



**Unaudited interim condensed financial statements
For the three months period ended 31 March 2022**

Registered office and principal place of business:

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

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BANK DHOFAR S.A.O.G.

THE BOARD OF DIRECTORS' REPORT FOR THE THREE MONTHS ENDED

31 March 2022

Dear Shareholders,

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present Bank's unaudited interim condensed financial statements for the first quarter ended 31 March 2022.

Consequent to post pandemic economic recovery and commencement of business activities, the overall business environment is displaying gradual signs of revival. However, there are and will be certain challenges associated with restoration and growth journey. Particular to the banking sector, the Central Bank of Oman has provided window for restructuring / rescheduling of deferred loans portfolio till 31st March 2022 which is now extended till 30th June 2022. Due to restructuring / rescheduling of deferred loans, the expected credit losses will foreseeably be higher compared to last year.

Ensuring smooth transition from LIBOR to IBOR, the Bank has successfully raised US\$ 400 million dual tranche syndicated term facility linked to Secured Overnight Funding Rate (SOFR). The syndication was oversubscribed due to strong participation from regional banks and banks from Asia, which makes Bank Dhofar the first Omani Bank and one of the first banks in the region to take lead in raising SOFR linked term facility.

Bank Dhofar SAOG - Financial Highlights

The Bank's net profit for the quarter ended 31 March 2022 declined by 21.0 per cent to RO 7.10 million compared to RO 8.99 million for the comparative period of last year. The reduction in net profit is mainly due to incremental expected credit losses held by the management considering the post deferment economic scenario.

During Q1-2022, net interest income and income from Islamic financing activities reached to RO 28.92 million compared to RO 25.22 million during Q1-2021 registering an increase of 14.7%. On the contrary, non-funded income for the quarter was 40.6 per cent lower compared to last year mainly due to reduction in investment income. Total operating income stood at RO 33.53 million for three months ended 31 March 2022 versus RO 32.99 million for the same period of financial year 2021, showing marginal increase of 1.6 per cent.

Total operating cost for quarter ended 31 March 2022 was RO 17.07 million compared to RO 19.24 million for the comparative three months period of last year showing a decrease of 11.3 per cent. The cost to income ratio has also slightly improved due to increase in operating income and decrease in operating cost.

Net loans and advances including Islamic financing witnessed a slight fall by 1.5 per cent and reached to RO 3.26 billion as at 31 March 2022 when compare to RO 3.31 billion at the 31 March 2021. Following the same pattern, customer deposits including Islamic deposits, also decreased by 10.2 per cent compared to comparative quarter of last year. In absolute terms, customer deposits reached to RO 2.79 billion as at 31 March 2022 compared to RO 3.11 billion as at 31 March 2021.

Expected Credit Losses charged to income statement for three months ended 31 March 2022 stood at RO 8.11 million compared to RO 3.44 million for the comparative period of last year, an increase of 135.7 per cent. This increase is attributable to the Bank's conservative approach and management's cautious decision to maintain higher level of provisions against expected credit losses.

The earnings per share (EPS) for the three-months period ended 31 March 2022 was RO 0.002 compared to RO 0.003 for the same period of 2021.

Maisarah Islamic Banking Services - Financial Performance Highlights

Maisarah Islamic Banking Services reported a strong first quarter ended March 2022 with positive growth in earning assets, financing, deposits and the operating profit. During the quarter gross financing portfolio has grown from RO 499.08 million at March 2021 to RO 523.69 million at March 2022, thus posting growth of 4.9 per cent. The gross Sukuk investment portfolio increased by 7.3 percent from RO 82.06 million at March 2021 to RO 88.01 million at March 2022.

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As at March 2022, the total customer deposit stood at RO 417.07 million, registering growth of 5.8 per cent compared to RO 394.38 million at same period last year. The total assets have increased by 6.8 per cent to RO 698.49 million at March 2022 from RO 654.16 million at March 2021.

The net profit from financing, placements and investments increased by 6.6 per cent year-on-year reaching RO 4.84 million during three-month period ended March 2022 against RO 4.54 million at same period last year. Maisarah's total revenue for the period ended March 2022 stood at RO 5.29 million compared to RO 5.22 million at March 2021, growth of 1.3 per cent.

As at March 2022, Maisarah posted year to date operating profit (before expected credit losses) of RO 3.13 million which is 2.3 per cent above the last year operating profit of RO 3.06 million. Cost to income ratio has improved and stood at 40.8 per cent at March 2022 compared to 41.4 per cent as at March 2021.

Profit before tax stood at RO 2.41 million as at March 2022 compared to RO 2.86 million last year.

Recognitions and Awards

Being a customer centric and innovation focused organization, the Bank continue to develop and offer retail, corporate and investment banking solutions to enhance customer experience. This was evidenced by the fact that banks received the following awarded during first quarter of 2022.

- Best Investment Bank - Sultanate of Oman by Global Banking & Finance Awards
- Straight-Through-Processing (STP) Award by CITI Bank
- Best Corporate Bank - Sultanate of Oman by International Business Magazine Awards

Acknowledgment

To conclude, I would like to convey my gratitude to all stakeholders for their invariable trust they divulged in the Board of Directors and the Executive Management of the Bank. Moreover, I extend my thanks to Sharia Supervisory Board of Maisarah Islamic Banking Services, Management and Staff for their relentless efforts and valuable contributions to move the bank forward and achieve its objectives.

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

Finally, the Board of Directors and all staff of the Bank would like to express our most sincere gratitude to His Majesty Sultan Haitham Bin Tarik for his timely decisions to support the economy that paved way for the sustainable economic recovery.

Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

		Unaudited 31 March 2022	Unaudited 31 March 2021	Audited 31 December 2021
	Note s	RO'000	RO'000	RO'000
Assets				
Cash and balances with Central Bank of Oman	5	144,583	209,635	251,479
Investment securities	8	499,186	433,988	446,216
Loans, advances and financing to banks	6	232,416	297,129	125,098
Loans, advances and financing to customers (conventional)	7	2,746,470	2,816,711	2,855,580
Islamic financing receivables	7	512,251	490,383	490,643
Other assets		219,199	238,979	245,787
Deferred tax assets		3,420	7,492	3,420
Intangible asset	9	12,184	11,362	12,766
Property and equipment	10	7,612	9,208	7,797
Total assets		4,377,321	4,514,887	4,438,786
Liabilities				
Due to banks	11	605,301	402,715	460,889
Deposits from customers (Conventional)	12	2,375,195	2,713,686	2,538,622
Islamic customers deposits	12	417,073	394,379	437,017
Other liabilities		234,292	251,103	256,960
Tax Liabilities		10,675	11,989	9,422
Employee benefit obligations		1,356	2,371	2,357
Subordinated loans	13	35,000	35,000	35,000
Total liabilities		3,678,892	3,811,243	3,740,267
Shareholders' equity				
Share capital	14	299,635	299,635	299,635
Share premium		95,656	95,656	95,656
Legal reserve		64,538	62,025	64,538
Special reserve		16,988	17,488	16,988
Special reserve –restructured loans		1,281	1,281	1,281
Special impairment reserve IFRS 9		12,184	9,751	12,184
Special revaluation reserve - investment		(709)	(709)	(709)
Subordinated loan reserve		28,000	21,000	28,000
Investment revaluation reserve		(4,675)	(3,581)	(3,477)
Retained earnings		30,031	45,598	28,923
Total equity attributable to the equity holders of the Bank		542,929	548,144	543,019
Perpetual Tier 1 Capital Securities		155,500	155,500	155,500
Total equity		698,429	703,644	698,519
Total liabilities and equity		4,377,321	4,514,887	4,438,786
Contingent liabilities excluding loan commitments	19	586,029	634,727	569,225
Net assets per share (Rial Omani)	15	0.181	0.183	0.181

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

Eng. Abdul Hafidh Salim Rajab Al- Ojaili
Hakeem Omar Al Ojaili
Chairman

Abdul
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 MONTHS ENDED 31 MARCH 2022

		Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000
Interest income	16	42,930	43,106
Interest expense	17	(19,155)	(22,427)
Net interest income		23,775	20,679
Income from Islamic financing / Investments	16	8,466	8,236
Unrestricted investment account holders' share of profit and profit expense	17	(3,325)	(3,695)
Net income from Islamic financing and Investment activities		5,141	4,541
Fees and commission income		4,085	5,247
Fees and commission expense		(955)	(910)
Net fees and commission income		3,130	4,337
Other operating income		1,485	3,428
Operating income		33,531	32,985
Staff and administrative costs		(15,306)	(17,498)
Depreciation		(1,759)	(1,742)
Operating expenses		(17,065)	(19,240)
Net Impairment losses on financial assets		(8,114)	(3,442)
Profit from operations after provision		8,352	10,303
Income tax expense		(1,253)	(1,312)
Profit for the period		7,099	8,991
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Movement in fair value reserve (FVOCI equity instrument)		30	(67)
<i>Items that are or may be reclassified to profit or loss in subsequent periods:</i>			
Movement in fair value reserves (FVOCI debt instruments)		(1,228)	(1,144)
Other comprehensive income / (loss) for the period		(1,198)	(1,211)
Total comprehensive income for the period		5,901	7,780
Earnings per share (basic and diluted) (Rial Omani)	18	0.002	0.003

