



**Unaudited interim condensed financial statements
For the three-month period ended 31st March 2023**

Registered office and principal place of business:

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

CONTENTS OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

	Page
The Board of Director's report	1 to 2
Interim condensed statement of financial position	3
Interim condensed statement of comprehensive income	4
Interim condensed statement of changes in equity	5 to 7
Interim condensed statement of cash flows	8
Notes to the interim condensed financial statements	9 to 53

THE BOARD OF DIRECTORS' REPORT FOR THE THREE MONTHS ENDED**31 March 2023****Dear Shareholders,**

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present Bank's unaudited interim condensed financial statements for the period ended 31 March 2023.

Bank Dhofar SAOG - Financial Highlights

Bank's operating profit (before expected credit losses) has increased to RO 20.87 Million for the period ended 31 March 2023 compared to RO 16.466 Million for the same period of financial year 2022 and recorded an increase of RO 4.41 Million, increased by 26.75 %.

For the period ended 31 March 2023 interest income and income from Islamic financing reached to RO 62.07 Million registering growth of 20.76 per cent year on year. Non-funded income for the period, has also witnessed a growth of 81.60 % and reached to RO 8.38 Million for the three months period ended 31 March 2023 from RO 4.615 Million for the three months period ended 31 March 2022. Total operating income of the Bank stood at RO 38.00 Million for the three months ended 31 March 2023 compared to RO 33.53 Million reported for the three months period ended 31 March 2022, an increase of 13.33%.

The Bank's net profit after tax for the three months period ended 31 March 2023 grew by 41.17% and increased to RO 10.02 Million compared to RO 7.10 Million for the three months period ended 31 March 2022. The growth in net profit is mainly attributable to increase in Operating income.

Total operating cost for the three months period ended 31 March 2023 was marginally higher by 0.38% year on year and reached to RO 17.13 Million compared to RO 17.07 Million. The cost to income ratio has improved to 45.08% for the period compared to 50.89% for the corresponding period.

Net loans and advances including Islamic financing receivables increased by 6.29% to RO 3.46 Billion as at 31 March 2023 compared to RO 3.26 Billion as at the 31 March 2022. Further, the net loans and advances including Islamic financing receivables reported a growth of 0.97% compared to 31 December 2022.

Following the same trend, customer deposits including Islamic deposits, increased by 5.17% compared to comparative period of last year. In absolute terms, customer deposits reached to RO 2.94 Billion as at 31 March 2023 compared to RO 2.79 Billion as at 31 March 2022., Customer deposits including Islamic deposits has shown a rise of 1.55% compared to 31 December 2022.

During the period ended 31 March 2023, the Bank recognised expected credit losses of RO 9.08 Million (net of recoveries) to income statement which is 11.92% higher than the comparative period. This increase is attributable to the Bank's cautious and conservative approach to maintain adequate level of provisions against expected credit losses.

The earnings per share (EPS) for the three-months period ended 31 March 2023 is RO 0.003 compared to RO 0.002 for the three months period ended 31 March 2022.

BANK DHOFAR SAOG

Maisarah Islamic Banking Services - Financial Performance Highlights

Maisarah Islamic Banking Services reported a strong three-month period ended March 2023 with positive growth in earning assets, financing, deposits and the operating profit. The gross financing portfolio has increased from OMR 523.69 million at 31 March 2022 to OMR 614.58 million at 31 March 2023, thus posting growth of 17.36%. The gross Sukuk investment portfolio increased by 6.72% from OMR 88.01 million at March 2022 to OMR 93.92 million at March 2023.

As at March 2023 the total customer deposits stood at OMR 461.84 million, registering growth of 10.73% compared to OMR 417.07 million at same period last year. The total assets have increased by 6.26% to OMR 742.23 million at March 2023 from OMR 698.49 million at March 2022.

The net Profit income from Financing, Placement and Investment after cost of funds increased 4.84% year-on-year reaching OMR 4.98 million during three-month period ended March 2023 against OMR 4.75 million at same period last year. Maisarah total revenue for the three months period ended March 2023 stood at OMR 6.65 million compared to OMR 5.28 million at March 2022, a growth of 25.95%.

As at March 2023, Maisarah posted year to date Operating Profit (before ECL) of OMR 3.67 million which is 47.39% above the last year operating profit of OMR 2.49 million. Cost to income ratio has significantly improved and stood at 44.81% at March 2023 compared to 52.84% at March 2022.

Profit before tax stood at OMR 2.82 million for the three months period ended March 2023 compared to RO 1.77 million for the same period last year.

* During 2022, change in accounting estimate for cost sharing by Head Office with Maisarah had resulted in an additional operating cost of RO 0.639 million.

Recognitions and Awards

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

- Best Islamic Bank in Oman award by Middle East Banking Awards
- Best Corporate Bank Oman by International Business Magazine Awards
- Most Innovative Payment solution (Paysticker) Oman by Gazet International Magazine
- Best Corporate Bank of the year Oman by Gazet International Magazine

Acknowledgment

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

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

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

Eng. Abdul Hafidh Salim Rajab Al-Ojaili
Chairman

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

	Notes	Unaudited 31-Mar- 2023 RO'000	Unaudited 31-Mar- 2022 RO'000	Audited 31-Dec- 2022 RO'000
Assets				
Cash and balances with Central Bank of Oman	5	265,042	144,583	176,617
Investment securities	8	493,935	499,186	469,422
Loans, advances, and financing to banks	6	291,898	232,416	148,353
Loans, advances, and financing to customers (conventional)	7	2,854,151	2,746,470	2,880,469
Islamic financing receivables	7	609,493	512,251	550,017
Other assets		82,225	219,199	67,181
Deferred tax assets		6,127	3,420	6,127
Property and equipment	10	7,890	7,612	7,854
Intangible asset	9	11,170	12,814	11,292
Total assets		4,621,931	4,377,321	4,317,332
Liabilities				
Due to banks	11	829,042	605,301	572,842
Deposits from customers (Conventional)	12	2,471,678	2,375,195	2,416,687
Islamic customers deposits	12	464,842	417,073	475,132
Other liabilities		127,709	234,292	120,824
Tax Liabilities		15,401	10,675	13,632
Employee benefit obligations		1,219	1,356	1,138
Subordinated loans	13	-	35,000	-
Total liabilities		3,909,891	3,678,892	3,600,255
Shareholders' equity				
Share capital	14	299,635	299,635	299,635
Share premium		95,656	95,656	95,656
Legal reserve		67,955	64,538	67,955
Special reserve		16,988	16,988	16,988
Special reserve –restructured loans		1,281	1,281	1,281
Special impairment reserve IFRS 9		12,184	12,184	12,184
Special revaluation reserve - investment		(709)	(709)	(709)
Subordinated loan reserve		-	28,000	-
Investment revaluation reserve		(3,582)	(4,675)	(3,506)
Retained earnings		67,132	30,031	72,093
Total equity attributable to the equity holders of the Bank		556,540	542,929	561,577
Perpetual Tier 1 Capital Securities		155,500	155,500	155,500
Total equity		712,040	698,429	717,077
Total liabilities and equity		4,621,931	4,377,321	4,317,332
Contingent liabilities and commitments	20	644,247	586,029	662,748
Net assets per share (Rial Omani)	15	0.186	0.181	0.187

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

Eng. Abdul Hafidh Salim Rajab Al- Ojaili
Chairman

Abdul Hakeem Omar Al Ojaili
Chief Executive Officer

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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

