,254,695	97,790	86,224	11,566	3,098,564	3,168,471	-	58,341
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	2,035,521	530	6,510	(5,980)	2,034,991	2,029,011	-	-
	Stage 2	395,669	-	8,551	(8,551)	395,669	387,118	-	-
	Stage 3	4,345	-	-	-	4,345	4,345	-	-
Subtotal		2,435,535	530	15,061	(14,531)	2,435,005	2,420,474	-	-
Total (31 March 2019)	Stage 1	4,483,314	30,619	20,172	10,447	4,452,695	4,463,142	-	-
	Stage 2	1,059,132	8,218	32,442	(24,224)	1,050,914	1,026,690	-	-
	Stage 3	147,784	59,483	48,671	10,812	29,960	99,113	-	58,341
	Total	5,690,230	98,320	101,285	(2,965)	5,533,569	5,588,945	-	58,341

* 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 THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

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

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

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	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	2,211,386	27,109	11,586	15,523	2,184,277	2,199,800	-	-
	Stage 2	581,389	7,668	8,281	(613)	573,721	573,108	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		2,792,775	34,777	19,867	14,910	2,757,998	2,772,908	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	240,240	5,194	17,776	(12,582)	235,046	222,464	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		240,240	5,194	17,776	(12,582)	235,046	222,464	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	19,899	5,245	8,723	(3,478)	13,905	11,176	-	749
Subtotal		19,899	5,245	8,723	(3,478)	13,905	11,176	-	749
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	57,340	24,413	18,313	6,100	29,579	39,027	-	3,348
Subtotal		57,340	24,413	18,313	6,100	29,579	39,027	-	3,348
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	71,343	43,227	29,399	13,828	8,044	41,944	-	20,072
Subtotal		71,343	43,227	29,399	13,828	8,044	41,944	-	20,072
Total loans and advances		3,181,597	112,856	94,078	18,778	3,044,572	3,087,519	-	24,169
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,722,430	428	5,909	(5,481)	1,722,002	1,716,521	-	-
	Stage 2	423,510	-	8,643	(8,643)	423,510	414,867	-	-
	Stage 3	2,452	-	-	-	2,452	2,452	-	-
Subtotal		2,148,392	428	14,552	(14,124)	2,147,964	2,133,840	-	-
Total (31st December 2019)	Stage 1	3,933,816	27,537	17,495	10,042	3,906,279	3,916,321	-	-
	Stage 2	1,245,139	12,862	34,700	(21,838)	1,232,277	1,210,439	-	-
	Stage 3	151,034	72,885	56,435	16,450	53,980	94,599	-	24,169
	Total	5,329,989	113,284	108,630	4,654	5,192,536	5,221,359	-	24,169

(d) Restructured Loans

In accordance with Central Bank of Oman (CBO) circular BM 1149, the mandatory regulatory impairment reserve is created when the provisions and reserve interest required as per CBO norms exceeds the impairment allowance as per IFRS. The impairment reserve is a yearly appropriation from the net profit after tax. The regulatory impairment reserve will not be available for payment of dividend or for inclusion in regulatory capital. Any subsequent utilisation of the impairment reserve would require prior approval of the CBO.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

(d) Restructured Loans (continued)

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

At 31 March 2020

(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	6,063	272	212	60	5,791	5,851	-	-
	Stage 2	61,116	3,070	4,428	(1,358)	58,046	56,688	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		67,179	3,342	4,640	(1,298)	63,837	62,539	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,433	2,698	1,782	916	658	2,651	-	1,077
Sub total		4,433	2,698	1,782	916	658	2,651	-	1,077
Total (31 March 2020)	Stage 1	6,063	272	212	60	5,791	5,851	-	-
	Stage 2	61,116	3,070	4,428	(1,358)	58,046	56,688	-	-
	Stage 3	4,433	2,698	1,782	916	658	2,651	-	1,077
	Total	71,612	6,040	6,422	(382)	64,495	65,190	-	1,077

* Net of provision and reserve interest as per CBO norms

Restructured loans 31st March 2019

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	5,302	53	240	(187)	5,249	5,062	-	-
	Stage 2	43,788	403	2,347	(1,944)	43,385	41,441	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		49,090	456	2,587	(2,131)	48,634	46,503	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,324	2,529	1,680	849	837	2,644	-	958
Sub total		4,324	2,529	1,680	849	837	2,644	-	958
Total (31 March 2019)	Stage 1	5,302	53	240	(187)	5,249	5,062	-	-
	Stage 2	43,788	403	2,347	(1,944)	43,385	41,441	-	-
	Stage 3	4,324	2,529	1,680	849	837	2,644	-	958
	Total	53,414	2,985	4,267	(1,282)	49,471	49,147	-	958

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

(e) Restructured Loans (continued)

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

At 31st December 2019

(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 (6) = (4)-(5)	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	5,941	56	14	42	5,885	5,927	-	-
	Stage 2	32,072	393	2,635	(2,242)	31,679	29,437	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		38,013	449	2,649	(2,200)	37,564	35,364	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,760	2,953	1,881	1,072	704	2,879	-	1,103
Sub total		4,760	2,953	1,881	1,072	704	2,879	-	1,103
Total (31 st December 2018)	Stage 1	5,941	56	14	42	5,885	5,927	-	-
	Stage 2	32,072	393	2,635	(2,242)	31,679	29,437	-	-
	Stage 3	4,760	2,953	1,881	1,072	704	2,879	-	1,103
	Total	42,773	3,402	4,530	(1,128)	38,268	38,243	-	1,103

* Net of provision and reserve interest as per CBO norms

31st March 2020

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net of recoveries)	-	2,166	(2,166)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	123,463	110,787	12,676
Gross NPL ratio	4.57%	4.57%	-
Net NPL ratio	1.33%	2.04%	(0.71%)

Gross NPL (Non-performing Loans) is 4.57% and Net NPL is 2.04% based on funded non-performing exposure over funded exposure (Net NPL exclude interest reserve and ECL Provision).

Note 1 : Excluding Interest Reserve RO 26,261 thousands .

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

(d) Restructured Loans (continued)

vi. Impairment charge and provisions held

Impairment charge and provisions held as 31st March 2019

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net of recoveries)	-	2,481	(2,481)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	98,320	101,285	(2,965)
Gross NPL ratio	4.35%	4.35%	-
Net NPL ratio	0.75%	1.11%	(0.33%)

Gross NPL (Non-performing Loans) is 4.35% and Net NPL is 1.11% based on funded non-performing exposure over funded exposure (Net NPL exclude interest reserve and ECL Provision).