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

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Special reserve RO'000	Special reserve restructured loan RO'000	Special impairment reserve RO'000	Special revaluation reserve RO'000	Subordinated loans reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'000
Balances as at 1 January 2022		299,635	95,656	64,538	16,988	1,281	12,184	(709)	28,000	(3,477)	28,923	543,019	155,500	698,519
Profit for the period		-	-	-	-	-	-	-	-	-	7,099	7,099	-	7,099
Other comprehensive income for the period:														
Net changes of fair value reserve														
- FVOCI equity instruments		-	-	-	-	-	-	-	-	-	-	-	-	-
- FVOCI debt instruments		-	-	-	-	-	-	-	-	30	-	30	-	30
										(1,228)	-	(1,228)	-	(1,228)
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(1,198)	7,099	5,901	-	5,901
Transfer to Retained Earnings		-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	-	-	-	-
Interest exchange cost on perpetual Tier 1 coupon		-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings		-	-	-	-	-	-	-	-	-	2	2	-	2
Transactions with owners recorded directly in equity		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend for 2021	14	-	-	-	-	-	-	-	-	-	(5,993)	(5,993)	-	(5,993)
Balances as at 31 March 2022		299,635	95,656	64,538	16,988	1,281	12,184	(709)	28,000	(4,675)	30,031	542,929	155,500	698,429

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

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 March 2022 (CONTINUED)

	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Special reserve RO'000	Special reserve restructured loan RO'000	Special impairment reserve RO'000	Special revaluation reserve RO'000	Subordinated loans reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'000
Balances as at 1 January 2021		299,635	95,656	62,025	17,488	1,281	12,184	(709)	21,000	(2,370)	34,174	540,364	155,500	695,864
Profit for the period		-	-	-	-	-	-	-	-	-	8,991	8,991	-	8,991
Other comprehensive income for the period:		-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes of fair value reserve		-	-	-	-	-	-	-	-	-	-	-	-	-
- FVOCI equity instruments		-	-	-	-	-	-	-	-	(67)	-	(67)	-	(67)
- FVOCI debt instruments		-	-	-	-	-	-	-	-	(1,144)	-	(1,144)	-	(1,144)
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(1,211)	8,991	7,780	-	7,780
Transfer to special impairment reserve IFRS 9		-	-	-	-	-	(2,433)	-	-	-	2,433	-	-	-
Revaluation perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	-	-	-	-
Interest exchange cost on perpetual Tier 1 coupon		-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend for 2020	14	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at 31 March 2021		299,635	95,656	62,025	17,488	1,281	9,751	(709)	21,000	(3,581)	45,598	548,144	155,500	703,644

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

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 March 2022 (CONTINUED)

	Notes												
	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	Special reserve RO'000	Special reserve restructured loan RO'000	Special impairment reserve RO'000	Special revaluation reserve RO'000	Subordinate loans reserve RO'000	Investment revaluation reserve RO'000	Retained earnings RO'000	Total RO'000	Perpetual Tier 1 capital securities RO'000	Total equity RO'000
Balance at 1 January 2021	299,635	95,656	62,025	17,488	1,281	12,184	(709)	21,000	(2,370)	34,174	540,364	155,500	695,864
Profit for the year	-	-	-	-	-	-	-	-	-	25,123	25,123	-	25,123
Other comprehensive income for the year:													
Net changes in fair value reserve													
- FVOCI equity instrument	-	-	-	-	-	-	-	-	245	-	245	-	245
- FVOCI debt instruments	-	-	-	-	-	-	-	-	(1,352)	-	(1,352)	-	(1,352)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(1,107)	25,123	24,016	-	24,016
Transfer to special impairment reserve IFRS 9 (net of tax)													
Transfer to legal reserve	-	-	2,513	-	-	-	-	-	-	(2,513)	-	-	-
Transfer to subordinated loan reserve	-	-	-	-	-	-	-	7,000	-	(7,000)	-	-	-
Transfer to Retained Earnings	-	-	-	(500)	-	-	-	-	-	500	-	-	-
Perpetual Tier 1 capital securities:													
Payment towards perpetual additi coupon	-	-	-	-	-	-	-	-	-	(9,376)	(9,376)	-	(9,376)
Transactions with equity holders recorded directly in equity													
Dividend paid	14	-	-	-	-	-	-	-	-	(11,985)	(11,985)	-	(11,985)
Balances as at 31 December													
2021	299,635	95,656	64,538	16,988	1,281	12,184	(709)	28,000	(3,477)	28,923	543,019	155,500	698,519

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

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INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	8,352	10,303
<i>Adjustment for:</i>		
Depreciation and amortisation	1,759	1,742
Net impairment on financial instruments	8,114	3,442
End of service benefits provision for the period	104	237
(Gain)/loss on sale of investments		(1,512)
Operating profit before working capital changes	18,329	14,212
<i>Change in working capital:</i>		
Increase/ (Decrease) in due to banks	144,412	(49,240)
(Increase)/Decrease in due from banks	12,222	(73,688)
(Increase)/ Decrease in loans & advances and financing	78,977	(45,048)
Net movement in Investment securities	(54,097)	24,130
(Increase) /Decrease in other assets	26,588	(64,556)
Increase/ (Decrease) in customer deposits	(183,371)	246,750
Increase/ (Decrease) in other liabilities	(23,666)	58,353
Cash used in operations	1,065	96,701
Taxes paid	-	(7,127)
End of service benefits paid	(105)	(201)
Net cash (used in) / from operating activities	(19,289)	103,585
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(992)	(867)
Net cash used in investing activities	(992)	(867)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(5,993)	-
Net cash from financing activities	(5,993)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,304	102,718
Cash and cash equivalents at 1 January	293,353	208,336
Cash and cash equivalents at 31 March	305,657	311,054
<i>Cash and cash equivalent comprises of:</i>		
Cash and balances with Central Bank of Oman	144,583	209,635
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks with a short term maturity of 3 months or less	161,574	101,919
	305,657	311,054
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Dhofar SAOG (the “Bank”) is incorporated in the Sultanate of Oman as a public joint stock company and is principally engaged in corporate, retail and investment banking activities through a network of 65 branches (31 March 2021: 66 branches) which comprises of 10 Islamic branches (31 March 2021: 10 Islamic branches) and 55 conventional branches (31 March 2021: 56 conventional branches). The Bank’s Islamic Banking Window, “Maisarah Islamic Banking services” has an allocated capital of RO 70 Million (31 March 2021: RO 70 million) from the core paid up capital of the shareholders. The Bank has a primary listing of its ordinary shares on the Muscat Securities Market (“MSM”), and the Bank’s Additional Tier I Perpetual Bonds are listed on the Irish Stock Exchange (“ISE”) and Muscat Securities Market (“MSM”). The Bank’s principal place of business is its Head Office located at Central Business District (“CBD”), Muscat, Sultanate of Oman.

The Bank employed 1476 employees as of 31 March 2022 (31 March 2021: 1,492 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 2022 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’, applicable regulations of the Central Bank of Oman (CBO) and the disclosure requirements set out in the Rules and Disclosure and Proformas issued by the Capital Market Authority (CMA).

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Bank’s last annual financial statements as at and for the year ended 31 December 2021 (‘the last annual financial statements’).

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

2.4 Use of estimates and judgments (continued)

The significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2021

3 Not Used – *Left blank intentionally*

4 Standards issued but not yet effective

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

5. Cash and balances with Central Bank of Oman

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Cash in hand	30,460	31,022	29,984
Balances with the Central Bank of Oman	87,173	140,113	144,495
Placements with Central Bank of Oman	26,950	38,500	77,000
	144,583	209,635	251,479

At 31 March 2022 cash and balances with Central bank of Oman includes capital deposit amounting to RO 0.5 million (31 March 2021- RO 0.5 million and 31 December 2021 – RO 0.5 million). This is not available for day to day operations of the Bank and cannot be withdrawn without the Central Bank of Oman approval.

6. Loans, advances and financing to banks

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Syndicated loans to other banks	21,006	55,636	25,749
Placements with other banks	186,443	226,007	73,525
Current clearing accounts	25,783	16,798	26,974
	233,232	298,441	126,248
Less: impairment allowance	(816)	(1,312)	(1,150)
Net loans, advances and financing	232,416	297,129	125,098

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

7. Loans, advances and financing to Customer

(a) Conventional Banking	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Loans	2,659,105	2,682,150	2,769,153
Overdraft	116,858	125,297	113,544
Loans against trust receipts	94,096	91,190	91,730
Bills discounted	33,926	46,181	29,160
Advances against credit cards	8,115	8,358	8,144
Gross Loans, advances and financing to customers	2,912,100	2,953,176	3,011,731
Less: Impairment allowance including reserved interest	(165,630)	(136,465)	(156,151)
Net Loans, advances and financing to customers	2,746,470	2,816,711	2,855,580
(b) Islamic Banking Window Financing	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Housing finance	160,434	166,059	161,969
Corporate finance	350,497	320,500	326,541
Consumer finance	13,642	13,199	13,581
Less: Impairment allowance	524,573	499,758	502,091
	(12,322)	(9,375)	(11,448)
Net financing to customers	512,251	490,383	490,643
(c) The movement in the impairment allowance is analysed below:	Unaudited 31 March 2022	Unaudited 31 March 2021	Audited 31 December 2021
i. Allowance for loan impairment			
1 January	137,481	119,568	119,568
Allowance made during the period /year	11,869	5,945	34,636
Released to the profit or loss during the period / year	(3,034)	(4,635)	(10,294)
Written off during the period /year	(387)	(989)	(6,429)
Balance at the end of the period/year	145,929	119,889	137,481
ii. Reserved interest			
1 January	30,117	24,719	24,719
Reserved during the period/year	3,118	2,749	11,523
Recoveries to profit or loss during the period/year	(742)	(633)	(2,048)
Written-off during the period/year	(470)	(884)	(4,077)
Balance at the end of the period/year	32,023	25,951	30,117
Total impairment allowance	177,952	145,840	167,598

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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