	<i>Notes</i>	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000
Interest income	16	52,195	42,930
Interest expense	17	(27,977)	(19,155)
Net interest income		24,218	23,775
Income from Islamic financing / Investments	16	9,871	8,466
Unrestricted investment account holders' share of profit and profit expense	17	(4,470)	(3,325)
Net income from Islamic financing and Investment activities		5,401	5,141
Fees and commission income	21	7,626	4,085
Fees and commission expense	21	(1,028)	(955)
Net fees and commission income		6,598	3,130
Other operating income		1,783	1,485
Operating income		38,000	33,531
Staff and administrative costs		(15,548)	(15,306)
Depreciation		(1,581)	(1,759)
Operating expenses		(17,129)	(17,065)
Net Impairment losses on financial assets		(9,296)	(8,114)
Recovery of bad debts written-off		215	-
Profit from operations after provision		11,790	8,352
Income tax expense		(1,768)	(1,253)
Profit for the period		10,022	7,099
Other comprehensive income:			
<i>Items that will not be reclassified to P&L:</i>			
Movement in fair value reserve (FVOCI equity instrument)			
<i>Items that are or may be reclassified to profit or loss in subsequent periods:</i>			
Movement in fair value reserves FVOCI debt instruments		(390)	30
		314	(1,228)
Other comprehensive income / (loss) for the period		(76)	(1,198)
Total comprehensive income for the period		9,946	5,901
Earnings per share attributable to equity shareholders of the Bank (basic and diluted) (Rials Omani)	18	0.003	0.002

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

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

	Notes	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve	Special revaluation reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balances as at 1 January 2023		299,635	95,656	67,955	16,988	1,281	12,184	(709)	-	(3,506)	72,093	561,577	155,500	717,077
Profit for the period		-	-	-	-	-	-	-	-	-	10,022	10,022	-	10,022
Other comprehensive income for the period:														
Net changes of fair value reserve														
FVOCI equity instruments		-	-	-	-	-	-	-	-	(390)	-	(390)	-	(390)
FVOCI debt instruments		-	-	-	-	-	-	-	-	314	-	314	-	314
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(76)	10,022	9,946	-	9,946
Transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend for 2022	14	-	-	-	-	-	-	-	-	-	(14,983)	(14,983)	-	(14,983)
Balances as at 31 March 2023		299,635	95,656	67,955	16,988	1,281	12,184	(709)	-	(3,582)	67,132	556,540	155,500	712,040

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

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (CONTINUED)

	Notes	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve	Special revaluation reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balances as at 1 January 2022		299,635	95,656	64,538	16,988	1,281	12,184	(709)	28,000	(3,477)	28,923	543,019	155,500	698,519
Profit for the period		-	-	-	-	-	-	-	-	-	7,099	7,099	-	7,099
Other comprehensive income for the period:														
Net changes of fair value reserve														
FVOCI equity instruments		-	-	-	-	-	-	-	-	30	-	30	-	30
FVOCI debt instruments		-	-	-	-	-	-	-	-	(1,228)	-	(1,228)	-	(1,228)
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(1,198)	7,099	5,901	-	5,901
Transfer to retained earnings		-	-	-	-	-	-	-	-	-	2	2	-	2
Perpetual Tier 1 capital securities:														
Dividend Paid 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 statement

BANK DHOFAR SAOG

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (CONTINUED)

	Notes	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve	Special revaluation reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balances as at 1 January 2022		299,635	95,656	64,538	16,988	1,281	12,184	(709)	28,000	(3,477)	28,923	543,019	155,500	698,519
Profit for the period		-	-	-	-	-	-	-	-	-	34,173	34,173	-	34,173
<i>Other comprehensive income for the period:</i>														
Net changes of fair value reserve														
FVOCI equity instruments	18 (c)	-	-	-	-	-	-	-	-	(406)	-	(406)	-	(406)
FVOCI debt instruments	18 (c)	-	-	-	-	-	-	-	-	377	-	377	-	377
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(29)	34,173	34,144	-	34,144
Transfer to legal reserve		-	-	3,417	-	-	-	-	-	-	(3,417)	-	-	-
Transfer to subordinated reserve		-	-	-	-	-	-	-	7,000	-	(7,000)	-	-	-
Transfer to retained earnings		-	-	-	-	-	-	-	(35,000)	-	35,000	-	-	-
Perpetual Tier 1 capital securities:														
Payment towards perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	(9,376)	(9,376)	-	(9,376)
AT Issuance Cost		-	-	-	-	-	-	-	-	-	(217)	(217)	-	(217)
Dividend Paid	35	-	-	-	-	-	-	-	-	-	(5,993)	(5,993)	-	(5,993)
Balances as at 31 December 2022		299,635	95,656	67,955	16,988	1,281	12,184	(709)	-	(3,506)	72,093	561,577	155,500	717,077

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

BANK DHOFAR SAOG**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000
Operating activities		
Profit for the period before taxation	11,790	8,352
<i>Adjustment for:</i>		
Depreciation and amortisation	1,581	1,759
Net impairment on financial instruments	9,081	8,114
Provision for end of service benefits	88	104
Operating profit before working capital changes	22,540	18,329
<i>Change in working capital:</i>		
Increase in due to banks	256,200	144,412
Increase in due from banks	(125,602)	12,222
Increase in loans & advances and financing	(42,239)	78,977
Increase in other assets	(15,044)	26,588
Increase in customer deposits	44,701	(183,371)
Increase in other liabilities	6,885	(23,666)
Cash (used in) / from operations	124,901	55,162
End of service benefits paid	(7)	(105)
Net cash (used in) / from operating activities	147,434	73,386
Investing activities		
Net movement in Investment securities	(24,589)	(54,097)
Purchase of property and equipment	(1,495)	(992)
Net cash used in investing activities	(26,084)	(55,089)
Financing activities		
Dividend paid	(14,983)	(5,993)
Net cash from financing activities	(14,983)	(5,993)
Net changes in cash and cash equivalents	106,367	12,304
Cash and cash equivalents at 1 January	275,679	293,353
Cash and cash equivalents at 30 September	382,046	305,657
<i>Cash and cash equivalent comprise of:</i>		
Cash and balances with Central Bank of Oman	265,042	144,583
Capital deposit with Central Bank of Oman	(500)	(500)
Due from banks with a short-term maturity of 3 months or less	117,504	161,574
	382,046	305,657

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Dhofar SAOG (the “Bank”) is incorporated in the Sultanate of Oman as a public joint stock company and is principally engaged in corporate, retail and investment banking activities through a network of 95 branches (31 March 2022: 65 branches) which comprises of 16 Islamic branches (31 March 2022: 10 Islamic branches) and 79 conventional branches (31 March 2022: 55 conventional branches). The Bank’s Islamic Banking Window, “Maisarah Islamic Banking services” has an allocated capital of RO 70 Million (31 March 2022: RO 70 million) from the core paid up capital of the shareholders. The Bank has a primary listing of its ordinary shares on the Muscat Stock Exchange (“MSX”), and the Bank’s Additional Tier I Perpetual Bonds are listed on the Muscat Stock Exchange (“MSX”). The Bank’s principal place of business is its Head Office located at Central Business District (“CBD”), Muscat, Sultanate of Oman.

The Bank employed 1,572 employees as of 31st March 2023 (31st March 2022: 1,476 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 2023 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, ‘Interim Financial Reporting’, applicable regulations of the Central Bank of Oman (CBO) and the disclosure requirements set out in the Rules and Disclosure and Proformas issued by the Capital Market Authority (CMA).

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Bank’s last annual financial statements as at and for the year ended 31 December 2022 (‘the last annual financial statements’).