Note 1 : Excluding Interest Reserve. RO 58,341 thousand.

31 st December 2019	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net of recoveries)	-	22,394	(22,394)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	113,284	108,630	4,654
Gross NPL ratio	4.67%	4.67%	-
Net NPL ratio	1.62%	2.14%	(0.52%)

Gross NPL (Non-performing Loans) is 4.67% and Net NPL is 2.14% based on funded non-performing exposure over funded exposure (Net NPL exclude interest reserve and ECL Provision).

Note 1 : Excluding Interest Reserve of RO 24,169 thousand.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

7. Loans, advances and financing to customers (continued) (e) Financial assets and financial liabilities (continued)

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at 31 March 2020:

	RO'000			
	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	56,869	-	-	56,869
Due from Banks	250,434	-	-	250,434
Sovereign	266,828	-	-	266,828
Investment Securities at amortized cost	20,927	-	-	20,927
Investment Securities at FVOCI	68,215	-	-	68,215
Loans and advances	2,268,805	896,246	151,662	3,316,713
Accrued profit	16,576	6,393	-	22,969
Total funded gross exposure	2,948,654	902,639	151,662	4,002,955
Letters of credit/guarantee	528,882	251,932	2,462	783,276
Acceptances	37,635	11,596	-	49,231
Loan commitment / unutilised limits	231,326	128,185	-	359,511
Total non-funded gross exposure	797,843	391,713	2,462	1,192,018
Total gross exposure	3,746,497	1,294,352	154,124	5,194,973
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	1,325	-	-	1,325
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	196	-	-	196
Loans and advances	11,492	28,331	57,748	97,571
Accrued profit	65	175	-	240
Total funded impairment	13,078	28,506	57,748	99,332
Letters of credit/guarantee	2,647	6,434	-	9,081
Acceptances	32	24	-	56
Loan commitment/unutilised limits	1,136	1,181	-	2,317
Total non-funded impairment	3,815	7,639	-	11,454
Total impairment	16,893	36,145	57,748	110,786
Net exposure				
Central Bank balances	56,869	-	-	56,869
Due from Banks	249,109	-	-	249,109
Sovereign	266,828	-	-	266,828
Investment Securities at amortized Cost	20,927	-	-	20,927
Investment Securities at FVOCI	68,019	-	-	68,019
Loans and advances	2,257,313	867,915	93,914	3,219,142
Accrued Profit	16,511	6,218	-	22,729
Total funded net exposure	2,935,576	874,133	93,914	3,903,623
Letter of credit/guarantee	526,235	245,498	2,462	774,195
Acceptances	37,603	11,572	-	49,175
Loan commitment / unutilised limits	230,190	127,004	-	357,194
Total net non-funded exposure	794,028	384,074	2,462	1,180,564
Total net exposure	3,729,604	1,258,207	96,376	5,084,187

Gross exposure of loans and advances of RO 151,662 thousand under stage 3 includes reserved interest of RO 26,261 thousand. Accordingly, the principal outstanding of RO 125,401 thousand was subject to ECL.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

(f) Financial assets and financial liabilities (continued)

(a) Classification of financial assets and liabilities

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2020				
- Due from banks	1,253	-	-	1,253
- Loans and advances to customers	11,586	26,057	56,435	94,078
- Investment securities at FVOCI (Debt)	186	-	-	186
- Loan commitments and financial guarantees	2,442	7,297	-	9,739
- Acceptances	78	18	-	96
- Unutilised	1,891	1,192	-	3,083
- Interest accrued	59	136	-	195
Total	17,495	34,700	56,435	108,630
Net transfer between stages				
- Loans and advances to customers	453	(1,669)	1,216	-
- Loan commitments and financial guarantees	77	(77)	-	-
	(4)	4	-	-
Total				
Charge for the Period (net)	526	(1,742)	1,216	-
- Due from banks				
- Loans and advances to customers	72	-	-	72
- Investment securities at FVOCI (Debt)	(547)	3,943	107	3,503
- Loan commitments and financial guarantees	10	-	-	10
- Acceptances	128	(786)	-	(658)
- Unutilised	(46)	6	-	(40)
- Interest accrued	(751)	(15)	-	(766)
Total	6	39	-	45
Written-off	(1,128)	3,187	107	2,166
			(10)	(10)
Closing Balance – as at 31 March 2020				
- Due from banks				
- Loans and advances to customers	1,325	-	-	1,325
- Investment securities at FVOCI (Debt)	11,492	28,331	57,748	97,571
- Loan commitments and financial guarantees	196	-	-	196
- Acceptances	2,647	6,434	-	9,081
- Unutilised	32	24	-	56
- Interest accrued	1,136	1,181	-	2,317
Total net exposure	65	175	-	240
	16,893	36,145	57,748	110,786

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

7. Loans, advances and financing to customers (continued) (e) Financial assets and financial liabilities (continued)

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at 31 March 2019: **RO'000**

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	95,480	-	-	95,480
Due from Banks	480,804	-	-	480,804
Sovereign	315,407	-	-	315,407
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	34,747	-	-	34,747
Loans and advances	2,447,793	663,463	143,439	3,254,695
Accrued profit	15,489	3,627	-	19,116
Total funded gross exposure	3,390,637	667,090	143,439	4,201,166
Letters of credit/guarantee	757,998	223,126	4,345	985,469
Acceptances	62,724	16,443	-	79,167
Loan commitment / unutilised limits	271,955	152,473	-	424,428
Total non-funded gross exposure	1,092,677	392,042	4,345	1,489,064
Total gross exposure	4,483,314	1,059,132	147,784	5,690,230
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	1,616	-	-	1,616
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	271	-	-	271
Loans and advances	13,662	23,891	48,671	86,224
Accrued profit	69	111	-	180
Total funded impairment	15,618	24,002	48,671	88,291
Letters of credit/guarantee	3,048	6,861	-	9,909
Acceptances	64	30	-	94
Loan commitment/unutilised limits	1,442	1,549	-	2,991
Total non-funded impairment	4,554	8,440	-	12,994
Total impairment	20,172	32,442	48,671	101,285
Net exposure				
Central Bank balances	95,480	-	-	95,480
Due from Banks	479,188	-	-	479,188
Sovereign	315,407	-	-	315,407
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	34,476	-	-	34,476
Loans and advances	2,434,131	639,572	94,768	3,168,471
Accrued Profit	15,420	3,516	-	18,936
Total funded net exposure	3,375,019	643,088	94,768	4,112,875
Letter of credit/guarantee	754,950	216,265	4,345	975,560
Acceptances	62,660	16,413	-	79,073
Loan commitment / unutilised limits	270,513	150,924	-	421,437
Total net non-funded exposure	1,088,123	383,602	4,345	1,476,070
Total net exposure	4,463,142	1,026,690	99,113	5,588,945