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

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

At 31 March 2022

		(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)
	Stage 1		38,242	18,525	19,717	2,450,539	2,470,256	-	-
Standard	Stage 2	2,488,781	6,449	14,062	(7,613)	467,539	459,926	-	-
	Stage 3	473,988	-	-	-	-	-	-	-
Subtotal		2,962,769	44,691	32,587	12,104	2,918,078	2,930,182	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	282,985	4,082	26,301	(22,219)	278,903	256,684	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		282,985	4,082	26,301	(22,219)	278,903	256,684	-	-
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	25,179	6,409	10,851	(4,442)	18,265	14,328	-	505
Subtotal		25,179	6,409	10,851	(4,442)	18,265	14,328	-	505
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	12,094	5,377	5,950	(573)	5,981	6,144	-	736
Subtotal		12,094	5,377	5,950	(573)	5,981	6,144	-	736
	Stage 1	-	-	-	-	-	-	-	-
Loss	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	153,642	105,008	70,240	34,768	17,852	83,402	-	30,782
Subtotal		153,642	105,008	70,240	34,768	17,852	83,402	-	30,782
		3,436,669	165,567	145,929	19,638	3,239,079	3,290,740	-	32,023
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	2,001,393	179	6,613	(6,434)	2,001,214	1,994,780	-	-
	Stage 2	269,466	-	5,719	(5,719)	269,466	263,747	-	-
	Stage 3	5,701	-	-	-	5,701	5,701	-	-
Subtotal		2,276,560	179	12,332	(12,153)	2,276,381	2,264,228	-	-
	Stage 1	4,490,174	38,421	25,138	13,283	4,451,753	4,465,036	-	-
Total (31 March 2022)	Stage 2	1,026,439	10,531	46,082	(35,551)	1,015,908	980,357	-	-
	Stage 3	196,616	116,794	87,041	29,753	47,799	109,575	-	32,023
	Total	5,713,229	165,746	158,261	7,485	5,515,460	5,554,968	-	32,023

* 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 MONTHS PERIOD ENDED 31 MARCH 2022

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

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

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

31 March 2021

		(Amounts in RO '000)							
Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	2,653,594	37,407	14,901	22,506	2,616,187	2,638,693	-	-
	Stage 2	379,021	4,812	5,769	(957)	374,209	373,252	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,032,615	42,219	20,670	21,549	2,990,396	3,011,945	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	263,286	3,437	30,123	(26,686)	259,849	233,163	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		263,286	3,437	30,123	(26,686)	259,849	233,163	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,048	2,455	3,946	(1,491)	7,136	6,102	-	457
Subtotal		10,048	2,455	3,946	(1,491)	7,136	6,102	-	457
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,274	3,386	3,891	(505)	6,112	6,383	-	776
Subtotal		10,274	3,386	3,891	(505)	6,112	6,383	-	776
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	136,711	94,891	61,259	33,632	17,102	75,452	-	24,718
Subtotal		136,711	94,891	61,259	33,632	17,102	75,452	-	24,718
Total loans and advances		3,452,934	146,388	119,889	26,499	3,280,595	3,333,045	-	25,951
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	2,184,074	279	7,183	(6,904)	2,183,795	2,176,891	-	-
	Stage 2	313,430	-	7,694	(7,694)	313,430	305,736	-	-
	Stage 3	1,785	-	-	-	1,785	1,785	-	-
Subtotal		2,499,289	279	14,877	(14,598)	2,499,010	2,484,412	-	-
Total (31 March 2021)	Stage 1	4,837,668	37,686	22,084	15,602	4,799,982	4,815,584	-	-
	Stage 2	955,737	8,249	43,586	(35,337)	947,488	912,151	-	-
	Stage 3	158,818	100,732	69,096	31,636	32,135	89,722	-	25,951
	Total	5,952,223	146,667	134,766	11,901	5,779,605	5,817,457	-	25,951

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 MONTHS PERIOD ENDED 31 MARCH 2022

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

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

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

31 December 2021

(Amounts in RO '000)

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

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 MONTHS PERIOD ENDED 31 MARCH 2022

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

(d) Restructured Loans

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

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

At 31 March 2022

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4) - (10)	(8) = (3) - (5)	(9)	(10)
Classified as performing	Stage 1	43,370	430	481	(51)	42,940	42,889	-	-
	Stage 2	326,089	9,226	27,904	(18,678)	316,863	298,185	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		369,459	9,656	28,385	(18,729)	359,803	341,074	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	12,560	5,274	5,754	(480)	5,396	6,806	-	1,890
Sub total		12,560	5,274	5,754	(480)	5,396	6,806	-	1,890
Total (31 March 2022)	Stage 1	43,370	430	481	(51)	42,940	42,889	-	-
	Stage 2	326,089	9,226	27,904	(18,678)	316,863	298,185	-	-
	Stage 3	12,560	5,274	5,754	(480)	5,396	6,806	-	1,890
	Total	382,019	14,930	34,139	(19,209)	365,199	347,880	-	1,890

* Net of provision and reserve interest as per CBO norms

At 31 March 2021

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4) - (10)	(8) = (3) - (5)	(9)	(10)
Classified as performing	Stage 1	2,424	12	37	(25)	2,412	2,387	-	-
	Stage 2	123,208	4,885	15,259	(10,374)	118,323	107,949	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		125,632	4,897	15,296	(10,399)	120,735	110,336	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	5,734	2,936	2,398	538	1,447	3,336	-	1,351
Sub total		5,734	2,936	2,398	538	1,447	3,336	-	1,351
Total (31 March 2021)	Stage 1	2,424	12	37	(25)	2,412	2,387	-	-
	Stage 2	123,208	4,885	15,259	(10,374)	118,323	107,949	-	-
	Stage 3	5,734	2,936	2,398	538	1,447	3,336	-	1,351
	Total	131,366	7,833	17,694	(9,861)	122,182	113,672	-	1,351

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

(d) Restructured Loans (continued)

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

At 31st December 2021

(Amounts in RO '000)

Asset Classification as per CBO Norms 31 December 2021 (1)	Asset Classification as per IFRS 9 (2)	Gross Carrying Amount (3)	Provision required as per CBO Norms (4)	Provision held as per IFRS 9 (5)	Difference between CBO provision required, and provision held (6) = (4)-(5)	Net Carrying Amount as per CBO norms* (7) = (3)-(4)-(10)	Net Carrying Amount as per IFRS 9 (8) = (3)-(5)	Interest recognised in P&L (9)	Reserve interest as per CBO norms (10)
	Stage 1	57,314	565	475	90	56,749	56,839	-	-
	Stage 2	145,761	7,437	13,490	(6,053)	138,324	132,271	-	-
	Stage 3	-	-	-	-	-	-	-	-
	Subtotal	203,075	8,002	13,965	(5,963)	195,073	189,110	-	-
	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	7,113	4,248	3,906	342	1,650	3,207	-	1,215
	Sub total	7,113	4,248	3,906	342	1,650	3,207	-	1,215
	Stage 1	57,314	565	475	90	56,749	56,839	-	-
	Stage 2	145,761	7,437	13,490	(6,053)	138,324	132,271	-	-
	Stage 3	7,113	4,248	3,906	342	1,650	3,207	-	1,215
	Total	210,188	12,250	17,871	(5,621)	196,723	192,317	-	1,215

* Net of provision and reserve interest as per CBO norms

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

(d) Restructured Loans (continued)

v. Impairment charge and provisions held (continued)

31 March 2022

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net recoveries)	-	(8,114)	(8,114)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	165,746	158,261	7,485
Gross NPL ratio	5.56%	5.56%	-
Net NPL ratio	1.22%	2.09%	(0.87%)
Gross NPL (Non-performing Loans) are 4.56% and Net NPL is 2.09% based on funded non-performing exposure over funded exposure.			
Note 1: Excluding Interest Reserve of RO 32.023 million.			

31 March 2021

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net recoveries)	-	3,442	(3,442)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	146,667	134,766	11,901
Gross NPL ratio	4.55%	4.55%	-
Net NPL ratio	0.88%	1.80%	(0.92%)
Gross NPL (Non-performing Loans) are 4.57% and Net NPL is 2.04% based on funded non-performing exposure over funded exposure.			
Note 1: Excluding Interest Reserve of RO 26.261 million.			

31 December 2021

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

Gross NPL (Non-performing Loans) are 5.11% and Net NPL is 1.91% based on funded non-performing exposure over funded exposure.
Note 1: Excluding Interest Reserve of RO 30.12 million.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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

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

RO'000

	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	114,123	-	-	114,123
Due from Banks	331,639	-	-	331,639
Sovereign	407,874	-	-	407,874
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	43,226	-	-	43,226
Loans and advances	2,488,781	756,973	190,915	3,436,669
Accrued profit	31,268	15,045	-	46,313
Acceptances	152,649	7,511	-	160,160
Total funded gross exposure	3,570,477	779,529	190,915	4,540,921
Letters of credit/guarantee	484,679	95,649	5,701	586,029
Loan commitment / unutilised limits	435,018	151,261	-	586,279
Total non-funded gross exposure	919,697	246,910	5,701	1,172,308
Total gross exposure	4,490,174	1,026,439	196,616	5,713,229
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	815	-	-	815
Sovereign	-	-	-	-
Investment Securities at amortized cost	162	-	-	162
Investment Securities at FVOCI	14	-	-	14
Loans and advances	18,526	40,363	87,041	145,930
Accrued profit	108	267	-	375
Acceptances	645	24	-	669
Total funded impairment	20,270	40,654	87,041	147,965
Letters of credit/guarantee	3,148	4,313	-	7,461
Loan commitment/unutilised limits	1,720	1,115	-	2,835
Total non-funded impairment	4,868	5,428	-	10,296
Total impairment	25,138	46,082	87,041	158,261
Net exposure				
Central Bank balances	114,123	-	-	114,123
Due from Banks	330,824	-	-	330,824
Sovereign	407,874	-	-	407,874
Investment Securities at amortized Cost	755	-	-	755
Investment Securities at FVOCI	43,212	-	-	43,212
Loans and advances	2,470,255	716,610	103,874	3,290,739
Accrued Profit	31,160	14,778	-	45,938
Acceptances	152,004	7,487	-	159,491
Total funded net exposure	3,550,207	738,875	103,874	4,392,956
Letter of credit/guarantee	481,531	91,336	5,701	578,568
Loan commitment / unutilised limits	433,298	150,146	-	583,444
Total net non-funded exposure	914,829	241,482	5,701	1,162,012
Total net exposure	4,465,036	980,357	109,575	5,554,968

