



SOHAR INTERNATIONAL BANK SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

Chairman's Report for the nine months ended 30 September 2020

I am pleased to present Sohar International Bank's results for the nine months ended 30 September 2020. On the back of ensuring business continuity, Sohar International is focused on building greater financial security for its customers, as it remains on a steady path to enhance its capabilities of withstanding the vagaries of business cycles. Our long-term strategy is aimed at achieving excellence, setting the organization on a sustainable growth path, and contributing to the national economy.

Financial performance

Total assets as at 30 September 2020 increased by 10.3% to RO 3,681 million (30 September 2019: RO 3,338 million). Net loans and advances declined marginally by 0.4% to RO 2,467 million (30 September 2019: RO 2,477 million). Customer deposits increased by 17.8% to RO 2,348 million (30 September 2019: RO 1,994 million).

Net profit for the nine months ended 30 September 2020 declined by 29.2% to RO 17.75 million compared to RO 25.06 million during the same period in 2019.

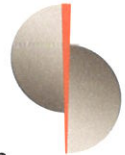
Operating profit decreased by 5.3% to RO 38.21 million compared to RO 40.35 million for the same period last year. Net interest income for the nine months ended 30 September 2020 increased by 10.1% to RO 53.79 million (30 September 2019: RO 48.85 million). Operating income decreased by 5.0% to RO 70.31 million, (30 September 2019: RO 74.02 million).

Operating expenses decreased by 4.7% to RO 32.10 million (30 September 2019: RO 33.67 million). Sohar International continues to manage the expense base to support its strategic objectives as well as maintain a strong cost/income ratio, reporting 45.7% for the period compared to 45.5% for the same period last year.

Net impairment charges and other credit risk provisions for the period was RO 17.38 million compared to RO 12.82 million for the same period last year. Increase in credit provisions includes a significant management overlay in response to expected credit deterioration due to the economic impact of the COVID-19 pandemic and lower oil prices. Given the high degree of uncertainty in relation to future economic impacts of COVID-19, management will continue to monitor and assess the adequacy of its impairment charges and provisions.

Connecting with our Community

Sohar International is committed to the cause of the community it operates in, and has adopted measures to ensure that the health and wellbeing of its stakeholders and the nation at large remain priority during these unforeseen circumstances.



From creating awareness messages using the bank's various touchpoints, to playing an active role in advising and supporting various customer segments to ensure their business sustainability and continuity, the Bank remained consistently and constantly close to its stakeholders, including ensuring a safe environment for employees to continue serving clients.

With a vision to be a world-leading Omani service company, that helps customers, communities and people to prosper and grow, the Bank hosted the seventh edition – and the 2nd virtual session – of the highly respected knowledge sharing platform, 'Viewpoints' that helped shed light on the future of media industry in the face of the ongoing digital transformation and how this could affect the behavior and habits of consumers.

Sohar International's social media platforms continue to be effectively used to celebrate special occasions by engaging with followers. In showing our appreciation and support to all those who played a role in combatting the impacts of COVID-19, the Eid Al Adha online activation collected over 22,000 expressions of appreciation from followers representing the nation at large.

Redefining with Digital

The bank continues to emerge strong by being consistent to its customer-oriented strategy involving the increase of dedicated customer experience assets, nationwide network expansions, digitalization and online stakeholder engagement. Given the fact that technology plays a pivotal role in Sohar International's short and long-term strategy, we have intensified our investments in the digitalization of services and transactional channels to ensure that the bank is fully geared for the future with a strong focus on cybersecurity as we strive to embed digitalization as a way of life.

With digital at the heart of everything we do, a key milestone in Sohar Islamic's (Sohar International's Islamic Window) journey is the new, fully upgraded corporate website which reflects our drive to improve customer experience, with access to the value-added ecosystem of products and services, and a carefully crafted and dynamic interface. Furthermore, with an aim to enhance transactional convenience, Sohar International's CDMs (Cash Deposit Machines) have been reconfigured to accept cash deposits from Sohar Islamic Customers into their respective accounts.