Gross exposure of loans and advances of RO 143,439 thousands under stage 3 includes reserved interest of RO 58,341 thousand. Accordingly, the principal outstanding of RO 85,098 was subject to ECL.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

(g) Financial assets and financial liabilities (continued)

(b) Classification of financial assets and liabilities

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2019				
- Due from banks	837	-	-	837
- Loans and advances to customers	13,350	29,743	41,400	84,493
- Investment securities at FVOCI (Debt)	266	-	-	266
- Loan commitments and financial guarantees	3,258	6,722	-	9,980
- Acceptances	92	35	-	127
- Unutilised	1,343	1,596	-	2,939
- Interest accrued	61	103	-	164
Total	19,207	38,199	41,400	98,806
Net transfer between stages				
- Loans and advances to customers	1,452	(2,371)	919	-
- Loan commitments and financial guarantees	(71)	71	-	-
	(31)	31	-	-
Total	1,350	(2,269)	919	-
Charge for the Period (net)				
- Due from banks	779	-	-	779
- Loans and advances to customers	(1,140)	(3,481)	6,355	1,734
- Investment securities at FVOCI (Debt)	5	-	-	5
- Loan commitments and financial guarantees	(139)	68	-	(71)
- Acceptances	(28)	(5)	-	(33)
- Unutilised	130	(78)	-	52
- Interest accrued	8	8	-	16
Total	(385)	(3,488)	6,355	2,482
Written-off			(3)	(3)
Closing Balance – as at 31 March 2019				
- Due from banks	1,616	-	-	1,616
- Loans and advances to customers	13,662	23,891	48,671	86,224
- Investment securities at FVOCI (Debt)	271	-	-	271
- Loan commitments and financial guarantees	3,048	6,861	-	9,909
- Acceptances	64	30	-	94
- Unutilised	1,442	1,549	-	2,991
- Interest accrued	69	111	-	180
Total net exposure	20,172	32,442	48,671	101,285

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

7. Loans, advances and financing to customers (continued) (e) Financial assets and financial liabilities (continued)

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at 31 December 2019:

	<i>RO'000</i>			
	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	131,583	-	-	131,583
Due from Banks	472,411	-	-	472,411
Sovereign	196,415	-	-	196,415
Investment Securities at amortized cost	20,927	-	-	20,927
Investment Securities at FVOCI	60,545	-	-	60,545
Loans and advances	2,211,386	821,629	148,582	3,181,597
Accrued profit	13,535	4,690	-	18,225
Total funded gross exposure	3,106,802	826,319	148,582	4,081,703
Letters of credit/guarantee	524,725	283,753	2,452	810,930
Acceptances	44,675	10,892	-	55,567
Loan commitment / unutilised limits	257,614	124,175	-	381,789
Total non-funded gross exposure	827,014	418,820	2,452	1,248,286
Total gross exposure	3,933,816	1,245,139	151,034	5,329,989
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	1,253	-	-	1,253
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	186	-	-	186
Loans and advances	11,586	26,057	56,435	94,078
Accrued profit	59	136	-	195
Total funded impairment	13,084	26,193	56,435	95,712
Letters of credit/guarantee	2,442	7,297	-	9,739
Acceptances	78	18	-	96
Loan commitment/unutilised limits	1,891	1,192	-	3,083
Total non-funded impairment	4,411	8,507	-	12,918
Total impairment	17,495	34,700	56,435	108,630
Net exposure				
Central Bank balances	131,583	-	-	131,583
Due from Banks	471,158	-	-	471,158
Sovereign	196,415	-	-	196,415
Investment Securities at amortized Cost	20,927	-	-	20,927
Investment Securities at FVOCI	60,359	-	-	60,359
Loans and advances	2,199,800	795,572	92,147	3,087,519
Accrued Profit	13,476	4,554	-	18,030
Total funded net exposure	3,093,718	800,126	92,147	3,985,991
Letter of credit/guarantee	522,283	276,456	2,452	801,191
Acceptances	44,597	10,874	-	55,471
Loan commitment / unutilised limits	255,723	122,983	-	378,706
Total net non-funded exposure	822,603	410,313	2,452	1,235,368
Total net exposure	3,916,321	1,210,439	94,599	5,221,359

Gross exposure of loans and advances of RO 148,582 thousand under stage 3 includes reserved interest of RO 24,168 thousand. Accordingly, the principal outstanding of RO 124,414 thousand was subject to ECL.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

(e) Financial assets and financial liabilities (continued)

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance– as at 1 January 2019				
- Due from banks	837	-	-	837
- Loans and advances to customers	13,350	29,743	41,400	84,493
- Investment securities at FVOCI (Debt)	266	-	-	266
- Loan commitments and financial guarantees	3,258	6,722	-	9,980
- Acceptances	92	35	-	127
- Unutilised	1,343	1,596	-	2,939
- Interest Accrued	61	103	-	164
Total	19,207	38,199	41,400	98,806
Net transfer between stages				
- Loans and advances to customers	1,297	(4,726)	3,429	-
- Loan commitments and financial guarantees	(18)	18	-	-
- Acceptances	5	(5)	-	-
- Unutilised	(11)	11	-	-
- Interest accrued	-	-	-	-
Total	1,273	(4,702)	3,429	-
Charge for the Period (net)				
- Due from banks	416	-	-	416
- Loans and advances to customers	(3,061)	1,040	24,176	22,155
- Investment securities at FVOCI (Debt)	(80)	-	-	(80)
- Loan commitments and financial guarantees	(798)	557	-	(241)
- Acceptances	(19)	(12)	-	(31)
- Unutilised	559	(415)	-	144
- Interest accrued	(2)	33	-	31
Total	(2,985)	1,203	24,176	22,394
Written-off during the year	-	-	(12,570)	-
Closing Balance – as at 31 December 2019				
- Due from banks	1,253	-	-	1,253
- Loans and advances to customers	11,586	26,057	56,435	94,078
- Investment securities at FVOCI (Debt)	186	-	-	186
- Loan commitments and financial guarantees	2,442	7,297	-	9,739
- Acceptances	78	18	-	96
- Unutilised	1,891	1,192	-	3,083
- Interest accrued	59	136	-	195
Total net exposure	17,495	34,700	56,435	108,630
(a) Classification of financial assets and financial liabilities				

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

(e) Financial assets and financial liabilities (continued)