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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

	1	Stage 2	Stage 3	<i>RO'000</i> Total
Opening Balance – as at 1 January 2022				
- Due from banks	1,150	-	-	1,150
- Loans and advances to customers	20,015	34,931	82,535	137,481
- Investment securities at FVOCI (Debt)	247	-	-	247
- Loan commitments and financial guarantees	3,534	4,054	-	7,588
- Acceptances	899	16	-	915
- Unutilised	1,670	1,140	-	2,810
- Interest accrued	130	213	-	343
Total	<u>27,645</u>	<u>40,354</u>	<u>82,535</u>	<u>150,534</u>
Net transfer between stages				
- Loans and advances to customers	(43)	(4,667)	4,710	-
- Loan commitments and financial guarantees	(12)	12	-	-
- Unutilised	51	(51)	-	-
- Interest accrued	(1)	1	-	-
Total	<u>(5)</u>	<u>(4,705)</u>	<u>4,710</u>	<u>-</u>
Charge for the Period (net)				
- Due from banks	(335)	-	-	(335)
- Loans and advances to customers	(1,446)	10,099	183	8,836
- Investment securities at FVOCI (Debt)	(71)	-	-	(71)
- Loan commitments and financial guarantees	(374)	247	-	(127)
- Acceptances	(254)	8	-	(246)
- Unutilised	(1)	26	-	25
- Interest accrued	(22)	54	-	32
Total	<u>(2,503)</u>	<u>10,434</u>	<u>183</u>	<u>8,114</u>
Written-off			(3,421)	(3,421)
Closing Balance – as at 31 March 2022				
- Due from banks	815	-	-	815
- Loans and advances to customers	18,526	40,363	87,041	145,930
- Investment securities at FVOCI (Debt)	176	-	-	176
- Loan commitments and financial guarantees	3,148	4,313	-	7,461
- Acceptances	645	24	-	669
- Unutilised	1,720	1,115	-	2,835
- Interest accrued	108	267	-	375
Total net exposure	<u>25,138</u>	<u>46,082</u>	<u>87,041</u>	<u>158,621</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at 31 March 2021:

	<i>RO'000</i>			
	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	178,113	-	-	178,113
Due from Banks	298,441	-	-	298,441
Sovereign	387,741	-	-	387,741
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	38,126	-	-	38,126
Loans and advances	2,653,594	642,307	157,033	3,452,934
Accrued profit	36,253	10,471	54	46,778
Acceptances	137,727	14,800	-	152,527
Total funded gross exposure	3,730,912	667,578	157,087	4,555,577
Letters of credit/guarantee	521,435	111,561	1,731	634,727
Loan commitment / unutilised limits	585,321	176,598	-	761,919
Total non-funded gross exposure	1,106,756	288,159	1,731	1,396,646
Total gross exposure	4,837,668	955,737	158,818	5,952,223
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	1,312	-	-	1,312
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	216	-	-	216
Loans and advances	14,901	35,892	69,096	119,889
Acceptances	112	292	-	404
Accrued profit	518	23	-	541
Total funded impairment	17,059	36,207	69,096	122,362
Letters of credit/guarantee	3,151	6,471	-	9,622
Loan commitment/unutilised limits	1,874	908	-	2,782
Total non-funded impairment	5,025	7,379	-	12,404
Total impairment	22,084	43,586	69,096	134,766
Net exposure				
Central Bank balances	178,113	-	-	178,113
Due from Banks	297,129	-	-	297,129
Sovereign	387,741	-	-	387,741
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	37,910	-	-	37,910
Loans and advances	2,638,693	606,415	87,937	3,333,045
Accrued Profit	36,141	10,179	54	46,374
Acceptances	137,209	14,777	-	151,986
Total funded net exposure	3,713,853	631,371	87,991	4,433,215
Letter of credit/guarantee	518,284	105,090	1,731	625,105
Loan commitment / unutilised limits	583,447	175,690	-	759,137
Total net non-funded exposure	1,101,731	280,780	1,731	1,384,242
Total net exposure	4,815,584	912,151	89,722	5,817,457

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

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

	1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2021				
- Due from banks	454	-	-	454
- Loans and advances to customers	17,626	33,714	68,228	119,568
- Investment securities at FVOCI (Debt)	238	-	-	238
- Loan commitments and financial guarantees	2,598	5,739	-	8,337
- Acceptances	341	15	-	356
- Unutilised	2,001	958	-	2,959
- Interest accrued	111	289	-	400
Total	<u>23,369</u>	<u>40,715</u>	<u>68,228</u>	<u>132,312</u>
Net transfer between stages				
- Loans and advances to customers	839	(2,728)	1,889	-
- Loan commitments and financial guarantees	53	(53)	-	-
- Unutilized	(12)	12	-	-
- Interest accrued	(11)	11	-	-
Total	<u>869</u>	<u>(2,758)</u>	<u>1,889</u>	<u>-</u>
Charge for the Period (net)				
- Due from banks	858	-	-	858
- Loans and advances to customers	(3,564)	4,906	(33)	1,309
- Investment securities at FVOCI (Debt)	(22)	-	-	(22)
- Loan commitments and financial guarantees	500	785	-	1,285
- Acceptances	177	8	-	185
- Unutilised	(115)	(62)	-	(177)
- Interest accrued	12	(8)	-	4
Total	<u>(2,154)</u>	<u>5,629</u>	<u>(33)</u>	<u>3,442</u>
Written-off			(988)	(988)
Closing Balance – as at 31 March 2021				
- Due from banks				
- Loans and advances to customers	1,312	-	-	1,312
- Investment securities at FVOCI (Debt)	14,901	35,892	69,096	119,889
- Loan commitments and financial guarantees	216	-	-	216
- Acceptances	3,151	6,471	-	9,622
- Unutilised	518	23	-	541
- Interest accrued	1,874	908	-	2,782
Total net exposure	<u>112</u>	<u>292</u>	<u>-</u>	<u>404</u>
	<u>22,084</u>	<u>43,586</u>	<u>69,096</u>	<u>134,766</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022

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

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

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at 31 December 2021:

	<i>RO'000</i>			
	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	221,495	-	-	221,495
Due from Banks	126,248	-	-	126,248
Sovereign	404,041	-	-	404,041
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	36,192	-	-	36,192
Loans and advances	2,608,026	726,143	179,653	3,513,822
Accrued Interest	32,460	12,770	54	45,284
Acceptances	175,018	6,080	-	181,098
Total funded gross exposure	3,604,397	744,993	179,707	4,529,097
Letters of credit/guarantee	463,445	98,632	7,148	569,225
Loan commitment / unutilised limits	427,530	195,875	-	623,405
Total non-funded gross exposure	890,975	294,507	7,148	1,192,630
Total gross exposure	4,495,372	1,039,500	186,855	5,721,727
Allowance for expected credit losses				
Central Bank balances	-	-	-	-
Due from Banks	1,150	-	-	1,150
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	247	-	-	247
Loans and advances	20,015	34,931	82,535*	137,481
Accrued Interest	131	212	-	343
Acceptances	899	16	-	915
Total funded allowance for expected credit losses	22,442	35,159	82,535	140,136
Letters of credit/guarantee	3,534	4,054	-	7,588
Loan commitment/unutilised limits	1,669	1,140	-	2,809
Total non-funded allowance for expected credit losses	5,203	5,194	-	10,397
Total allowance for expected credit losses	27,645	40,353	82,535	150,533
Net exposure				
Central Bank balances	221,495	-	-	221,495
Due from Banks	125,098	-	-	125,098
Sovereign	404,041	-	-	404,041
Investment Securities at amortized Cost	917	-	-	917
Investment Securities at FVOCI	35,945	-	-	35,945
Loans and advances	2,588,011	691,212	97,118	3,376,341
Accrued Interest	32,329	12,558	54	44,941
Acceptances	174,119	6,064	-	180,183
Total funded net exposure	3,581,955	709,834	97,172	4,388,961
Letters of credit/guarantee	459,911	94,578	7,148	561,637
Loan commitment / unutilised limits	425,861	194,735	-	620,596
Total net non-funded exposure	885,772	289,313	7,148	1,182,233
Total net exposure	4,467,727	999,147	104,320	5,571,194

Gross exposure of loans and advances of RO 179.65 million under stage 3 includes reserved interest of RO 30.12 million.