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

BANK DHOFAR SAOG

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

2.4 Use of estimates and judgments (continued)

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

3 Standards effective from 1 January 2023

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

4 Standards issued but not yet effective

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

5. Cash and balances with Central Bank of Oman

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
Cash in hand	30,168	30,460	33,925
Balances with the Central Bank of Oman	183,506	87,173	68,050
Placements with Central Bank of Oman	50,064	26,950	69,326
Cash held by a custodian	1,304	-	5,316
	<u>265,042</u>	<u>144,583</u>	<u>176,617</u>

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

6. Loans, advances and financing to banks

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
Syndicated loans to other banks	3,682	21,006	-
Placements with other banks	274,887	186,443	101,333
Current clearing accounts	13,535	25,783	47,124
	<u>292,104</u>	<u>233,232</u>	<u>148,457</u>
Less: impairment allowance	(206)	(816)	(104)
	<u><u>291,898</u></u>	<u><u>232,416</u></u>	<u><u>148,353</u></u>

7. Loans, advances and financing to Customer

(a) Conventional Banking

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
Loans	2,773,660	2,659,105	2,820,805
Overdraft	121,530	116,858	123,550
Loans against trust receipts	112,592	94,096	97,069
Bills discounted	49,940	33,926	31,063
Advances against credit cards	8,867	8,115	8,669
Gross Loans, advances and financing to customers	<u>3,066,589</u>	<u>2,912,100</u>	<u>3,081,156</u>
Less: Impairment allowance including reserved interest	<u>(212,438)</u>	<u>(165,630)</u>	<u>(200,687)</u>
	<u><u>2,854,151</u></u>	<u><u>2,746,470</u></u>	<u><u>2,880,469</u></u>

(b) Islamic Banking Window Financing

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
Housing finance	170,853	160,434	161,971
Corporate finance	439,006	350,497	388,808
Consumer finance	16,075	13,642	14,717
	<u>625,934</u>	<u>524,573</u>	<u>565,496</u>
Less: Impairment allowance	<u>(16,441)</u>	<u>(12,322)</u>	<u>(15,479)</u>
	<u><u>609,493</u></u>	<u><u>512,251</u></u>	<u><u>550,017</u></u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****7. Loans, advances, and financing to customers (continued)****(c) The movement in the allowance for expected credit losses is analysed below:**

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
i. Allowance for loan impairment			
01 January	175,801	137,481	137,481
Reclassification of ECL related to accrued interest	-	-	343
Allowance made during the period	13,275	11,869	50,092
Released to the profit or loss during the period	(3,476)	(3,034)	(11,249)
Written off during the period	(46)	(387)	(866)
Balance at the end of the period	185,554	145,929	175,801
ii. Reserved interest			
01 January	40,366	30,117	30,117
Reserved during the period	5,251	3,118	13,589
Recoveries to profit or loss during the period	(2,253)	(742)	(2,560)
Written-off during the period	(39)	(470)	(780)
Balance at the end of the period	43,325	32,023	40,366
Total impairment allowance	228,879	177,952	216,167

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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

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

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

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

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

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	2,647,027	38,059	11,453	26,606	2,608,968	2,635,574	-	-
	Stage 2	483,218	5,609	22,760	(17,151)	477,609	460,458	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		3,130,245	43,668	34,213	9,455	3,086,577	3,096,032	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	308,255	3,863	37,963	(34,100)	304,392	270,292	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		308,255	3,863	37,963	(34,100)	304,392	270,292	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	45,425	11,279	11,927	(648)	33,679	33,498	-	467
Subtotal		45,425	11,279	11,927	(648)	33,679	33,498	-	467
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	10,297	3,418	3,754	(336)	6,311	6,543	-	568
Subtotal		10,297	3,418	3,754	(336)	6,311	6,543	-	568
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	198,301	137,408	97,697	39,711	18,603	100,604	-	42,290
Subtotal		198,301	137,408	97,697	39,711	18,603	100,604	-	42,290
Total loans and advances		3,692,523	199,636	185,554	14,082	3,449,562	3,506,969	-	43,325
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	2,055,656	179	2,893	(2,714)	2,055,477	2,052,763	-	-
	Stage 2	285,036	-	3,728	(3,728)	285,036	281,308	-	-
	Stage 3	2,524	-	1,089	(1,089)	2,524	1,435	-	-
Subtotal		2,343,216	179	7,710	(7,531)	2,343,037	2,335,506	-	-
Total (31 March 2023)	Stage 1	4,702,683	38,238	14,346	23,892	4,664,445	4,688,337	-	-
	Stage 2	1,076,509	9,472	64,451	(54,979)	1,067,037	1,012,058	-	-
	Stage 3	256,547	152,105	114,467	37,638	61,117	142,080	-	43,325
Total		6,035,739	199,815	193,264	6,551	5,792,599	5,842,475	-	43,325

* Net of provision and reserve interest as per CBO norms

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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

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

i. Comparison of provision held as per IFRS 9 and required as per CBO norms As at 30 March 2022

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	2,488,781	38,242	18,525	19,717	2,450,539	2,470,256	-	-
Standard	Stage 2	473,988	6,449	14,062	(7,613)	467,539	459,926	-	-
	Stage 3	-	-	-	-	-	-	-	-
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
Total loans and advances		3,436,669	165,567	145,929	19,638	3,239,079	3,290,740	-	32,023
	Stage 1	2,001,393	179	6,613	(6,434)	2,001,214	1,994,780	-	-
Other items not covered under CBO circular BM 977 and related instructions	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-MONTH PERIOD ENDED 31 MARCH 2023

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

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

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

As at 31 December 2022

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

* Net of provision and reserve interest as per CBO norms

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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

(d) Restructured Loans

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

At 31 March 2023

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	77,535	758	1,507	(749)	76,777	76,028	-	-
	Stage 2	465,344	4,584	46,870	(42,286)	460,760	418,474	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		542,879	5,342	48,377	(43,035)	537,537	494,502	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	7,850	4,162	4,020	142	3,878	(3,736)	-	1,206
Sub total		7,850	4,162	4,020	142	3,878	(3,736)	-	1,206
Total (31 March 2023)	Stage 1	77,535	758	1,507	(749)	76,777	76,028	-	-
	Stage 2	465,344	4,584	46,870	(42,286)	460,760	418,474	-	-
	Stage 3	7,850	4,162	4,020	142	2,482	3,830	-	1,206
	Total	550,729	9,504	52,397	(42,893)	540,019	498,332	-	1,206

* Net of provision and reserve interest as per CBO norms

As 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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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

(d) Restructured Loans (continued)

At 31 December 2022

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	128,096	1,288	3,248	(1,960)	126,808	124,848	-	-
	Stage 2	434,264	2,450	41,472	(39,022)	431,814	392,792	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		562,360	3,738	44,720	(40,982)	558,622	517,640	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	7,431	3,451	3,476	(25)	2,765	3,955	-	1,215
Sub total		7,431	3,451	3,476	(25)	2,765	3,955	-	1,215
Total (30 December 2022)	Stage 1	128,096	1,288	3,248	(1,960)	126,808	124,848	-	-
	Stage 2	434,264	2,450	41,472	(39,022)	431,814	392,792	-	-
	Stage 3	7,431	3,451	3,476	(25)	2,765	3,955	-	1,215
	Total	569,791	7,189	48,196	(41,007)	561,387	521,595	-	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-MONTH PERIOD ENDED 31 MARCH 2023****7. Loans, advances, and financing to customer (continued)****(e) Comparison of allowance for expected credit losses charges as per IFRS 9 and as per CBO norms****i. Allowance for expected credit losses charge and provisions held**

31-Mar-23	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	199,815	193,264	6,551
Gross NPL ratio	6.88%	6.88%	-
Net NPL ratio	1.59%	2.64%	(1.05%)

Gross NPL (Non-performing Loans) are 6.88% and Net NPL is 2.66% based on funded non-performing exposure over funded exposure.

Note 1: Excluding Interest Reserve of RO 43.33 million.

31-Mar-22	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net recoveries)	-	(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 5.56% 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-Dec-22	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	185,912	184,011	1,901
Gross NPL ratio	5.87%	5.87%	-
Net NPL ratio	0.99%	2.00%	(1.01%)

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

Note 1: Excluding Interest Reserve of RO 40.37 million.