(b) Classification of financial assets and financial liabilities

31 st March 2020	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	RO'000
				RO'000		Total carrying amount
Cash and balances with CBO	5	-	-	-	362,112	362,112
Loans and advances to banks	6	-	-	-	249,109	249,109
Loans and advances to customers	7	-	-	-	3,192,881	3,192,881
Investment securities	8	3,936	78,029	3,447	330,357	415,769
Other assets		1,479	-	-	112,272	113,751
		5,415	78,029	3,447	4,246,731	4,333,622
Due to banks	11	-	-	-	402,049	402,049
Deposits from customers	12	-	-	-	3,096,303	3,096,303
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		-	-	-	120,560	120,560
		-	-	-	3,653,912	3,653,912

Other Assets includes RO 1,479 thousands of derivatives financial instruments mandatorily measured at FVPTL.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31ST MARCH 2020

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

(e) Financial assets and financial liabilities (continued)

(b) Classification of financial assets and financial liabilities

31 st March 2019	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	Total carrying amount
RO'000						
Cash and balances with CBO	5	-	-	-	325,683	325,683
Loans and advances to banks	6	-	-	-	479,188	479,188
Loans and advances to customers	7	-	-	-	3,110,130	3,110,130
Investment securities	8	4,066	46,307	3,727	295,730	349,830
Other assets		-	-	-	109,088	109,088
		4,066	46,307	3,727	4,319,819	4,373,919
Due to banks	11	-	-	-	451,097	451,097
Deposits from customers	12	-	-	-	3,018,994	3,018,994
Subordinated liabilities	13	-	-	-	63,875	63,875
Other liabilities		181	-	-	131,896	132,077
		181	-	-	3,665,862	3,666,043

31 December 2019	Notes	FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	300,405	300,405
Loans and advances to banks	6	-	-	-	471,158	471,158
Loans and advances to customers	7	-	-	-	3,063,350	3,063,350
Investment securities	8	4,263	3,643	70,370	300,275	378,551
Other assets	11	1,435	-	-	88,834	90,269
		5,698	3,643	70,370	4,224,022	4,303,733
Due to banks	12	-	-	-	490,179	490,179
Deposits from customers	13	-	-	-	2,943,188	2,943,188
Subordinated liabilities	15	-	-	-	63,875	63,875
Other liabilities	14	-	-	-	116,649	116,649
		-	-	-	3,613,891	3,613,891

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

8. Investments securities

	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Equity investments:			
Measured at FVTPL	1,749	1,759	1,884
Measured at FVOCI	3,447	3,727	3,643
Gross equity investments	5,196	5,486	5,527
Less: Impairment losses on investments		-	-
Net equity investments	5,196	5,486	5,527
Debt investments:			
Designated at FVTPL	2,187	2,307	2,379
Measured at FVOCI	78,225	46,578	70,556
Measured at amortized cost	330,357	295,730	300,275
Gross debt investments	410,769	344,615	373,210
Total investment securities	415,965	350,101	378,737
Less: Impairment loss allowance	(196)	(271)	(186)
Total investment securities	415,769	349,830	378,551
	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Investment securities measured as at FVTPL	3,936	4,066	4,263
Investment securities measured at FVOCI	81,476	50,034	74,013
Debt investments measured at amortised cost	330,357	295,730	300,275
	415,769	349,830	378,551

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 31 st March 2020 (Unaudited)	FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	943	-	943
Unit funds	-	-	-	-
Financial services sector	-	146	-	146
Industrial sector	-	1,598	-	1,598
	-	2,687	-	2,687
Unquoted Equities:				
Local securities	-	760	-	760
Unit funds	1,749	-	-	1,749
	1,749	760	-	2,509
Gross Equity investments	1,749	3,447	-	5,196
Quoted Debt:				
Government Bonds and Sukuk	-	48,818	300,357	349,175
Foreign Bonds	2,187	375	-	2,562
Local Bonds and Sukuks	-	29,032	-	29,032
Treasury Bills	-	-	30,000	30,000
Gross debt investments	2,187	78,225	330,357	410,769
Total Investment Securities	3,936	81,672	330,357	415,965
Less: Impairment losses on investments	-	(196)	-	(196)
	3,936	81,476	330,357	415,769

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 2020	70,555	3,643	300,275	4,263	378,736
Exchange difference	4	-	-	-	4
Additions	15,565	-	30,082	-	45,647
Disposals and redemption (Loss) from change in fair value	(1,477)	-	-	(155)	(1,632)
	(6,402)	(199)	-	(172)	(6,773)
Amortization of discount / premium	(17)	-	-	-	(17)
Total Investment Securities	78,228	3,444	330,357	3,936	415,965
Less: Impairment losses on investments	(196)	-	-	-	(196)
At 31 March 2020	78,032	3,444	330,357	3,936	415,769