*this includes the ECL of RO 2.96 million of stage 3 financial guarantees

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2022

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

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

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2021				
- Due from banks	454	-	-	454
- Loans and advances to customers	17,626	33,714	68,228	119,568
- Investment securities at FVOCI (Debt)	238	-	-	238
- Loan commitments and financial guarantees	2,598	5,739	-	8,337
- Acceptances	341	15	-	356
- Unutilised	2,001	958	-	2,959
- Interest accrued	111	289	-	400
Total	23,369	40,715	68,228	132,312
Net transfer between stages				
- Loans and advances to customers	386	(11,351)	10,965	-
- Loan commitments and financial guarantees	24	(24)	-	-
-Unutilised	39	(39)	-	-
-Interest Accrued	-	-	-	-
Total	448	(11,413)	10,965	-
Charge for the Year (net of recoveries)				
- Due from banks	697	-	-	697
- Loans and advances to customers	2,003	12,568	9,771	24,342
- Investment securities at FVOCI (Debt)	9	-	-	9
- Letter of credit and financial guarantees	912	(1,661)	-	(749)
- Acceptances	558	1	-	559
- Unutilised	(371)	221	-	(150)
- Interest accrued	20	(77)	-	(57)
Total	3,828	11,052	9,771	24,651
Written-off	-	-	(6,429)	(6,429)
Closing Balance – as at 31 December 2021				
- Due from banks	1,150	-	-	1,150
- Loans and advances to customers	20,015	34,931	82,535	137,481
- Investment securities at FVOCI (Debt)	247	-	-	247
- Loan commitments and financial guarantees	3,534	4,054	-	7,588
- Acceptances	899	16	-	915
- Unutilised	1,669	1,140	-	2,809
- Interest accrued	131	212	-	343
Total expected credit loss	27,645	40,353	82,535	150,533

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

vii. Reconciliation of financial assets and liabilities

						<i>RO'000</i>
31 st March 2022	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument RO'000	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	144,583	144,583
Loans and advances to banks	6	-	-	-	232,416	232,416
Loans and advances to customers	7	-	-	-	3,258,721	3,258,721
Investment securities	8	2,779	2,520	129,883	364,004	499,186
Other assets		3,067	-	-	216,132	219,199
		5,846	2,520	129,883	4,215,856	4,354,105
Due to banks	11	-	-	-	605,301	605,301
Deposits from customers	12	-	-	-	2,792,268	2,792,268
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		1,713	-	-	232,578	234,291
		1,713	-	-	3,665,147	3,666,860
						<i>RO'000</i>
31 March 2021	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	209,635	209,635
Loans and advances to banks	6	-	-	-	297,129	297,129
Loans and advances to customers	7	-	-	-	3,307,094	3,307,094
Investment securities	8	2,792	99,318	2,407	329,471	433,988
Other assets		-	-	-	239,453	239,453
		2,792	99,318	2,407	4,382,782	4,487,299
Due to banks	11	-	-	-	402,715	402,715
Deposits from customers	12	-	-	-	3,108,065	3,108,065
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		-	-	-	239,573	239,573
		-	-	-	3,785,353	3,785,353

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

						RO'000
31 December 2021	Notes	FVTPL	FVOCI – equity instruments	FVOCI – debt instrument	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	251,479	251,479
Loans and advances to banks	6	-	-	-	125,098	125,098
Loans and advances to customers	7	-	-	-	3,346,223	3,346,223
Investment securities	8	2,823	2,490	116,753	324,150	446,216
Other assets		6,601	-	-	238,925	245,526
		<u>9,424</u>	<u>2,490</u>	<u>116,753</u>	<u>4,285,875</u>	<u>4,414,542</u>
Due to banks	11	-	-	-	460,889	460,889
Deposits from customers	12	-	-	-	2,975,639	2,975,639
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		5,053	-	-	254,264	259,317
		<u>5,053</u>	<u>-</u>	<u>-</u>	<u>3,725,792</u>	<u>3,730,845</u>

8. Investment securities

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Equity investments:			
Measured at FVTPL	1,660	1,618	1,649
Measured at FVOCI	<u>2,520</u>	<u>2,407</u>	<u>2,490</u>
Gross equity investments	4,180	4,025	4,139
Less: Impairment losses on investments	-	-	-
Net equity investments	<u>4,180</u>	<u>4,025</u>	<u>4,139</u>
Debt investments:			
Designated at FVTPL	1,119	1,174	1,174
Measured at FVOCI	130,059	99,534	117,000
Measured at amortized cost	<u>364,004</u>	<u>329,471</u>	<u>324,150</u>
Gross debt investments	<u>495,182</u>	<u>430,179</u>	<u>442,324</u>
Total investment securities	499,362	434,204	446,463
Less: Impairment loss allowance	<u>(176)</u>	<u>(216)</u>	<u>(247)</u>
Total investment securities	<u>499,186</u>	<u>433,988</u>	<u>446,216</u>
	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Investment securities measured as at FVTPL	2,779	2,792	2,823
Investment securities measured at FVOCI	132,403	101,725	119,243
Debt investments measured at amortised cost	<u>364,004</u>	<u>329,471</u>	<u>324,150</u>
Total investment securities	<u>499,186</u>	<u>433,988</u>	<u>446,216</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 31 st March 2022	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	277	-	277
Unit funds	-	-	-	-
Financial services sector	-	296	-	296
Industrial sector	-	1,430	-	1,430
	-	2,003	-	2,003
Unquoted Equities:				
Local securities	-	517	-	517
Unit funds	1,660	-	-	1,660
Gross Equity investments	1,660	2,520	-	4,180
Quoted Debt:				
Government Bonds and Sukuk	-	85,915	324,004	409,919
Foreign Bonds	1,119	388	-	1,507
Local Bonds and Sukuks	-	43,756	-	43,756
Treasury Bills	-	-	40,000	40,000
Gross debt investments	1,119	130,059	364,004	495,182
Total Investment Securities	2,779	132,579	364,004	499,362
Less: Impairment losses on investments	-	(176)	-	(176)
	2,779	132,403	364,004	499,186

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 RC 000's	Total RO 000's
At 1 January 2022	117,000	2,490	324,150	2,823	446,463
Additions	14,299	-	40,000	5	54,304
Disposals and redemption	-	-	-	-	-
Gain /(loss) from change in fair value	(1,228)	30	-	(49)	(1,247)
Realised gains on sale					
Amortisation of discount / premium	(12)	-	(146)	-	(158)
At 31 March 2022	130,059	2,520	364,004	2,779	499,362
Less: Impairment losses on investments	(176)	-	-	-	(176)
31 March 2022	129,883	2,520	364,004	2,779	499,186

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 31 st March 2021	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	226	-	226
Unit funds	-	-	-	-
Financial services sector	-	115	-	115
Industrial sector	-	1,493	-	1,493
	<u>-</u>	<u>1,834</u>	<u>-</u>	<u>1,834</u>
Unquoted Equities:				
Local securities	-	573	-	573
Unit funds	1,618	-	-	1,618
	<u>1,618</u>	<u>573</u>	<u>-</u>	<u>2,191</u>
Gross Equity investments	<u>1,618</u>	<u>2,407</u>	<u>-</u>	<u>4,025</u>
Quoted Debt:				
Government Bonds and Sukuk	-	72,364	299,471	371,835
Foreign Bonds	1,174	403	-	1,577
Local bonds and Sukuk	-	26,767	-	26,767
Treasury Bills	-	-	30,000	30,000
Gross Debt Investment	<u>1,174</u>	<u>99,534</u>	<u>329,471</u>	<u>430,179</u>
Total Investment Securities	2,792	101,941	329,471	434,204
Less: FRS 9 ECL Impairment losses on Investments	-	(216)	-	(216)
	<u>2,792</u>	<u>101,725</u>	<u>329,471</u>	<u>433,988</u>

The movements in investment securities are summarised as follows:

	FVOCI Debt instrument s RO 000's	FVOCI Equity investment RO 000's	Amortised cost RO 000's	FVTPL RO 000's	Total RO 000's
At 1 January 2021	115,057	3,276	335,602	4,120	458,055
Additions	-	-	-	5	5
Disposals and redemption	(15,840)	(802)	(6,131)	(1,243)	(24,016)
Gain /(loss) from change in fair value	330	(67)	-	(90)	173
Realised gains on sale	(13)	-	-	-	(13)
At 31 March 2021	<u>99,534</u>	<u>2,407</u>	<u>329,471</u>	<u>2,792</u>	<u>434,204</u>
Less: Impairment losses on investments	(216)	-	-	-	(216)
31 March 2021	<u>99,318</u>	<u>2,407</u>	<u>329,471</u>	<u>2,792</u>	<u>433,988</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

8. Investment securities (continued)

8.1 Categories of investments by measurement

As at 31 December 2021	FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	286	-	286
Financial services sector	-	199	-	199
Industrial sector	-	1,488	-	1,488
	<u>-</u>	<u>1,973</u>	<u>-</u>	<u>1,973</u>
Unquoted Equities:				
Local securities	-	517	-	517
Unit funds	1,649	-	-	1,649
	<u>1,649</u>	<u>517</u>	<u>-</u>	<u>2,166</u>
Gross Equity investments	<u>1,649</u>	<u>2,490</u>	<u>-</u>	<u>4,139</u>
Quoted Debt:				
Government Development Bonds and Sukuk	-	80,808	323,233	404,041
Foreign Bonds	1,174	395	-	1,569
Local bonds and Sukuks	-	35,797	917	36,714
Treasury Bills	-	-	-	-
Gross debt investments	<u>1,174</u>	<u>117,000</u>	<u>324,150</u>	<u>442,324</u>
Total Investment Securities				
Less: allowance for expected credit losses on investments	-	(247)	-	(247)
	<u>2,823</u>	<u>119,243</u>	<u>324,150</u>	<u>446,216</u>