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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

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

The following table discloses the stage-wise gross exposure, impairment, and net exposure of only those financial assets that are tested for impairment under IFRS 9 as at, 31st March 2023:

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	233,570	-	-	233,570
Cash held by a custodian	1,304	-	-	1,304
Due from Banks	292,104	-	-	292,104
Sovereign	401,670	-	-	401,670
Investment Securities at amortized cost	9,818	-	-	9,818
Investment Securities at FVOCI	26,120	-	-	26,120
Loans and advances	2,647,027	791,473	254,023	3,692,523
Acceptance	52,530	8,235	-	60,765
Total funded gross exposure	3,664,143	799,708	254,023	4,717,874
Letters of credit/guarantee	552,267	89,456	2,524	644,247
Loan commitment / unutilized limits	497,551	176,067	-	673,618
Total non-funded gross exposure	1,049,818	265,523	2,524	1,317,865
Total gross exposure	4,713,961	1,065,231	256,547	6,035,739
Impairment				
Central Bank balances	-	-	-	-
Cash held by a custodian	-	-	-	-
Due from Banks	206	-	-	206
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	50	-	-	50
Loans and advances	11,453	60,723	113,378	185,554
Acceptance	29	9	-	38
Total funded impairment	11,738	60,732	113,378	185,848
Letters of credit/guarantee	1,470	3,046	1,089	5,605
Loan commitment/unutilized limits	1,138	673	-	1,811
Total non-funded impairment	2,608	3,719	1,089	7,416
Total impairment	14,346	64,451	114,467	193,264
Net exposure				
Central Bank balances	233,570	-	-	233,570
Cash held by a custodian	1,304	-	-	1,304
Due from Banks	291,898	-	-	291,898
Sovereign	401,670	-	-	401,670
Investment Securities at amortized Cost	9,818	-	-	9,818
Investment Securities at FVOCI	26,070	-	-	26,070
Loans and advances	2,635,571	730,750	140,645	3,506,966
Acceptance	52,501	8,226	-	60,727
Total funded net exposure	3,652,402	738,976	140,645	4,532,023
Letter of credit/guarantee	550,800	86,410	1,435	638,645
Loan commitment / unutilized limits	496,413	175,394	-	671,807
Total net non-funded exposure	1,047,213	261,804	1,435	1,310,452
Total net exposure	4,699,615	1,000,780	142,080	5,842,475

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****7. Loans, advances, and financing to customers (continued)****(f) Stage wise exposure, allowance for expected credit losses and net exposures (continued)**

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2023				
Due from banks	104	-	-	104
Loans and advances to customers	12,711	62,163	100,927	175,801
Investment securities at FVOCI (Debt)	64	-	-	64
Loan commitments and financial guarantees	1,670	3,266	1,252	6,188
Acceptances	13	6	-	19
Unutilised	1,162	673	-	1,835
Total	15,724	66,108	102,179	184,011
Net transfer between stages				
Due from banks	-	-	-	-
Loans and advances to customers	(1,251)	(9,634)	10,885	-
Loan commitments and financial guarantees	12	(12)	-	-
Unutilised	(30)	30	-	-
Total	(1,269)	(9,616)	10,885	-
Charge for the Period (net)				
Due from banks	102	-	-	102
Loans and advances to customers	(7)	8,194	1,612	9,799
Investment securities at FVOCI (Debt)	(14)	-	-	(14)
Loan commitments and financial guarantees	(212)	(208)	(163)	(583)
Acceptances	16	3	-	19
Unutilised	6	(30)	-	(24)
Total	(109)	7,959	1,449	9,299
Written-off			(46)	(46)
Closing Balance – as at 31 March 2023				
- Due from banks	206	-	-	206
- Loans and advances to customers	11,453	60,723	113,378	185,554
- Investment securities at FVOCI (Debt)	50	-	-	50
- Loan commitments and financial guarantees	1,470	3,046	1,089	5,605
- Acceptances	29	9	-	38
- Unutilised	1,138	673	-	1,811
Total expected credit loss	14,346	64,451	114,467	193,264

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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

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

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

Gross exposure	Stage 1	Stage 2	Stage 3	Total
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
Acceptance	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 / unutilized 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
Acceptance	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/unutilized 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
Acceptance	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 / unutilized 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

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****7. Loans, advances and financing to customers (continued)****(f) Stage wise exposure, allowance for expected credit losses and net exposures (continued)**

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2022				
Due from banks	1,150	-	-	1,150
Loans and advances to customers	20,015	34,931	82,535	137,481
Investment securities at FVOCI (Debt)	247	-	-	247
Loan commitments and financial guarantees	3,534	4,054	-	7,588
Acceptances	899	16	-	915
Unutilised	1,670	1,140	-	2,810
Interest accrued	130	213	-	343
Total	27,645	40,354	82,535	150,534
Net transfer between stages				
Loans and advances to customers	(43)	(4,667)	4,710	-
Loan commitments and financial guarantees	(12)	12	-	-
Unutilised	51	(51)	-	-
Interest Accrued	(1)	1	-	-
Total	(5)	(4,705)	4,710	-
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	(2,503)	10,434	183	8,114
Written-off			(387)	(387)
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 expected credit loss	25,138	46,082	87,041	158,261

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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

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

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

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

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****7. Loans, advances, and financing to customers (continued)****(f) Stage wise exposure, allowance for expected credit losses and net exposures (continued)**

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance – as at 1 January 2022				
Due from banks	1,150	-	-	1,150
Loans and advances to customers	20,015	34,931	82,535	137,481
Investment securities at FVOCI (Debt)	247	-	-	247
Loan commitments and financial guarantees	3,534	4,054	-	7,588
Acceptances	899	16	-	915
Unutilised	1,670	1,140	-	2,810
Interest accrued	131	212	-	343
Total	27,646	40,353	82,535	150,534
Net transfer between stages				
Due from banks	(204)	204	-	-
Loans and advances to customers	1,426	(21,587)	20,161	-
Loan commitments and financial guarantees	(13)	13	-	-
Unutilised	29	(29)	-	-
Total	1,442	(21,603)	20,161	-
Charge for the Period (net)				
Due from banks	(842)	(204)	-	(1,046)
Loans and advances to customers	(8,861)	48,607	(903)	38,843
Investment securities at FVOCI (Debt)	(183)	-	-	(183)
Loan commitments and financial guarantees	(1,851)	(801)	1,252	(1,400)
Acceptances	(886)	(10)	-	(896)
Unutilised	(537)	(438)	-	(975)
Total	(13,160)	47,154	349	34,343
Written-off			(866)	(866)
Closing Balance – as at 31 December 2022				
Due from banks	308	(204)	-	104
Loans and advances to customers	12,711	62,163	100,927	175,801
Investment securities at FVOCI (Debt)	64	-	-	64
Loan commitments and financial guarantees	1,670	3,266	1,252	6,188
Acceptances	13	6	-	19
Unutilised	1,162	673	-	1,835
Total expected credit loss	15,928	65,904	102,179	184,011

BANK DHOFAR SAOG
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
7. Loans, advances, and financing to customers (continued)
(g) Reconciliation of financial assets and liabilities