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 31 st March 2019 (Unaudited)	FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	1,052	-	1,052
Unit funds	157	-	-	157
Financial services sector	-	230	-	230
Industrial sector	-	1,724	-	1,724
	<u>157</u>	<u>3,006</u>	<u>-</u>	<u>3,163</u>
Unquoted Equities:				
Local securities	-	721	-	721
Unit funds	1,602	-	-	1,602
	<u>1,602</u>	<u>721</u>	<u>-</u>	<u>2,323</u>
Gross Equity investments	<u>1,759</u>	<u>3,727</u>	<u>-</u>	<u>5,486</u>
Quoted Debt:				
Government Bonds and Sukuk	-	13,586	250,730	264,316
Foreign Bonds	2,307	2,957	-	5,264
Local bonds and Sukuk	-	30,035	-	30,035
Treasury Bills	-	-	45,000	45,000
Gross Debt Investment	<u>2,307</u>	<u>46,578</u>	<u>295,730</u>	<u>344,615</u>
Total Investment Securities	4,066	50,305	295,730	350,101
Less: FRS 9 ECL Impairment losses on Investments	-	(271)	-	(271)
	<u>4,066</u>	<u>50,034</u>	<u>295,730</u>	<u>349,830</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 2019	45,412	4,118	250,917	4,140	304,587
Additions	717	-	44,813	-	45,530
Disposals and redemption	-	-	-	(77)	(77)
Gain /(loss) from change in fair value	449	(391)	-	3	61
Realised gains on sale	<u>46,578</u>	<u>3,727</u>	<u>295,730</u>	<u>4,066</u>	<u>350,101</u>
At 31 March 2019	46,578	3,727	295,730	4,066	350,101
Less: Impairment losses on investments	(271)	-	-	-	(271)
31 March 2019	<u>46,307</u>	<u>3,727</u>	<u>295,730</u>	<u>4,066</u>	<u>349,830</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 31 December 2019	FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	1,082	-	1,082
Unit funds	153	-	-	153
Financial services sector	-	155	-	155
Industrial sector -	-	1,685	-	1,685
	<u>153</u>	<u>2,922</u>	<u>-</u>	<u>3,075</u>
Unquoted Equities:				
Local securities	-	721	-	721
Unit funds	1,731	-	-	1,731
	<u>1,731</u>	<u>721</u>	<u>-</u>	<u>2,452</u>
Gross Equity investments	<u>1,884</u>	<u>3,643</u>	<u>-</u>	<u>5,527</u>
Quoted Debt:				
Government Bonds and sukuk	-	41,127	269,358	310,485
Foreign Bonds	2,379	393	-	2,772
Local bonds and sukuks	-	29,036	917	29,953
Treasury Bills	-	-	30,000	30,000
Gross debt investments	<u>2,379</u>	<u>70,556</u>	<u>300,275</u>	<u>373,210</u>
Total Investment Securities	<u>4,263</u>	<u>74,199</u>	<u>300,275</u>	<u>378,737</u>
Less: Impairment losses on investments	-	(186)	-	(186)
	<u>4,263</u>	<u>74,013</u>	<u>300,275</u>	<u>378,551</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 2019	45,413	4,118	250,927	4,140	304,598
Additions	50,418	7	179,371	88	229,884
Disposals and redemption	(26,948)	-	(130,023)	(77)	(157,048)
Gain /(loss) from change in fair value	1,681	(482)	-	112	1,311
Realised gains on sale	(8)	-	-	-	(8)
At 31 December 2019	<u>70,556</u>	<u>3,643</u>	<u>300,275</u>	<u>4,263</u>	<u>378,737</u>
Less: Impairment losses on investments	(186)	-	-	-	(186)
31 December 2019	<u><u>70,370</u></u>	<u><u>3,643</u></u>	<u><u>300,275</u></u>	<u><u>4,263</u></u>	<u><u>378,551</u></u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

9. Intangible asset

	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Goodwill net of impairment	<u>298</u>	<u>695</u>	<u>397</u>

Intangible asset represents goodwill which resulted from the acquisition of branches of the Commercial Bank of Oman in the year 2001 and merger with Majan International Bank in the year 2003. Goodwill is tested for impairment each year. An assessment has been made to establish projected future cash flows associated with the cash generating unit (CGU) by using discount rate equivalent to cost of funds of the Bank.

10. Property and equipment

	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Conventional	18,273	14,873	18,025
Islamic window	1,040	1,262	1,147
	<u>19,313</u>	<u>16,135</u>	<u>19,172</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

11. Due to banks

	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Syndicated Inter bank borrowings	250,315	154,000	192,500
Interbank borrowings	151,429	289,569	297,368
Payable on demand	305	7,528	311
	<u>402,049</u>	<u>451,097</u>	<u>490,179</u>

At 31 March 2020, One borrowing with any banks represented 20% or more of the Bank's total inter-bank borrowings (31 March 2019 and 31 December 2019: One). 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 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Current accounts	792,615	705,784	621,320
Savings accounts	471,268	458,246	457,380
Time and certificate deposits	1,436,697	1,513,871	1,449,677
Margin accounts	10,383	15,949	9,590
	<u>2,710,963</u>	<u>2,693,850</u>	<u>2,537,967</u>

Deposits from customers - Islamic Banking

	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Current accounts	126,013	49,458	112,498
Savings accounts	41,741	36,619	39,319
Time deposits	213,740	236,920	253,404
Margin accounts	3,846	2,147	-
	<u>385,340</u>	<u>325,144</u>	<u>405,221</u>

Consolidated Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,306.27 million (31st March 2019 - RO 1,306.5 million, 31 December 2019 - RO 1,160.6 million)

13. Subordinated loan

“Subordinated loan-US Dollars, RO 28,875 thousands was repaid during the period ended 31 March 2020, upon maturity of the loan, corresponding subordinated loan reserve has been transferred to retained earnings”

	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Subordinated loan - US Dollar	-	28,875	28,875
Subordinated loan - RO	35,000	35,000	35,000
	<u>35,000</u>	<u>63,875</u>	<u>63,875</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

14. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (2019: 5,000,000,000 shares of RO 0.100 each).

The Board of Directors in their meeting held on 28th January 2020 proposed a total cash dividend of 7% (RO 20.98 million) for the year 2019 (2018: 10%, RO 28 million), made up of a) 3% (amounting to RO 8.99 million) from the Retained Earnings and b) 4% (amounting to RO 11.99 million) from the Special Reserve Account and nil bonus shares issue for year 2019 (2018: 7%), (2018: 196,022,991 shares) of RO 0.100 each, subject to the approval of Central Bank of Oman (CBO) and shareholders. CBO approved only the 3% cash dividend component of the total proposed 7% cash dividend. A resolution to approve these distributions was planned to be presented to the shareholders at the Annual General Meeting (AGM) to be held on 23 March 2020. Given the coronavirus (Covid19) pandemic, the planned AGM could not be held and the Capital Market Authority issued guidelines for the listed entities to pay the cash dividend and obtain ratification of the shareholders as and when the AGM could be held before 30 June 2020, accordingly the 3% cash dividends were paid in March 2020.

Shareholders

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

	Unaudited 31st March 2020		Unaudited 31st March 2019		Audited 31st December 2019	
	No of shares	%	No of shares	%	No. of shares	%
Dhofar International Development and Investment Company SAOG	730,570,498	24.4%	730,570,499	24.4%	730,570,498	24.4%
Eng. Abdul Hafidh Salim Rajab Al Ojaili and his related Companies	702,668,215	23.5%	702,668,218	23.5%	702,668,215	23.4%
Civil Service Employees Pension Fund	313,467,653	10.5%	312,697,108	10.4%	314,256,261	10.5%
Total	1,746,706,366	58.4%	1,745,935,825	58.3%	1,747,494,974	58.3%
Others	1,249,645,070	41.6%	1,250,415,611	41.7%	1,248,856,462	41.7%
	2,996,351,436	100%	2,996,351,436	100%	2,996,351,436	100%

The Bank's Islamic Banking Window, "Maisarah" Islamic Banking Services has an allocated capital of RO 55 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 31st March 2020.

Tier 1 USD Securities

On 27 May 2015, the Bank issued Perpetual Tier 1 USD Capital Securities (the "Tier 1 USD Securities"), amounting to USD 300,000 thousand. The Tier 1 USD Securities are listed on Irish Stock Exchange.