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments RO 000's	FVOCI Equity investment RO 000's	Amortised cost RO 000's	FVTPL RO 000's	Total RO 000's
At 1 January 2021	115,057	3,276	335,602	4,120	458,055
Additions	21,474	-	64,706	5	86,185
Disposals and redemption	(20,051)	(1,031)	(76,158)	(1,348)	(98,588)
Gain from change in fair value	570	245	-	46	861
Amortisation of discount and premium	(50)	-	-	-	(50)
At 31 December 2021	<u>117,000</u>	<u>2,490</u>	<u>324,150</u>	<u>2,823</u>	<u>446,463</u>
Less: Allowance for expected credit losses on investments*	(247)	-	-	-	(247)
31 December 2021	<u>116,753</u>	<u>2,490</u>	<u>324,150</u>	<u>2,823</u>	<u>446,216</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

9. Intangible asset

Software

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Cost			
1 January	32,980	28,506	28,506
Additions	511	384	4,474
Disposals	(193)	-	-
	<u>33,928</u>	<u>28,890</u>	<u>32,980</u>

Depreciation

1 January	20,214	16,703	16,703
Charge for the year	900	825	3,511
Disposals	-	-	-
	<u>21,114</u>	<u>17,528</u>	<u>20,214</u>

Carrying Value

	<u>12,184</u>	<u>11,362</u>	<u>12,766</u>
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10. Property and equipment

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Conventional	7,184	8,779	6,732
Islamic Window	428	429	1,065
	<u>7,612</u>	<u>9,208</u>	<u>7,797</u>

11. Due to banks

	Unaudited 31 March 2021 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Syndicated Inter bank borrowings	269,500	317,625	308,000
Interbank borrowings	332,599	84,800	152,615
Payable on demand	3,202	290	274
	<u>605,301</u>	<u>402,715</u>	<u>460,889</u>

At 31 March 2022 Inter Bank borrowings with One Bank represented 20% or more of the Bank's total inter-bank borrowings (31 March 2021: one bank, 20% and 31 December 2021: two banks). The Bank has not had any defaults of principal, interest or other breaches during the year on its borrowed funds.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

12. Deposits from customers - Conventional Banking

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Current accounts	699,299	739,854	754,317
Savings accounts	436,952	484,160	485,352
Time and certificate deposits	1,227,084	1,476,731	1,287,917
Margin accounts	11,860	12,941	11,036
	<u>2,375,195</u>	<u>2,713,686</u>	<u>2,538,622</u>

Deposits from customers - Islamic Banking

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Current accounts	137,396	103,605	153,436
Savings accounts	60,868	55,880	64,443
Time deposits	212,364	231,747	219,138
Margin accounts	6,445	3,147	-
	<u>417,073</u>	<u>394,379</u>	<u>437,017</u>

Consolidated Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,034.20 million (31st March 2021 - RO 1,005.95 million, 31 December 2021 – RO 1,119.10 million)

13. Subordinated loan

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Subordinated loan - RO	35,000	35,000	35,000
	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>

14. Share capital

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

At 31 March 2022, the issued and paid up share capital comprise 2,996,351,436 ordinary shares of RO 0.100 each (31.3.2021: 2,996,351,436 ordinary shares of RO 0.100 each).

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

Shareholders

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

	Unaudited 31st March 2022		Unaudited 31st March 2021		Audited 31st December 2021	
	No of shares	%	No of shares	%	No. of shares	%
Dhofar International Development and Investment Company SAOG	730,570,498	24.4%	730,570,498	24.4%	730,570,498	24.4%
Eng. Abdul Hafidh Salim Rajab Al Ojaili and his related Companies	702,766,215	23.5%	702,766,215	23.5%	702,766,215	23.5%
Civil Service Employees Pension Fund	315,898,461	10.5%	317,332,211	10.5%	316,992,297	10.6%
Total	1,749,235,174	58.4%	1,750,668,924	58.4%	1,750,329,010	58.5%
Others	1,247,116,262	41.6%	1,245,682,512	41.6%	1,246,022,426	41.5%
	<u>2,996,351,436</u>	<u>100%</u>	<u>2,996,351,436</u>	<u>100%</u>	<u>2,996,351,436</u>	<u>100%</u>

The Bank's Islamic Banking Window, "Maisarah" Islamic Banking Services has an allocated capital of RO 70 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 31 March 2022 (31 March 2021 : RO 70 million)

Tier 1 USD Securities

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

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

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

Tier 1 RO Securities

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

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

Tier 1 RO Securities (Continued)

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

The Bank at its sole discretion may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the Tier 1 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 2022	Unaudited 31 March 2021	Audited 31 December 2021
Net assets (RO)	542,929,000	548,144,000	543,019,000
Number of shares outstanding at the end of the period / year	2,996,351,436 6	2,996,351,436	2,996,351,436 6
Net assets per share (RO)	0.181	0.183	0.181

16. Interest income/ Income from Islamic Financing

	Unaudited March 2022 RO'000	Unaudited March 2021 RO'000
Conventional Banking		
Loans and advances	36,892	36,963
Due from banks	1,207	1,898
Investments	4,831	4,245
Total	42,930	43,106
Islamic Banking		
Islamic financing receivables	7,246	7,103
Islamic due from banks	1	3
Investments	1,219	1,130
Total	8,466	8,236

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

17. Interest expense / distribution to depositors

	Unaudited March 2022 RO'000	Unaudited March 2021 RO'000
Conventional Banking		
Customers' deposits	(16,462)	(19,420)
Subordinated liabilities / mandatory convertible bonds	(539)	(539)
Bank borrowings	(2,154)	(2,468)
Total	(19,155)	(22,427)
Islamic Banking		
Customer Deposits	(3,170)	(3,312)
Islamic Bank Borrowings	(155)	(383)
Total	(3,325)	(3,695)

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 2022 attributable to ordinary shareholders as follows:

	Unaudited 31 March 2022	Unaudited 31 March 2021
Profit for the period (RO) ('000)	7,099	8,991
Less : Additional Tier 1 Coupon	-	-
Profit for the period attributable to equity holders of the Bank ('000)	<u>7,099</u>	<u>8,991</u>
Weighted average number of shares outstanding during the period	2,996,351,43	2,996,351,43
	<u>6</u>	<u>6</u>
Earnings per share basic and diluted (RO)	<u>0.002</u>	<u>0.003</u>

Earnings per share (basic and diluted) have been derived by dividing the profit for the year attributable to the shareholders by the weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

19. Related parties' transactions

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

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Loans, advances and financing			
Directors, shareholders (holding 10% or more interest in the Bank)	-	-	-
Directors, shareholders (holding 20% or more interest in the Bank)	53,973	52,409	53,728
Other related parties	58,124	23,550	63,788
	<u>112,097</u>	<u>75,959</u>	<u>117,516</u>
Subordinated loans			
Directors, shareholders (holding 10% or more interest in the Bank)	-	-	-
Directors, shareholders (holding 20% or more interest in the Bank)	15,000	15,000	15,000
Other related parties	14,000	14,000	14,000
	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>
Deposits and other accounts			
Directors, shareholders (holding 10% or more interest in the Bank)	96,612	206,738	75,906
Directors, shareholders (holding 20% or more interest in the Bank)	53,911	58,324	54,117
Other related parties	202,992	151,152	211,388
	<u>353,515</u>	<u>416,214</u>	<u>341,411</u>
Contingent liabilities and commitments			
Directors, shareholders (holding 10% or more interest in the Bank)	-	-	-
Directors, shareholders (holding 20% or more interest in the Bank)	3,520	3,677	3,100
Other related parties	5,683	5,439	16,950
	<u>9,203</u>	<u>9,116</u>	<u>20,050</u>
Remuneration paid to Directors			
Chairman			
– remuneration paid	19	36	36
– sitting fees paid	1	2	10
Other Directors			
– remuneration paid	131	264	264
– sitting fees paid	19	18	74
	<u>170</u>	<u>320</u>	<u>384</u>
Other transactions			
Rental payment to related parties	110	146	539
Insurance	938	-	1,970
Other transactions	-	695	101
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	45	41	53

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

19. Related parties' transactions (continued)

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

Senior Members

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
(a) Senior members			
Total exposure:			
Direct	117,430	119,274	123,432
Indirect	<u>9,203</u>	<u>10,003</u>	<u>20,050</u>
	<u>126,633</u>	<u>129,277</u>	<u>143,482</u>
Number of members	<u>40</u>	<u>41</u>	<u>41</u>

20. Contingent liabilities excluding loan commitments

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

	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Letters of credit	82,837	62,719	68,983
Guarantees and performance bonds	<u>503,192</u>	<u>572,008</u>	<u>500,24</u>
	<u>586,029</u>	<u>634,727</u>	<u>2</u>
			<u>569,22</u>
			<u>5</u>

21. Disaggregation of net fees and commission income

	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
31 March 2022				
Fee Income				
Transactional services	1,889	689	975	3,553
Trade services	1	1,129	-	1,130
Syndication and other financing related services	231	481	-	712
Advisory and asset management services	-	6	169	175
	<u>2,121</u>	<u>2,305</u>	<u>1,144</u>	<u>5,570</u>
Fee Income				
Transactional Services	(608)	-	(50)	(658)
Syndication and Other Financing related services	-	-	(297)	(297)
Fee Expense	<u>(608)</u>	<u>-</u>	<u>(347)</u>	<u>(955)</u>
Net fee and commission income	<u>1,513</u>	<u>2,305</u>	<u>797</u>	<u>4,615</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

21. Disaggregation of net fees and commission income

	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
31 March 2021				
Fee Income				
Transactional services	1,633	2,841	3,473	7,947
Trade services	-	67	-	67
Syndication and other financing related services	182	350	-	532
Advisory and asset management services	-	-	129	129
	<u>1,815</u>	<u>3,258</u>	<u>3,602</u>	<u>8,675</u>
Fee Income				
Transactional Services	(5)	-	(3)	(8)
Syndication and Other Financing related services	(456)	-	(446)	(902)
Fee Expense	<u>(461)</u>	<u>-</u>	<u>(449)</u>	<u>(910)</u>
Net fee and commission income	<u>1,354</u>	<u>3,258</u>	<u>3,153</u>	<u>7,767</u>