31-Mar-23	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	265,042	265,042
Loans and advances to banks	6	-	-	-	291,898	291,898
Loans and advances to customers	7	-	-	-	3,463,644	3,463,644
Investment securities	8	731	25,646	123,143	344,415	493,935
Other assets		3,366	-	-	77,080	80,446
		<u>4,097</u>	<u>25,646</u>	<u>123,143</u>	<u>4,442,079</u>	<u>4,594,965</u>
Due to banks	11	-	-	-	829,042	829,042
Deposits from customers	12	-	-	-	2,936,520	2,936,520
Subordinated liabilities	13	-	-	-	-	-
Other liabilities		2,830	-	-	126,098	128,928
		<u>2,830</u>	<u>-</u>	<u>-</u>	<u>3,891,660</u>	<u>3,894,490</u>
31-Mar-22	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	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
		<u>5,846</u>	<u>2,520</u>	<u>129,883</u>	<u>4,215,856</u>	<u>4,354,105</u>
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
		<u>1,713</u>	<u>-</u>	<u>-</u>	<u>3,665,147</u>	<u>3,666,860</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****7. Loans, advances, and financing to customers (continued)****(g) Reconciliation of financial assets and liabilities (continued)**

31-Dec-22	Notes	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	176,617	176,617
Loans and advances to banks	6	-	-	-	148,353	148,353
Loans and advances to customers	7	-	-	-	3,430,486	3,430,486
Investment securities	8	717	13,975	141,452	313,278	469,422
Other assets		4,730	-	-	60,771	65,501
		<u>5,447</u>	<u>13,975</u>	<u>141,452</u>	<u>4,129,505</u>	<u>4,290,379</u>
Due to banks	11	-	-	-	572,842	572,842
Deposits from customers	12	-	-	-	2,891,819	2,891,819
Subordinated liabilities	13	-	-	-	-	-
Other liabilities		3,970	-	-	117,992	121,962
		<u>3,970</u>	<u>-</u>	<u>-</u>	<u>3,582,653</u>	<u>3,586,623</u>

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****8. Investment's securities**

	Unaudited 31-Mar-23 RO'000	Unaudited 31-Mar-22 RO'000	Audited 31-Dec-22 RO'000
Equity investments:			
Measured at FVTPL	731	1,660	717
Measured at FVOCI	<u>25,646</u>	<u>2,520</u>	<u>13,975</u>
Gross equity investments	<u>26,377</u>	<u>4,180</u>	<u>14,692</u>
Debt investments:			
Designated at FVTPL	-	1,119	-
Measured at FVOCI	123,193	130,059	141,516
Measured at amortized cost	<u>344,415</u>	<u>364,004</u>	<u>313,278</u>
Gross debt investments	<u>467,608</u>	<u>495,182</u>	<u>454,794</u>
Total investment securities	493,985	499,362	469,486
Less: Impairment loss allowance	<u>(50)</u>	<u>(176)</u>	<u>(64)</u>
Total investment securities	<u>493,935</u>	<u>499,186</u>	<u>469,422</u>
	Unaudited 31-Mar-23 RO'000	Unaudited 31-Mar-22 RO'000	Audited 31-Dec-22 RO'000
Investment securities measured as at FVTPL	731	2,779	717
Investment securities measured at FVOCI	148,789	132,403	155,427
Debt investments measured at amortised cost	<u>344,415</u>	<u>364,004</u>	<u>313,278</u>
	<u>493,935</u>	<u>499,186</u>	<u>469,422</u>

BANK DHOFAR SAOG
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
8. Investment securities (continued)
8.1 Categories of investments by measurement

31-Mar-23	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	361	-	361
Foreign security	-	1,013	-	1,013
Financial services sector	-	21,845	-	21,845
Industrial sector	-	1,736	-	1,736
	<u>-</u>	<u>24,955</u>	<u>-</u>	<u>24,955</u>
Unquoted Equities:				
Local securities	-	691	-	691
Unit funds	731	-	-	731
	<u>731</u>	<u>691</u>	<u>-</u>	<u>1,422</u>
Gross Equity investments	<u>731</u>	<u>25,646</u>	<u>-</u>	<u>26,377</u>
Quoted Debt:				
Government Bonds and Sukuk	-	97,073	304,597	401,670
Foreign Bonds	-	-	-	-
Local Bonds and Sukuks	-	26,120	9,818	35,938
Treasury Bills	-	-	30,000	30,000
Gross debt investments	<u>-</u>	<u>123,193</u>	<u>344,415</u>	<u>467,608</u>
Total Investment Securities	<u>731</u>	<u>148,839</u>	<u>344,415</u>	<u>493,985</u>
Less: Impairment losses on investments	-	(50)	-	(50)
	<u>731</u>	<u>148,789</u>	<u>344,415</u>	<u>493,935</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 2023	141,464	13,963	313,278	717	469,422
Additions	-	12,077	30,110	-	42,187
Disposals and redemption	(19,954)	(125)	-	-	(20,079)
Gain/(loss) from change in fair value	329	(399)	-	-	(70)
Amortisation of discount and premium	(13)	-	(58)	-	(71)
Movement in Interest Accrued	1,367	130	1,085	14	2,596
Total	<u>123,193</u>	<u>25,646</u>	<u>344,415</u>	<u>731</u>	<u>493,985</u>
Less: Impairment losses on investments	(36)	(14)	-	-	(50)
At 31 March 2023	<u>123,157</u>	<u>25,632</u>	<u>344,415</u>	<u>731</u>	<u>493,935</u>

BANK DHOFAR SAOG
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
8. Investment securities (continued)
8.1 Categories of investments by measurement (continued)

31-Mar-22	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	277	-	277
Financial services sector	-	296	-	296
Industrial sector	-	1,430	-	1,430
	<u>-</u>	<u>2,003</u>	<u>-</u>	<u>2,003</u>
Unquoted Equities:				
Local securities	-	517	-	517
Unit funds	1,660	-	-	1,660
	<u>1,660</u>	<u>517</u>	<u>-</u>	<u>2,177</u>
Gross Equity investments	<u>1,660</u>	<u>2,520</u>	<u>-</u>	<u>4,180</u>
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	<u>1,119</u>	<u>130,059</u>	<u>364,004</u>	<u>495,182</u>
Total Investment Securities	2,779	132,579	364,004	499,362
Less: Impairment losses on investments	-	(176)	-	(176)
	<u>2,779</u>	<u>132,403</u>	<u>364,004</u>	<u>499,186</u>

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments RO 000's	FVOCI Equity investment RO 000's	Amortised cost RO 000's	FVTPL RO 000's	Total RO 000's
At 1 January 2022	117,000	2,490	324,150	2,823	446,463
Additions	14,299	-	40,000	5	54,304
Gain /(loss) from change in fair value	(1,228)	30	-	(49)	(1,247)
Realised gains on sale	(12)	-	(146)	-	(158)
Total	<u>130,059</u>	<u>2,520</u>	<u>364,004</u>	<u>2,779</u>	<u>499,362</u>
Less: Impairment losses on investments	<u>(176)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176)</u>
At 31 March 2022	<u>129,883</u>	<u>2,520</u>	<u>364,004</u>	<u>2,779</u>	<u>499,186</u>

BANK DHOFAR SAOG
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
8. Investment securities (continued)
8.1 Categories of investments by measurement (continued)

31-Dec-22	Designated at FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	518	-	518
Unit funds	-	-	-	-
Financial services sector	-	11,284	-	11,284
Industrial sector	-	1,482	-	1,482
	<u>-</u>	<u>13,284</u>	<u>-</u>	<u>13,284</u>
Unquoted Equities:				
Local securities	-	691	-	691
Unit funds	717	-	-	717
	<u>717</u>	<u>691</u>	<u>-</u>	<u>1,408</u>
Gross Equity investments	<u>717</u>	<u>13,975</u>	<u>-</u>	<u>14,692</u>
Quoted Debt:				
Government Bonds and Sukuk	-	94,814	303,631	398,445
Foreign Bonds	-	383	-	383
Local Bonds and Sukuks	-	46,319	9,647	55,966
Treasury Bills	-	-	-	-
Gross debt investments	<u>-</u>	<u>141,516</u>	<u>313,278</u>	<u>454,794</u>
Total Investment Securities	717	155,491	313,278	469,486
Less: Impairment losses on investments	-	(64)	-	(64)
	<u>717</u>	<u>155,427</u>	<u>313,278</u>	<u>469,422</u>