The Tier 1 USD Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 USD Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion on 27 May 2020 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

14. Share capital (Continued)

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

Tier 1 RO Securities

On 27 December 2018, the Bank issued additional Perpetual Tier 1 Capital Securities (the “Tier 1 RO Securities”), amounting to RO 40,000 thousand. The Tier 1 RO Securities are listed on Muscat Securities Market.

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

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

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

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

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 31 March 2020	Unaudited 31 March 2019	Audited 31 December 2019
Net assets (RO)	523,747,000	522,652,000	530,655,000
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)	0.175	0.174	0.177

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

16. Interest income

	Unaudited March 2020 RO'000	Unaudited March 2019 RO'000
Conventional Banking		
Loans and advances	37,555	39,134
Due from banks	2,820	4,204
Investments	128	175
Total	<u><u>40,503</u></u>	<u><u>43,513</u></u>
	Unaudited March 2020 RO'000	Unaudited March 2019 RO'000
Islamic Banking		
Islamic financing receivables	6,552	5,637
Islamic due from banks	12	18
Total	<u><u>6,564</u></u>	<u><u>5,655</u></u>

17. Interest expense / distribution to depositors

	Unaudited March 2020 RO'000	Unaudited March 2019 RO'000
Conventional Banking		
Customers' deposits		
Subordinated liabilities / mandatory convertible bonds	(18,807)	(18,187)
Bank borrowings	(2,982)	(1,958)
Total	<u><u>(21,789)</u></u>	<u><u>(20,145)</u></u>
	Unaudited March 2020 RO'000	Unaudited March 2019 RO'000
Islamic Banking		
Islamic financing receivables	(3,215)	(2,891)
Islamic Bank borrowing	(506)	(198)
Total	<u><u>(3,721)</u></u>	<u><u>(3,089)</u></u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

18. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per share is based on profit for the three-month period ended 31st March 2020 attributable to ordinary shareholders as follows:

	Unaudited 31 March 2020	Unaudited 31 March 2019
Profit for the period (RO)	8,795	12,607
Less : Additional Tier 1 Coupon	(9)	(109)
Profit for the period attributable to equity holders of the Bank	<u>8,786</u>	<u>12,498</u>
Weighted average number of shares outstanding during the period	<u>2,996,351,436</u>	<u>2,634,509,331</u>
Earnings per share basic and diluted (RO)	<u>0.003</u>	<u>0.005</u>

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

For the purpose of earning per share calculation, the Bank has restated the previous year weighted average number of shares outstanding to include the 7% bonus shares of 196,022,991 shares issued in the first quarter of 2019.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Loans, advances and financing			
Directors and shareholders holding 10% or more interest in the Bank	43,442	31,966	42,445
Other related parties	26,005	26,932	25,755
	69,447	58,898	68,200
Subordinated loans			
Directors and shareholders holding 10% or more interest in the Bank	15,000	23,663	23,663
Other related parties	14,000	19,775	19,775
	29,000	43,438	43,438
Deposits and other accounts			
Directors and shareholders holding 10% or more interest in the Bank	197,280	144,552	125,597
Other related parties	242,878	186,065	213,739
	440,158	330,617	339,336
Contingent liabilities and commitments			
Directors and shareholders holding 10% or more interest in the Bank	3,408	193	3,305
Other related parties	5,805	6,686	5,201
	9,213	6,879	8,506
Remuneration paid to Directors			
Chairman			
– remuneration paid	15	16	15
– sitting fees paid	2	5	10
Other Directors			
– remuneration paid	100	108	100
– sitting fees paid	23	30	75
	140	159	200
Other transactions			
Rental payment to related parties	134	134	564
Other transactions	694	755	2,894
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	42	36	48

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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:

(a) Senior members

Total exposure:			
Direct	75,657	63,964	74,534
Indirect	9,212	6,879	8,507
	<u>84,869</u>	<u>70,843</u>	<u>83,041</u>
Number of members	41	47	47

20. Contingent liabilities

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

	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Letters of credit	80,345	104,096	88,954
Guarantees and performance bonds	702,931	881,373	721,976
	<u>783,276</u>	<u>985,469</u>	<u>810,930</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

21. Disaggregation of net fees and commission income

As of 31 March 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	961	0	(49)	912
Trade services	6	2,283	164	2,453
Syndication and other financing related services	176	340	32	548
Advisory and asset management services	0	42	80	122
Net fee and commission income	1,143	2,665	227	4,035

Disaggregation of net fees and commission income

As of 31 March 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	933	945	19	1,896
Trade services	-	1,539	231	1,770
Syndication and other financing related services	241	452	40	733
Advisory and asset management services	-	55	57	112
Net fee and commission income	1,174	2,991	347	4,512

Disaggregation of net fees and commission income

As of 31 st December 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	3,400	-	62	3,462
Trade services	13	8,130	279	8,422
Syndication and other financing related services	862	2,608	202	3,672
Advisory and asset management services	-	263	209	472
Net fee and commission income	4,275	11,001	752	16,028

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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:

(iii) Credit Risk

Customer concentrations

	Assets			Liabilities		
	Gross loans and financing to banks	Gross Loans, advances and financing to customers	Investment Securities	Deposits from customers	Due to banks	Contingent liabilities
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 March 2020						
Personal	-	1,269,474	-	649,969	-	7,498
Corporate	250,434	1,795,622	36,790	1,140,061	397,049	761,291
Government	-	251,617	379,175	1,306,273	5,000	14,487
	250,434	3,316,713	415,965	3,096,303	402,049	783,276
31 March 2019						
Personal	-	1,347,723	-	623,015	-	168
Corporate	480,804	1,629,039	40,783	1,089,528	451,097	966,883
Government	-	277,933	309,318	1,306,451	-	18,418
	480,804	3,254,695	350,101	3,018,994	451,097	985,469
31 December 2019						
Personal	-	1,286,585	-	641,452	-	3,875
Corporate	472,411	1,646,270	37,335	1,141,100	490,179	788,609
Government	-	248,742	341,402	1,160,636	-	18,446
	472,411	3,181,597	378,737	2,943,188	490,179	810,930

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31ST MARCH 2020

Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for three-month period ended 31st March 2020 is 17.18% (31st March 2019 – 17.04%, 31 December 2019 – 17.86%).