22. Risk Management

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

A. Credit Risk

Customer concentrations

	Assets			Liabilities		
	Gross loans and financing to banks RO'000	Gross Loans, advances and financing to customers RO'000	Investment Securities RO'000	Deposits from customers RO'000	Due to banks RO'000	Contingen t liabilities RO'000
31 March 2022						
Personal	-	1,248,838	-	739,257	-	-
Corporate	233,231	1,638,505	49,441	1,018,812	605,300	583,859
Government	-	548,442	449,921	1,034,199	-	496
	<u>233,231</u>	<u>3,435,785</u>	<u>499,362</u>	<u>2,792,268</u>	<u>605,300</u>	<u>584,355</u>
31 March 2021						
Personal	-	1,236,384	-	716,358	-	260
Corporate	298,441	1,761,261	32,370	1,385,757	402,715	633,466
Government	-	455,289	401,834	1,005,950	-	1,001
	<u>298,441</u>	<u>3,452,934</u>	<u>434,204</u>	<u>3,108,065</u>	<u>402,715</u>	<u>634,727</u>
31 December 2021						
Personal	-	1,260,349	-	801,147	-	1,674
Corporate	126,248	1,804,372	41,505	1,055,394	460,889	567,308
Government	-	449,101	404,958	1,119,098	-	243
	<u>126,248</u>	<u>3,513,822</u>	<u>446,463</u>	<u>2,975,639</u>	<u>460,889</u>	<u>569,225</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

22. Risk Management (continued)

A. Credit Risk (continued)

Credit Quality Analysis

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

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

The following table provides the exposure to non-trading financial assets measured at amortized cost & FVOCI. Exposure to financial asset includes outstanding as at 31 March 2022:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31 March 2022				
<i>Exposure</i>				
Banks	569,285	201	-	569,486
Sovereigns	429,668	-	-	429,668
Wholesale banking	2,167,775	1,011,829	135,180	3,314,784
Retail banking	1,180,407	14,409	61,437	1,256,253
Investments	44,632	-	-	44,632
Total	4,391,767	1,026,439	196,617	5,614,823
Provision for expected credit losses	25,138	46,082	87,041	158,261
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31 March 2021				
<i>Exposure</i>				
Banks	476,554	-	-	476,554
Sovereigns	387,741	-	-	387,741
Wholesale banking	2,544,156	942,709	98,062	3,584,927
Retail banking	1,390,174	13,028	60,756	1,463,958
Investments	39,043	-	-	39,043
Total	4,837,668	955,737	158,818	5,952,223
Provision for expected credit losses	22,084	43,586	69,096	134,766
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31 December 2021				
<i>Exposure</i>				
Banks	539,930	390	-	540,320
Sovereigns	404,041	-	-	404,041
Wholesale banking	2,302,494	1,026,136	126,457	3,455,087
Retail banking	1,211,798	12,974	60,398	1,285,170
Investments	37,109	-	-	37,109
Total	4,495,372	1,039,500	186,855	5,721,727
Provision for expected credit losses	27,645	40,353	82,535	150,533

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

22. Risk Management (continued)

A. Credit Risk (continued)

Inputs, assumptions and techniques used for estimating impairment

a. Significant increase in credit risk (SICR)

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

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

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

Incorporation of forward looking information

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

B. Liquidity risk

The Central Bank of Oman has issued guidelines on the implementation of Basel III liquidity framework which are Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The Bank is in compliance of the regulatory limit of LCR as at 31 March 2022, with LCR of 115.07% calculated on weighted average value for the period ended (31st March 2021: 225.28%) (31st December 2021: 154.09%).

The Net Stable Funding Ratio (NSFR) is a longer-term structural ratio designed to address liquidity mismatches and reduce funding risk over a one-year horizon. It is effective January 2018, with a minimum ratio of 100% as per the regulatory guidance. The Bank is meeting the regulatory limit of NSFR as at 31st March 2022, with a NSFR of 109.65% calculated on weighted average value for the period ended (31st March 2021: 114.85%) (31st December 2021: 117.02%).

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

22. Risk Management (continued)

B. Liquidity risk (continued)

Maturity profile of assets and liabilities

31-Mar-22	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
Cash and balances with Central Bank of Oman	144,083	-	-	-	500	144,583
Loan and advances to customer	171,679	321,577	199,339	756,398	1,809,728	3,258,721
Loans and advances to banks	127,876	92,727	11,813	-	-	232,416
Investment securities	-	54,615	39,085	292,915	112,571	499,186
Other assets	45,659	-	159,451	-	14,089	219,199
Total Assets Funded	489,297	468,919	409,688	1,049,313	1,936,887	4,354,105
Spot and Forward Purchases (notional value)	473,309	277,932	320,328	162,993	-	1,234,563
Total Assets Funded and Non Funded	962,607	746,851	730,017	1,212,306	1,936,887	5,588,668
Due to banks	241,526	78,875	0	284,900	0	605,301
Deposits from customers	264,786	524,684	716,813	681,856	604,130	2,792,268
Other liabilities	69,881	556	160,007	5,565	10,313	246,323
Subordinated loans	-	-	-	35,000	-	35,000
Total liabilities	576,194	604,115	876,820	1,007,322	614,442	3,678,892
Spot and Forward Purchases (notional value)	446,013	304,849	319,838	162,041	-	1,232,742
Loan commitments	583,444	-	-	-	-	583,444
Letter of credit	82,837	-	-	-	-	82,837
Guarantees and performance bonds	503,192	-	-	-	-	503,192
Total Liabilities Funded and Non Funded	2,191,680	908,964	1,196,658	1,169,363	614,442	6,081,107
Cumulative Liabilities	2,191,680	3,100,644	4,297,302	5,466,665	6,081,107	
Gap	1,229,074	162,113	466,641	(42,943)	(1,322,445)	
Cumulative Gap	1,229,074	1,391,186	1,857,827	1,814,884	492,439	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

22. Risk Management (continued)

B. Liquidity risk (continued)

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
31-Mar-21	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	209,135	-	-	-	500	209,635
Loan and advances to customer	232,756	253,132	407,101	907,553	1,506,551	3,307,094
Loans and advances to banks	81,924	185,877	29,327	-	-	297,129
Investment securities	30,000	5,200	8,138	234,431	156,220	433,988
Other assets	47,458	-	151,986	-	39,535	238,979
Total Assets Funded	601,273	444,210	596,552	1,141,984	1,702,805	4,486,824
Spot and Forward Purchases (notional value)	264,150	355,216	627,451	34,395	-	1,281,212
Total Assets Funded and Non Funded	865,423	799,425	1,224,003	1,176,379	1,702,805	5,768,036
Due to banks	14,765	135,050	31,525	221,375	-	402,715
Deposits from customers	249,395	639,463	776,757	841,435	601,015	3,108,065
Other liabilities	78,629	623	154,551	8,675	10,997	253,474
Subordinated loans	-	-	-	35,000	-	35,000
Total liabilities	342,788	775,135	962,833	1,106,485	612,012	3,799,254
Spot and Forward Purchases (notional value)	263,112	353,439	623,730	34,242	-	1,274,523
Loan commitments	759,137	-	-	-	-	759,137
Letter of credit	62,719	-	-	-	-	62,719
Guarantees and performance bonds	572,008	-	-	-	-	572,008
Total Liabilities Funded and Non Funded	1,999,764	1,128,575	1,586,563	1,140,726	612,012	6,467,640
Cumulative Liabilities	1,999,764	3,128,339	4,714,902	5,855,628	6,467,640	
Gap	1,134,341	329,149	362,561	(35,653)	(1,090,793)	
Cumulative Gap	1,134,341	1,463,490	1,826,051	1,790,398	699,605	

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

22. Risk Management (continued)

B. Liquidity risk (continued)

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2021						
Cash and balances with Central Bank of Oman	250,979	-	-	-	500	251,479
Loan and advances to customer	169,023	507,969	171,014	762,567	1,735,650	3,346,223
Loans and advances to banks	46,223	56,552	22,323	-	-	125,098
Investments FVTPL	-	-	-	-	2,823	2,823
Investments FVOCI Debt Instrument	-	-	10	89,628	27,115	116,753
Investments FVOCI-Equity	-	-	-	-	2,490	2,490
Investments at amortized cost	-	-	-	213,935	110,215	324,150
Other assets	46,399	-	181,098	-	18,290	245,787
Total Assets Funded	512,624	564,521	374,445	1,066,130	1,897,083	4,414,803
Spot and Forward Purchases (notional value)	472,119	731,465	154,973	120,537	-	1,479,094
Total Assets Funded and Non Funded	984,743	1,295,986	529,418	1,186,667	1,897,083	5,893,897
Future Interest cash inflows	15,439	70,126	70,623	415,065	331,237	902,490
Due to banks	119,009	201,355	9,625	130,900	-	460,889
Deposits from customers	274,992	679,501	554,497	861,068	605,581	2,975,639
Other liabilities	66,185	9973	181,649	5,515	5,417	268,739
Subordinated loans	-	-	-	35,000	-	35,000
Total liabilities	460,186	890,829	745,771	1,032,483	610,998	3,740,267
Spot and Forward Purchases (notional value)	470,398	730,512	154,707	119,350	-	1,474,967
Loan commitments	623,405	-	-	-	-	623,405
Letter of credit	68,983	-	-	-	-	68,983
Guarantees and performance bonds	500,242	-	-	-	-	500,242
Total Liabilities Funded and Non Funded	2,123,214	1,621,341	900,478	1,151,833	610,998	6,407,864
Future Interest cash outflows	4,823	53,749	43,590	142,112	620,832	865,106
Cumulative Liabilities	2,123,214	3,744,555	4,645,033	5,796,866	6,407,864	
Gap	1,138,471	325,355	371,060	(34,834)	(1,286,085)	
Cumulative Gap	1,138,471	1,463,826	1,834,886	1,800,052	513,967	

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

23. Capital risk management

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

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

Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for three-month period ended 31 March 2022 is 17.77% (31 March 2021 – 17.18%, 31 December 2021 – 17.74%).