The movements in investment securities are summarised as follows:

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

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****9. Intangible asset**

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
Cost			
01-Jan	34,971	32,980	32,980
Additions	636	511	1,991
Disposals	-	(193)	-
	<u>35,607</u>	<u>33,298</u>	<u>34,971</u>
Depreciation			
01-Jan	23,679	20,214	20,214
Charge for the year	758	900	3,465
Disposals	-	-	-
	<u>24,437</u>	<u>21,114</u>	<u>23,679</u>
Carrying Value	<u>11,170</u>	<u>12,184</u>	<u>11,292</u>

10. Property and equipment

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
Conventional	7,073	7,184	7,203
Islamic window	817	428	651
	<u>7,890</u>	<u>7,612</u>	<u>7,854</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

11. Due to banks

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
Syndicated Inter bank borrowings	327,250	269,500	288,750
Interbank borrowings	493,605	332,599	283,909
Payable on demand	8,187	3,202	183
	<u>829,042</u>	<u>605,301</u>	<u>572,842</u>

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

12. Deposits from customers

Conventional Banking	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
Current accounts	685,986	699,299	680,269
Savings accounts	390,059	436,952	398,950
Time and certificate deposits	1,382,762	1,227,084	1,324,059
Margin accounts	12,871	11,860	13,409
	<u>2,471,678</u>	<u>2,375,195</u>	<u>2,416,687</u>
Islamic Banking	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
Current accounts	140,795	137,396	154,272
Savings accounts	55,001	60,868	54,145
Time deposits	269,046	212,364	266,715
Margin accounts	-	6,445	-
	<u>464,842</u>	<u>417,073</u>	<u>475,132</u>

Consolidated Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 1,394.11 million (31st March 2022 - RO 1,034.20 million, 31 December 2022 – RO 1,078.28 million)

13. Subordinated loan

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****14. Share capital**

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (31st March 2022: 5,000,000,000 ordinary shares of RO 0.100 each).

At 31st March 2023, the issued and paid up share capital comprise 2,996,351,436 ordinary shares of RO 0.100 each (31st March 2022: 2,996,351,436 ordinary shares of RO 0.100 each).

The Board of Directors in their meeting held on 25th January 2023 proposed a total cash dividend of 5%, (5 (five) baizas per share, total of RO 14.983 million) (2021: 2%; RO 5.993 million) and nil bonus share issue distribution for the year ended 31st December 2022 (2021: Nil). However, the Bank received CBO approval for cash dividend of 5%, (5 (five) baizas per share, total of RO 14.982 million) for the year 2022. The shareholders in the Annual General Meeting held on 22nd March 2023, approved the cash dividend of 5% and this has been paid in March 2023.

Shareholders

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

	Unaudited 31-Mar-23		Unaudited 31-Mar-22		Audited 31-Dec-22	
	No. of shares	%	No. of shares	%	No. of shares	%
Dhofar International Development and Investment Company SAOG Eng. Abdul Hafidh Salim	730,570,498	24.38%	730,570,498	24.4%	730,570,498	24.38%
Rajab Al Ojaili and his related Companies	713,971,362	23.83%	702,766,215	23.5%	713,971,362	23.83%
Civil Service Employees Pension Fund	317,564,101	10.60%	315,898,461	10.5%	317,814,101	10.61%
Total	1,762,105,961	58.81%	1,749,235,174	58.4%	1,762,355,961	58.82%
Others	1,234,245,475	41.19%	1,247,116,262	41.6%	1,233,995,475	41.18%
	2,996,351,436	100.00%	2,996,351,436	100.0%	2,996,351,436	100.00%

The Bank's Islamic Banking Window, "Maisarah" Islamic Banking Services has an allocated capital of RO 70 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 31st March 2023 (31st March 2022: RO 70 million)

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

14. Share capital *(Continued)*

Tier 1 RO Securities

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

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

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

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

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

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

BANK DHOFAR SAOG**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****15. Net assets per share**

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

	Unaudited 31-Mar-2023	Unaudited 31-Mar-2022	Audited 31-Dec-2022
Net assets (RO)	<u>556,540,000</u>	<u>542,929,000</u>	<u>561,577,000</u>
Number of shares outstanding at the end of the period / year	<u>2,996,351,436</u>	<u>2,996,351,436</u>	<u>2,996,351,436</u>
Net assets per share (RO)	<u>0.186</u>	<u>0.181</u>	<u>0.187</u>

16. Interest income/ Income from Islamic Financing

Conventional Banking	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000
Loans and advances	43,739	36,892
Due from banks	3,565	1,207
Investments	4,891	4,831
Total	<u>52,195</u>	<u>42,930</u>
Islamic Banking	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000
Islamic financing receivables	8,652	7,246
Islamic due from banks	20	1
Investments	1,199	1,219
Total	<u>9,871</u>	<u>8,466</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

17. Interest expense / distribution to depositors

Conventional Banking	Unaudited 3 months 31-Mar-2023 RO'000	Unaudited 3 months 31-Mar-2022 RO'000
Customers' deposits / Subordinated liabilities / mandatory convertible bonds	(17,736)	(17,001)
Bank borrowings	(10,241)	(2,154)
Total	(27,977)	(19,155)
Islamic Banking	Unaudited 3 months 31-Mar-2023 RO'000	Unaudited 3 months 31-Mar-2022 RO'000
Islamic customer deposits	(3,967)	(3,170)
Islamic bank borrowing	(503)	(155)
Total	(4,470)	(3,325)

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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 2023 attributable to ordinary shareholders as follows:

	Unaudited 31-Mar-2023	Unaudited 31-Mar-2022
Profit for the period (RO) ('000)	10,022	7,099
Less : Additional Tier 1 Coupon	<u>-</u>	<u>-</u>
Profit for the period attributable to equity holders of the Bank ('000)	10,022	7,099
Weighted average number of shares outstanding during the period	<u>2,996,351,436</u>	<u>2,996,351,436</u>
Earnings per share basic and diluted (RO)	<u>0.003</u>	<u>0.002</u>

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

19. Related parties' transactions

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

	Unaudited 31-Mar- 2023 RO'000	Unaudited 31-Mar- 2022 RO'000	Audited 31-Dec- 2022 RO'000
Loans, advances and financing			
Shareholders holding 20% or more interest in the Bank and their related entities	49,119	53,973	52,250
Other related parties	57,926	58,124	68,798
	<u>107,045</u>	<u>112,097</u>	<u>121,048</u>
Subordinated loans			
Directors	-	15,000	-
Other related parties	-	14,000	-
	<u>-</u>	<u>29,000</u>	<u>-</u>
Deposits and other accounts			
Shareholders holding 20% or more interest in the Bank and their related entities	95,195	53,911	58,452
Other related parties	413,639	299,604	306,127
	<u>508,834</u>	<u>353,515</u>	<u>364,579</u>
Contingent liabilities and commitments			
Shareholders holding 20% or more interest in the Bank and their related entities	4,114	3,520	3,100
Other related parties	6,115	5,683	16,950
	<u>10,229</u>	<u>9,203</u>	<u>20,050</u>
Remuneration paid to Directors			
Chairman			
– remuneration paid	36	19	36
– sitting fees paid	2	1	10
Other Directors			
– remuneration paid	264	131	264
– sitting fees paid	19	19	73
	<u>321</u>	<u>170</u>	<u>383</u>
Other transactions			
Rental payment to related parties	113	110	541
Insurance	448	938	1,847
Other transactions	-	-	-
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	44	45	46

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

19. Related parties' transactions (continued)

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

Single borrower and senior members

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
(a) Senior members			
Total exposure:			
Direct	111,114	117,430	124,974
Indirect	10,229	9,203	9,661
	121,343	126,633	134,635
Number of members	41	40	41