Capital structure	Unaudited 31 March 2020 RO'000	Unaudited 31 March 2019 RO'000	Audited 31 December 2019 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	299,635	299,635	299,635
Legal reserve	58,966	55,878	58,966
Share premium	95,656	95,656	95,656
Special reserve	18,488	18,488	18,488
Subordinated bonds and loan reserve	14,000	30,100	42,875
Retained earnings	22,291	11,448	1,447
CET I/Tier I Capital	<u>509,036</u>	<u>511,205</u>	<u>517,067</u>
Additional Tier I regulatory adjustments:			
Deferred tax Assets	(1,028)	(1,028)	(1,028)
Goodwill	(298)	(695)	(397)
Special revaluation reserve investment IFRS9	(709)	(709)	-
Negative investment revaluation reserve	<u>(6,988)</u>	<u>(1,749)</u>	<u>(2,245)</u>
Total CET 1 capital	<u>500,013</u>	<u>507,024</u>	<u>513,397</u>
Additional Tier I capital (AT1)	<u>155,530</u>	<u>155,500</u>	<u>155,500</u>
Total Tier 1 Capital (T1=CET1+AT1)	<u>655,543</u>	<u>662,524</u>	<u>668,897</u>
TIER II CAPITAL			
Investment revaluation reserve	149	146	370
General provision	31,352	39,626	38,315
Subordinated loan	<u>21,000</u>	<u>33,775</u>	<u>21,000</u>
Total Tier II capital	<u>52,501</u>	<u>73,547</u>	<u>59,685</u>
Total eligible capital	<u>708,044</u>	<u>736,071</u>	<u>728,582</u>
Risk weighted assets			
Banking book	3,767,861	3,957,678	3,671,420
Trading book	89,312	103,415	143,412
Operational risk	<u>263,487</u>	<u>258,086</u>	<u>263,487</u>
Total	<u>4,120,660</u>	<u>4,319,179</u>	<u>4,078,319</u>
Total Tier 1 Capital (T1=CET1+AT1)	<u>655,543</u>	<u>662,524</u>	<u>668,897</u>
Tier II capital	<u>52,501</u>	<u>73,547</u>	<u>59,685</u>
Total regulatory capital	<u>708,044</u>	<u>736,071</u>	<u>728,582</u>
Common Equity Tier 1 ratio	<u>12.13%</u>	<u>11.74%</u>	<u>12.59%</u>
Tier I capital ratio	<u>15.91%</u>	<u>15.34%</u>	<u>16.40%</u>
Total capital ratio	<u>17.18%</u>	<u>17.04%</u>	<u>17.86%</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31ST MARCH 2020

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 31 st March 2020	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial asset					
Investments at FVOCI	81,830	-	760	82,589	90,046
Investments at FVTPL	2,187	-	1,749	3,936	4,404
Total assets	84,016	-	2,509	86,525	94,450
At 31st March 2019	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial assets					
Investments at FVOCI	49,313	721	-	50,034	52,632
Investments at FVTPL	2,307	1,759	-	4,066	4,458
Total assets	51,620	2,480	-	54,100	57,090
At 31 December 2019	Level 1 RO '000	Level 2 RO '000	Level 3 RO '000	Total RO '000	Cost RO '000
Financial assets					
Investments at FVOCI	73,478	-	721	74,199	74,825
Investments at FVTPL	2,532	-	1,731	4,263	4,485
Derivative financial instruments					
Forward foreign exchange contracts	-	1,435	-	1,435	-
Total	-	1,435	-	1,435	-
	76,010	1,435	2,452	79,897	79,310

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 THREE-MONTH PERIOD ENDED 31ST MARCH 2020

24. Fair value information

At 31 March 2020	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
<i>Derivatives:</i>			
Currency forward - purchase contracts	1,577,166	1,787	-
Currency forward - sales contracts	1,566,688		306
Interest rate swaps – purchase contracts	286,108	10,630	-
Interest rate swaps – sales contracts	286,108	-	10,630
Fair value increase / decrease			
<hr/>			
At 31 March 2019	Contract / notional amount RO'000	Assets RO'000	Liabilities RO'000
<i>Derivatives:</i>			
Currency forward - purchase contracts	1,512,576	-	2,216
Currency forward - sales contracts	1,505,196	2,003	-
Interest rate swaps – purchase contracts	40,005	154	-
Interest rate swaps – sales contracts	40,005	-	154
Fair value increase / decrease			
<hr/>			
At 31 December 2019	Contract / notional amount RO'000	Assets RO'000	Liabilities RO'000
<i>Derivatives:</i>			
Currency forward - purchase contracts	1,299,659	3,150	-
Currency forward - sales contracts	1,292,127	-	1,715
Interest rate swaps – purchase contracts	83,244	3,419	-
Interest rate swaps – sales contracts	83,244	-	3,419
Currency options bought	321	-	-
Currency options sold	321	-	-

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31ST MARCH 2020

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 THREE-MONTH PERIOD ENDED 31ST MARCH 2020

25. Segmental information (continued)

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

At 31st March 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	18,380	25,709	2,978	47,067
Other revenues	1,143	2,665	5,702	9,510
Total	<u>19,523</u>	<u>28,374</u>	<u>8,680</u>	<u>56,577</u>
Interest, Islamic Window Deposit expenses	<u>(8,223)</u>	<u>(13,809)</u>	<u>(3,478)</u>	<u>(25,510)</u>
Net operating income	<u>11,300</u>	<u>14,565</u>	<u>5,202</u>	<u>31,067</u>
Segment cost				
Operating expenses including depreciation	(8,934)	(8,195)	(1,435)	(18,564)
Impairment for loans and investment net recoveries from allowance for loans impairment	(960)	(997)	(209)	(2,166)
Profit from operations after provision	<u>1,406</u>	<u>5,373</u>	<u>3,558</u>	<u>10,337</u>
Tax expenses	<u>(210)</u>	<u>(801)</u>	<u>(531)</u>	<u>(1,542)</u>
Profit for the period	<u>1,196</u>	<u>4,572</u>	<u>3,027</u>	<u>8,795</u>
Segment assets	<u>1,406,292</u>	<u>2,308,345</u>	<u>766,690</u>	<u>4,481,327</u>
Less: Impairment allowance	<u>(56,767)</u>	<u>(67,298)</u>	<u>(1,525)</u>	<u>(125,590)</u>
Total segment assets	<u>1,349,525</u>	<u>2,241,047</u>	<u>765,165</u>	<u>4,355,737</u>
Segment liabilities	<u>682,035</u>	<u>2,542,810</u>	<u>451,615</u>	<u>3,676,460</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31ST MARCH 2020