Capital structure	Unaudited 31 March 2022 RO'000	Unaudited 31 March 2021 RO'000	Audited 31 December 2021 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	299,635	299,635	299,635
Legal reserve	64,538	62,025	64,538
Share premium	95,656	95,656	95,656
Special reserve	16,488	17,488	16,988
Subordinated bonds and loan reserve	28,000	21,000	28,000
Retained earnings	22,930	24,622	22,930
	<u>527,247</u>	<u>520,426</u>	<u>527,747</u>
CET I/Tier I Capital			
Additional Tier I regulatory adjustments:			
Deferred tax Assets	(3,420)	(5,340)	(3,420)
Negative investment revaluation reserve	(6,251)	(5,746)	(5,627)
Total CET 1 capital	<u>517,576</u>	<u>509,340</u>	<u>518,700</u>
Additional Tier I capital (AT1)	155,500	155,500	155,500
Total Tier 1 Capital (T1=CET1+AT1)	<u>673,576</u>	<u>664,840</u>	674,200
Tier II Capital			
Investment revaluation reserve	390	655	649
General provision	31,967	36,133	39,108
Subordinated loan	-	14,000	-
Total Tier II capital	<u>32,357</u>	<u>50,788</u>	<u>39,757</u>
Total eligible capital	<u>705,434</u>	<u>715,628</u>	<u>713,957</u>
Risk weighted assets			
Banking book	3,675,501	3,813,531	3,719,641
Trading book	54,000	84,364	64,345
Operational risk	240,038	267,556	240,038
Total	<u>3,969,538</u>	<u>4,165,451</u>	<u>4,024,024</u>
Total Tier 1 Capital (T1=CET1+AT1)	673,576	664,840	674,200
Tier II capital	32,357	50,788	39,757
Total regulatory capital	<u>705,434</u>	<u>715,628</u>	<u>713,957</u>
Common Equity Tier 1 ratio	13.04%	12.23%	12.89%
Tier I capital ratio	16.96%	15.96%	16.75%
Total capital ratio	<u>17.77%</u>	<u>17.18%</u>	<u>17.74%</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

24. Fair value information

Fair value measurements recognised in the statement of financial position

The fair value of the financial assets and liabilities approximates their carrying value as stated in the statement of financial position (Level 3).

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 2022	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial asset					
Investments at FVOCI	132,980	-	517	113,496	134,611
Investments at FVTPL	1,119	-	1,660	2,779	2,779
Investment at Amortised Cost	917	-	-	917	917
Total assets	135,016	-	2,176	117,193	138,307
At 31st March 2021	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial assets					
Investments at FVOCI	101,368	-	573	101,941	105,651
Investments at FVTPL	1,174	-	1,618	2,792	3,255
Investment at Amortised Cost	917	-	-	917	917
Total assets	103,459	-	2,191	105,650	109,823
At 31 December 2021	Level 1 RO '000	Level 2 RO '000	Level 3 RO '000	Total RO '000	Cost RO '000
Financial assets					
Investments at FVOCI	118,973	-	517	119,490	122,967
Investments at FVTPL	1,174	-	1,649	2,823	3,155
Derivative financial instruments					
Forward foreign exchange contracts	-	2,291	-	2,291	-
IRS customer	-	4,310	-	4,310	-
Total assets	120,147	6,601	2,166	128,914	126,122

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

24. Fair value information (continued)

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.

At 31 March 2022	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
<i>Derivatives:</i>			
Currency forward - purchase contracts	1,234,563		692,337
Currency forward - sales contracts	1,232,742	1,865,587	
Interest rate swaps – purchase contracts	61,928	3,383	-
Interest rate swaps – sales contracts	61,928	-	3,383
At 31 March 2021			
	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
<i>Derivatives:</i>			
Currency forward - purchase contracts	1,238,694	-	1,004
Currency forward - sales contracts	1,232,004	4,462	-
Interest rate swaps – purchase contracts	379,921	5,116	-
Interest rate swaps – sales contracts	379,921	-	5,116
At 31 December 2021			
	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
<i>Derivatives:</i>			
Currency forward - purchase contracts	1,511,919	1,511,919	-
Currency forward - sales contracts	1,507,691	-	1,507,691
Interest rate swaps – purchase contracts	63,134	4,310	
Interest rate swaps – sales contracts	63,134		4,310

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

25 . Segmental information

The Bank is organised into three main business segments:

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

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

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position.

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

At 31st March 2022	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	17,555	26,105	7,736	51,396
Other revenues	1,480	1,953	1,181	4,614
	<u>19,035</u>	<u>28,058</u>	<u>8,917</u>	<u>56,010</u>
Interest, Islamic Window Deposit expenses	(6,672)	(12,254)	(3,553)	(22,479)
Net operating income	<u>12,363</u>	<u>15,804</u>	<u>5,364</u>	<u>33,531</u>
Segment cost				
Operating expenses including depreciation	(8,396)	(7,316)	(1,353)	(17,065)
Impairment for loans and investment net recoveries from allowance for loans impairment	(1,085)	(7,610)	581	(8,114)
Profit from operations after provision	<u>2,882</u>	<u>878</u>	<u>4,592</u>	<u>8,352</u>
Tax expenses	(432)	(132)	(689)	(1,253)
Profit for the period	<u>2,450</u>	<u>746</u>	<u>3,903</u>	<u>7,099</u>
Segment assets	<u>1,364,096</u>	<u>2,450,204</u>	<u>743,009</u>	<u>4,557,309</u>
Less: Impairment allowance	<u>(57,266)</u>	<u>(121,710)</u>	<u>(1,012)</u>	<u>(179,988)</u>
Total segment assets	<u>1,306,830</u>	<u>2,328,494</u>	<u>741,997</u>	<u>4,377,321</u>
Segment liabilities	<u>796,481</u>	<u>2,239,130</u>	<u>643,281</u>	<u>3,678,892</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

25. Segmental information (continued)

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

At 31st March 2021	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	16,754	26,559	8,029	51,342
Other revenues	1,072	3,209	3,484	7,765
	<u>17,826</u>	<u>29,768</u>	<u>11,513</u>	<u>59,107</u>
Interest, Islamic Window Deposit expenses	(7,834)	(14,899)	(3,389)	(26,122)
Net operating income	<u>9,992</u>	<u>14,869</u>	<u>8,124</u>	<u>32,985</u>
Segment cost				
Operating expenses including depreciation	(8,115)	(9,660)	(1,465)	(19,240)
Impairment for loans and investment net recoveries from allowance for loans impairment	(1,022)	(823)	(1,597)	(3,442)
Profit from operations after provision	<u>855</u>	<u>4,386</u>	<u>5,062</u>	<u>10,303</u>
Tax expenses	<u>(84)</u>	<u>(515)</u>	<u>(713)</u>	<u>(1,312)</u>
Profit for the period	<u>771</u>	<u>3,871</u>	<u>4,349</u>	<u>8,991</u>
Segment assets	1,320,075	2,527,498	814,691	4,662,264
Less: Impairment allowance	<u>(55,247)</u>	<u>(90,601)</u>	<u>(1,529)</u>	<u>(147,377)</u>
Total segment assets	<u>1,264,828</u>	<u>2,436,897</u>	<u>813,162</u>	<u>4,514,887</u>
Segment liabilities	<u>758,761</u>	<u>2,612,495</u>	<u>439,987</u>	<u>3,811,243</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

25. Segmental information (continued)

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

At 31 December 2021	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues	68,591	106,791	31,338	206,720
Other revenues (net of commission expense)	7,151	9,596	7,276	24,023
Total	75,742	116,387	38,614	230,743
Interest, Islamic Window Deposit expenses	(28,764)	(57,450)	(18,083)	(104,297)
Net operating income	46,978	58,937	20,531	126,446
Segment cost				
Operating expenses including depreciation	(35,035)	(31,576)	(5,729)	(72,340)
Impairment for loans and investment net recoveries from allowance for loans impairment	(4,834)	(18,331)	(1,486)	(24,651)
Profit from operations after provision	7,109	9,030	13,316	29,455
Income tax expenses	(1,046)	(1,328)	(1,958)	(4,332)
Net profit for the year	6,063	7,702	11,358	25,123
Segment assets	1,418,703	2,601,875	588,461	4,609,039
Less: Allowance for expected credit losses	(56,123)	(112,723)	(1,407)	(170,253)
Total segment assets	1,362,580	2,489,152	587,054	4,438,786
Segment liabilities	832,353	2,351,371	546,146	3,729,870
Add: Allowance for expected credit losses	3	8,796	1,598	10,397
Segment liabilities	832,356	2,360,167	547,744	3,740,267

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

26. Comparative figures

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

A. Cash and cash equivalents

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

	2021 – revised	2021 – original
<u>Cash and cash equivalents comprises of:</u>	RO'000	RO'000
Cash and balances with Central Bank of Oman	209,635	209,635
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks with a short term maturity of 3 months or less	101,919	-
	<u> </u>	<u> </u>
Cash and cash equivalents as of 31 March 2021	311,054	209,135
	<u> </u>	<u> </u>

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