20. Contingent Liabilities and Commitment

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

	Unaudited 31-Mar-2023 RO'000	Unaudited 31-Mar-2022 RO'000	Audited 31-Dec-2022 RO'000
Letters of credit	68,282	82,837	88,961
Guarantees and performance bonds	575,965	503,192	573,787
	644,247	586,029	662,748

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

21. Disaggregation of net fees and commission income

	Retail banking	Corporate banking	Treasury and investment banking	Total
31-Mar-2023	RO'000	RO'000	RO'000	RO'000
Fee Income				
Transactional services	2,021	197	54	2,272
Trade services	-	1,040	858	1,898
Syndication and other financing related services	275	2,353	225	2,853
Advisory and asset management services	-	344	259	603
	<u>2,296</u>	<u>3,934</u>	<u>1,396</u>	<u>7,626</u>
Fee Expense				
Transactional Services	(882)	-	(145)	(1,027)
Syndication and Other Financing related services	-	(1)	-	(1)
Fee Expense	<u>(882)</u>	<u>(1)</u>	<u>(145)</u>	<u>(1,028)</u>
Net fee and commission income	<u>1,414</u>	<u>3,933</u>	<u>1,251</u>	<u>6,598</u>

	Retail banking	Corporate banking	Treasury and investment banking	Total
31-Mar-2022	RO'000	RO'000	RO'000	RO'000
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 Expense				
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>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
22. Risk Management

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

(a) Credit Risk
Customer concentrations

	Assets			Liabilities		
	Gross loans and financing to banks	Gross Loans, advances and financing to customers	Gross Investment Securities	Deposits from customers	Due to banks	Contingent liabilities
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31-Mar-23						
Personal	-	1,307,070	-	724,152	-	-
Corporate	292,104	1,831,741	61,908	1,041,643	829,042	643,984
Government	-	553,712	432,077	1,170,725	-	263
	<u>292,104</u>	<u>3,692,523</u>	<u>493,985</u>	<u>2,936,520</u>	<u>829,042</u>	<u>644,247</u>
31-Mar-22						
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-Dec-22						
Personal	-	1,272,216	-	736,352	-	-
Corporate	148,457	1,757,432	61,394	1,054,981	572,842	662,446
Government	-	617,004	408,092	1,100,486	-	302
	<u>148,457</u>	<u>3,646,652</u>	<u>469,486</u>	<u>2,891,819</u>	<u>572,842</u>	<u>662,748</u>

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

22. Risk Management *(continued)*

(a) Credit Risk *(continued)*

Credit Quality Analysis:

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

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

The following table provides the exposure to non-trading financial assets measured at amortized cost & FVOCI. Exposure to financial asset includes outstanding as at, 31st March 2023:

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31-Mar-23				
<i>Exposure</i>				
Banks and cash held with a custodian	760,962	202	-	761,164
Sovereigns	401,670	-	-	401,670
Wholesale banking	2,281,812	1,054,473	193,612	3,529,897
Retail banking	1,222,301	21,834	62,935	1,307,070
Investments	35,938	-	-	35,938
Total	4,702,683	1,076,509	256,547	6,035,739
Provision for expected credit losses	14,346	64,451	157,792	236,589
	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
31-Mar-22				
<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-Dec-22				
<i>Exposure</i>				
Banks	689,594	-	-	689,594
Sovereigns	398,445	-	-	398,445
Wholesale banking	2,077,857	1,060,905	154,912	3,293,674
Retail banking	1,190,172	19,821	62,223	1,272,216
Investments	56,349	-	-	56,349
Total	4,412,417	1,080,726	217,135	5,710,278
Provision for expected credit losses	15,724	66,108	102,179	184,011

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023****22. Risk Management** *(continued)***(a) Credit Risk** *(continued)***Inputs, assumptions, and techniques used for estimating impairment****a. Significant increase in credit risk (SICR)**

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

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

Incorporation of forward-looking information

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

b. Liquidity Risk

The Central Bank of Oman has issued guidelines on the implementation of Basel III liquidity framework which are Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The Bank is in compliance of the regulatory limit of LCR as at, 31st March 2023, with LCR of 112.82% calculated on weighted average value for the period ended (31st March 2022: 115.07%) (31st December 2022: 107.71%).

The Net Stable Funding Ratio (NSFR) is a longer-term structural ratio designed to address liquidity mismatches and reduce funding risk over a one-year horizon. It is effective January 2018, with a minimum ratio of 100% as per the regulatory guidance. The Bank is meeting the regulatory limit of NSFR as at, 31st March 2023, with a NSFR of 106.15% calculated on weighted average value for the period ended (31st March 2022: 109.65%) (31st December 2022: 107.95%).

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

22. Risk Management *(continued)*

b. Liquidity Risk *(continued)*

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
31-Mar-23	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with Central Bank of Oman	264,542	-	-	-	500	265,042
Loan and advances to customer	242,940	402,972	153,553	691,357	1,972,822	3,463,644
Loans and advances to banks	196,930	91,935	3,033	-	-	291,898
Investment Securities	13,003	72,047	20,030	274,405	114,450	493,935
Other assets	44,102	-	15,060	-	21,284	80,446
Total Assets Funded	761,517	566,954	191,676	965,762	2,109,056	4,594,965
Spot and Forward Purchases (notional value)	431,028	204,962	159,861	144,477	-	940,328
Total Assets Funded and Non Funded	1,192,545	771,916	351,537	1,110,239	2,109,056	5,535,293
Due to banks	376,735	159,334	61,974	230,999	-	829,042
Deposits from customers	295,547	427,826	707,318	918,673	587,156	2,936,520
Other liabilities	84,793	518	25,760	5,190	28,068	144,329
Subordinated loans	-	-	-	-	-	-
Total liabilities	757,075	587,678	795,052	1,154,862	615,224	3,909,891
Spot and Forward Purchases (notional value)	436,534	174,251	206,523	122,230	-	939,538
Loan commitments	673,618	-	-	-	-	673,618
Letter of credit	68,282	-	-	-	-	68,282
Guarantees and performance bonds	575,965	-	-	-	-	575,965
Total Liabilities Funded and Non Funded	2,511,474	761,929	1,001,575	1,277,092	615,224	6,167,294
Cumulative Liabilities	2,511,474	3,273,403	4,274,978	5,552,070	6,167,294	
Gap	1,318,929	(9,987)	650,038	166,853	(1,493,832)	
Cumulative Gap	1,318,929	1,308,942	1,958,980	2,125,833	632,001	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

22. Risk Management *(continued)*

b. Liquidity Risk *(continued)*

Maturity profile of assets and liabilities

	Due on demand and up to 30 days	More than 1 month to 6 months	More than 6 months to 12 months	More than 1 year to 5 years	Over 5 years	Total
31-Mar-22	RO'000	RO'000	RO'000	RO'000	RO'000	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
Investments 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	1,936,888	4,354,105
Spot and Forward Purchases (notional value)	473,310	277,932	320,328	162,993	-	1,234,563
Total Assets Funded and Non Funded	962,607	746,851	730,016	1,212,306	1,936,888	5,588,668
Due to banks	241,526	78,875	-	284,900	-	605,301
Deposits from customers	264,786	524,684	716,813	681,856	604,130	2,792,269
Other liabilities	69,881	556	160,007	5,565	10,313	246,322
Subordinated loans	-	-	-	35,000	-	35,000
Total liabilities	576,193	604,115	876,820	1,007,321	614,443	3,678,892
Spot and Forward Purchases (notional value)	446,014	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	1,169,362	614,443	6,081,107
Cumulative Liabilities	2,191,680	3,100,644	4,297,302	5,466,664	6,081,107	
Gap	1,229,073	162,113	466,642	(42,944)	(1,322,445)	
Cumulative Gap	1,229,073	1,391,186	1,857,828	1,814,884	492,439	

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

22. Risk Management *(continued)*

b. Liquidity Risk *(continued)*

Maturity profile of assets and liabilities

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

23. Capital risk management

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

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

Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for three-Month period ended 31st March 2023 is 19.26% (31st March 2022 – 17.77%, 31 December 2022 – 17.61%).