25. Segmental information (continued)

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

At 31st March 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	2,342	4,210	12	6,564
Other revenues	58	222	890	1,170
	<u>2,400</u>	<u>4,432</u>	<u>902</u>	<u>7,734</u>
Unrestricted investment account holders' share of profit and profit expense	(719)	(2,496)	(506)	(3,721)
	<u>1,681</u>	<u>1,936</u>	<u>396</u>	<u>4,013</u>
Segment cost				
Operating expenses including depreciation	(616)	(1,040)	(270)	(1,926)
Impairment allowance	(161)	(360)	(9)	(530)
	<u>904</u>	<u>536</u>	<u>117</u>	<u>1,557</u>
Segment assets	176,974	300,891	81,650	559,515
Less: Impairment allowance	(610)	(5,768)	(136)	(6,514)
	<u>176,364</u>	<u>295,123</u>	<u>81,514</u>	<u>553,001</u>
Total segment assets	<u>176,364</u>	<u>295,123</u>	<u>81,514</u>	<u>553,001</u>
Segment liabilities	<u>69,884</u>	<u>324,303</u>	<u>34,974</u>	<u>429,161</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31ST MARCH 2020

25. Segmental information (continued)

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

At 31st March 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	19,398	25,345	4,425	49,168
Other revenues	1,020	2,866	4,495	8,381
	<u>20,418</u>	<u>28,211</u>	<u>8,920</u>	<u>57,549</u>
Interest, Islamic Window Deposit expenses	(7,639)	(12,557)	(3,038)	(23,234)
Net operating income	<u>12,779</u>	<u>15,654</u>	<u>5,882</u>	<u>34,315</u>
Segment cost				
Operating expenses including depreciation	(8,205)	(7,529)	(1,297)	(17,031)
Impairment for loans and investment net recoveries from allowance for loans impairment	(183)	(1,569)	(730)	(2,482)
Profit from operations after provision	<u>4,391</u>	<u>6,556</u>	<u>3,855</u>	<u>14,802</u>
Tax expenses	(651)	(972)	(572)	(2,195)
Profit for the period	<u>3,740</u>	<u>5,584</u>	<u>3,283</u>	<u>12,607</u>
Segment assets	1,459,456	2,141,016	941,354	4,541,826
Less: Impairment allowance	<u>(58,373)</u>	<u>(86,360)</u>	<u>(1,899)</u>	<u>(146,632)</u>
Total segment assets	<u>1,401,083</u>	<u>2,054,656</u>	<u>939,455</u>	<u>4,395,194</u>
Segment liabilities	<u>665,387</u>	<u>2,535,528</u>	<u>516,127</u>	<u>3,717,042</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31ST MARCH 2020

25. Segmental information (continued)

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

At 31st March 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	2,209	3,428	18	5,655
Other revenues	38	348	638	1,024
	<hr/>	<hr/>	<hr/>	<hr/>
Segment operating revenues	2,247	3,776	656	6,679
Unrestricted investment account holders' share of profit and profit expense	(297)	(2,594)	(198)	(3,089)
Net operating income	<hr/> 1,950	<hr/> 1,182	<hr/> 458	<hr/> 3,590
	<hr/>	<hr/>	<hr/>	<hr/>
Segment cost				
Operating expenses including depreciation	(569)	(962)	(228)	(1,759)
Impairment allowance	(19)	(296)	(31)	(346)
Profit for the period	<hr/> 1,362	<hr/> (76)	<hr/> 199	<hr/> 1,485
	<hr/>	<hr/>	<hr/>	<hr/>
Segment assets	170,892	241,750	82,979	495,621
Less: Impairment allowance	(412)	(4,612)	(219)	(5,243)
	<hr/>	<hr/>	<hr/>	<hr/>
Total segment assets	<hr/> 170,480	<hr/> 237,138	<hr/> 82,760	<hr/> 490,378
	<hr/>	<hr/>	<hr/>	<hr/>
Segment liabilities	<hr/> 60,327	<hr/> 273,970	<hr/> 43,909	<hr/> 378,206
	<hr/>	<hr/>	<hr/>	<hr/>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31ST MARCH 2020

25. Segmental information (continued)

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

At 31 December 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	75,988	100,989	17,161	194,138
Other revenues (net of commission expense)	4,279	11,160	19,694	35,133
Total	80,267	112,149	36,855	229,271
Interest, Islamic Window Deposit expenses	(30,205)	(51,089)	(18,013)	(99,307)
Net operating income	50,062	61,060	18,842	129,964
Segment cost				
Operating expenses including depreciation	(35,867)	(30,130)	(5,477)	(71,474)
Impairment for loans and investment net recoveries from allowance for loans impairment	(719)	(21,424)	(251)	(22,394)
Bad Debts Written	(4)	-	-	(4)
Profit from operations after provision	13,472	9,506	13,114	36,092
Income tax expenses	(2,183)	(1,540)	(2,125)	(5,848)
Net profit for the year	<u>11,289</u>	<u>7,966</u>	<u>10,989</u>	<u>30,244</u>
Segment assets	1,376,470	2,071,420	997,836	4,445,726
Less: Impairment allowance	(56,332)	(62,110)	(1,439)	(119,881)
Total segment assets	<u>1,320,138</u>	<u>2,009,310</u>	<u>996,397</u>	<u>4,325,845</u>
Segment liabilities	675,099	2,385,730	565,943	3,626,772
Add: Impairment allowance	124	11,898	896	12,918
Segment liabilities	<u>675,223</u>	<u>2,397,628</u>	<u>566,839</u>	<u>3,639,690</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31ST MARCH 2020

25. Segmental information (continued)

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

At 31 December 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	9,073	14,778	153	24,004
Other revenues	223	1,465	2,929	4,617
Total	<u>9,296</u>	<u>16,243</u>	<u>3,082</u>	<u>28,621</u>
Unrestricted investment account holders' share of profit and profit expense	<u>(1,777)</u>	<u>(10,566)</u>	<u>(1,479)</u>	<u>(13,822)</u>
Net operating income	7,519	5,677	1603	14,799
Segment cost				
Operating expenses including depreciation	(3,676)	(2,446)	(970)	(7,092)
Impairment allowance	(58)	(737)	61	(734)
Bad Debts Written	(3)	-	-	(3)
Profit before tax	<u>3,782</u>	<u>2,494</u>	<u>694</u>	<u>6,970</u>
Segment assets	175,792	282,850	132,286	590,928
Less: Impairment allowance	<u>(456)</u>	<u>(5,413)</u>	<u>(127)</u>	<u>(5,996)</u>
Total segment assets	<u>175,336</u>	<u>277,437</u>	<u>132,159</u>	<u>584,932</u>
Segment liabilities	63,995	350,385	36,327	450,707
Add: Impairment allowance	1	268	-	269
Segment liabilities	<u>63,996</u>	<u>350,653</u>	<u>36,327</u>	<u>450,976</u>