Capital structure	Unaudited 31-Mar-23 RO'000	Unaudited 31-Mar-22 RO'000	Audited 31-Dec-22 RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL			
Paid up capital	299,635	299,635	299,635
Legal reserve	67,955	64,538	67,955
Share premium	95,656	95,656	95,656
Special reserve	16,988	16,488	16,988
Subordinated bonds and loan reserve	-	28,000	-
Retained earnings	57,111	22,930	57,111
CET I/Tier I Capital	537,345	527,247	537,345
Additional Tier I regulatory adjustments:			
Deferred tax assets	(6,127)	(3,420)	(6,127)
Negative investment revaluation reserve	(6,585)	(6,251)	(6,615)
Total CET 1 capital	524,633	517,576	524,603
Additional Tier I capital (AT1)	155,500	155,500	155,500
Total Tier 1 Capital (T1=CET1+AT1)	680,133	673,076	680,103
TIER II CAPITAL			
Investment revaluation reserve	1,060	390	1,006
General provision	26,246	31,967	34,226
Total Tier II capital	27,306	32,357	35,232
Total eligible capital	707,439	705,433	715,335
Risk weighted assets			
Banking book	3,349,653	3,675,501	3,744,350
Trading book	75,442	54,000	70,428
Operational risk	248,375	240,038	248,375
Total	3,673,470	3,969,539	4,063,153
Total Tier 1 Capital (T1=CET1+AT1)	680,133	673,076	680,103
Tier II capital	27,306	32,357	35,232
Total regulatory capital	707,439	705,433	715,335
Common Equity Tier 1 ratio	14.28%	13.04%	12.91%
Tier I capital ratio	18.51%	16.96%	16.74%
Total capital ratio	19.26%	17.77%	17.61%

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

24. Fair value information

Fair value measurements recognised in the statement of financial position

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

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

At 31 March 2023	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial asset					
Investments at FVOCI	138,179	9,866	691	148,736	161,612
Investments at FVTPL	-	-	731	731	758
Forward foreign exchange contracts	-	460	-	460	-
Total assets	138,179	10,326	1,422	149,927	162,370
At 31 March 2022					
	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial assets					
Investments at FVOCI	132,980	-	517	113,496	134,611
Investments at FVTPL	1,119	-	1,660	2,779	2,779
Forward foreign exchange contracts	917	-	-	917	917
Total assets	135,016	-	2,177	117,192	138,307
At 31 December 2022					
	Level 1 RO '000	Level 2 RO '000	Level 3 RO '000	Total RO '000	Cost RO '000
Financial assets					
Investments at FVOCI	134,843	19,957	691	155,491	158,651
Investments at FVTPL	-	-	717	717	758
Derivative financial instruments					
Forward foreign exchange contracts	-	877	-	877	-
IRS customer	-	3,853	-	3,853	-
Total	134,843	24,687	1,408	160,938	159,409

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

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

24. Fair value information

31 March 2023	Positive Fair Value	Negative Fair Value	Notional Amount Total	Notional amounts by term to maturity		
				within 3 months	4-12 months	> 12 months
Derivatives:						
Interest rate swaps	-	2,830	111,952	-	-	111,952
IRS customer	2,830	-	111,952	-	-	111,952
Forward purchase contracts	76	-	940,328	359,728	410,994	169,606
Forward sales contracts	460	-	939,538	359,728	410,026	169,585
Total	3,366	2,830	2,103,770	719,456	821,020	563,095

31 March 2022	Contract / notional amount RO'000	Fair value increase / decrease	
		Assets RO'000	Liabilities RO'000
Derivatives:			
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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

25 . Segmental information

The Bank is organised into four main business segments:

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

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

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

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

25. Segmental information (continued)

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

31-Mar-23	Retail banking	Corporate banking	Treasury and investments	Islamic Banking	Inter Segment	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Segment operating revenues	6,723	13,858	4,782	-	(421)	24,942
Net income from Islamic financing	-	-	-	5,099	(421)	4,678
Other revenues	2,089	2,521	2,103	1,667	-	8,380
Segment operating revenues	8,812	16,379	6,885	6,766	(842)	38,000
Operating expenses including depreciation	(8,034)	(5,036)	(1,079)	(2,980)	-	(17,129)
Net Impairment losses on financial assets	(267)	(7,795)	(171)	(848)	-	(9,081)
Profit from operations after provision	511	3,548	5,635	2,938	(842)	11,790
Tax expenses	(77)	(530)	(783)	(378)	-	(1,768)
Profit for the period	434	3,018	4,852	2,560	(842)	10,022
Segment assets	1,247,331	2,064,333	938,079	758,711	(157,351)	4,851,103
Less: Impairment allowance	(58,735)	(153,742)	(211)	(16,484)	-	(229,172)
Total segment assets	1,188,596	1,910,591	937,868	742,227	(157,351)	4,621,931
Segment Liabilities	595,581	1,973,799	849,219	641,229	(157,351)	3,902,476
Add: Impairment allowance	2	6,274	790	349	-	7,415
Total segment Liabilities	595,583	1,980,073	850,009	641,578	(157,351)	3,909,891

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

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

25. Segmental information (continued)

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

31-Mar-22	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
Segment operating revenues	19,035	28,058	8,917	56,010
Interest, Islamic Window Deposit expenses	(6,672)	(12,254)	(3,553)	(22,479)
Net operating income	12,363	15,804	5,364	33,531
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	2,882	878	4,592	8,352
Tax expenses	(432)	(132)	(689)	(1,253)
Profit for the period	2,450	746	3,903	7,099
Segment assets	1,364,096	2,450,204	743,009	4,557,309
Less: Impairment allowance	(57,266)	(121,710)	(1,012)	(179,988)
Total segment assets	1,306,830	2,328,494	741,997	4,377,321
Segment liabilities	796,481	2,239,130	643,281	3,678,892

BANK DHOFAR SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

25. Segmental information (continued)

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

31-Dec-22	Retail banking	Corporate banking	Treasury and investments	Islamic Banking	Inter Segment	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Segment operating revenues	34,404	58,729	10,047		(1,225)	101,956
Net income from Islamic financing	-	-	-	21,697	(1,225)	20,472
Other revenues	6,807	6,746	4,610	2,561	-	20,724
Segment operating revenues	41,212	65,475	14,657	24,258	(2,450)	143,152
Operating expenses including depreciation	(32,017)	(21,276)	(4,952)	(11,439)	-	(69,683)
Net Impairment losses on financial assets	(1,989)	(30,052)	2,028	(3,252)	-	(33,265)
Profit from operations after provision	7,206	14,148	11,733	9,567	(2,450)	40,203
Tax expenses	(1,081)	(2,122)	(1,576)	(1,251)	-	(6,031)
Profit for the period	6,125	12,025	10,157	8,315	(2,450)	34,172
Segment assets	1,157,346	2,178,926	653,805	690,354	(146,745)	4,533,686
Less: Impairment allowance	(58,337)	(142,380)	(108)	(15,529)		(216,354)
Total segment assets	1,099,009	2,036,546	653,697	674,825	(146,745)	4,317,332
Segment Liabilities	611,219	1,827,704	651,102	648,952	(146,745)	3,592,232
Add: Impairment allowance	1	6,925	720	377	-	8,023
Total segment Liabilities	611,220	1,834,629	651,822	649,329	(146,745)	3,600,255