A Customer-first approach

Defying the odds of depressed market conditions, tight global liquidity, and a reduced appetite, Sohar International recently concluded a USD 100 million, two-year syndication, which is a landmark transaction for the bank. The successful closure of the syndicated loan reflects the confidence of international banks in the Sultanate and in Sohar International as a local leading financial institution. The new funding is a part of our concerted efforts to extend financing solutions for general corporate purposes,



thereby delivering more velocity, more value and more vision, to our customers and beyond.

The bank also continued to hold its customer Prize Draws, virtually, and yet again managed to raise the benchmark in audience engagement over social media. The multiple virtual draws attracted over 4,000 live viewers on the Bank's Instagram page, enabling us to further reach out to our customers and followers, providing them with more opportunities to win. Carrying forward our winning proposition, the Bank launched two rewarding Credit Card promotions; timed to encourage safer, contactless payment in view of the current health risks, when using their card for any foreign currency transactions.

Awards

In a resounding endorsement of its stellar leadership and lofty growth ambitions, Sohar International has been awarded the prestigious 'Best Performing Banks' in Oman Award by the UK based Financial Times monthly publication - The Banker, in the Top 100 Arab Bank 2020 Awards. In recognition of the 2019 financial performance, the bank also ranked 3rd in Oman for Tier 1 Capital, 2nd in Oman for Capital Assets, and 58th in the Middle East for Tier 1 Capital. Committed to maintain global best practices and focused on long-term benefits to the community and the nation, the robust performance of Sohar International is consistently endorsed by the global banking community.

Recognition

I thank our stakeholders for their continued trust and confidence as well as our team of dedicated employees for their commitment and enthusiasm especially during the current exceptional period.

I recognize the outstanding support, guidance and vision of the Central Bank of Oman and the Capital Market Authority in establishing the platform for the financial sector to grow under the umbrella of strong governance, transparency and leadership.

Finally, I extend on behalf of the Board of Directors and our loyal employees heartfelt thanks to His Majesty Sultan Haitham Bin Tariq for his vision and leadership of our beloved country, and the commendable efforts of His Majesty's government in promoting the Banking sector in Oman.

Mohammed Mahfoudh Al Ardhi
Chairman

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020
(RO'000)

		30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
ASSETS				
Cash and balances with Central Bank	Note 5	146,119	89,572	100,167
Due from banks and other money market placements	6	211,342	198,237	73,349
Loans, advances and financing, net	7	2,467,388	2,454,153	2,477,303
Investment securities	8	690,305	637,475	602,854
Property, equipment and fixtures		43,666	38,389	36,024
Investment properties		2,900	2,900	2,900
Other assets	9	119,703	84,379	45,789
TOTAL ASSETS		3,681,423	3,505,105	3,338,386
LIABILITIES				
Due to banks and other money market borrowings	10	642,653	735,261	714,030
Customer deposits	11	2,348,496	2,097,310	1,994,441
Other liabilities	12	124,911	100,524	67,668
Subordinated loans		35,674	35,392	35,654
Certificates of deposit		503	509	503
TOTAL LIABILITIES		3,152,237	2,968,996	2,812,296
SHAREHOLDERS' EQUITY				
Share capital	13	245,355	236,360	236,360
Share premium	13	18,038	19,942	19,942
Legal reserve		28,519	28,519	24,375
General reserve		988	988	988
Fair value reserve		(3,693)	(2,213)	(2,180)
Subordinated loans reserve		14,000	14,000	7,000
Retained earnings		25,979	38,513	39,605
TOTAL SHAREHOLDERS' EQUITY		329,186	336,109	326,090
Perpetual Tier 1 capital securities	14	200,000	200,000	200,000
TOTAL EQUITY		529,186	536,109	526,090
TOTAL LIABILITIES AND EQUITY		3,681,423	3,505,105	3,338,386
CONTINGENT LIABILITIES				
COMMITMENTS	15.1 15.2	436,823 442,023	392,710 364,240	392,835 374,350
Net assets per share		<i>Baizas</i> 135.22	<i>Baizas</i> 142.20	<i>Baizas</i> 137.96

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on 28th October 2020 and signed on their behalf by:

Chairman

Board member

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(Unaudited)
(RO'000)

	Notes	For the nine months ended		For the three months ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
Interest income	16	109,782	108,513	36,627	37,735
Interest expense	17	(55,995)	(59,668)	(19,271)	(19,857)
Net interest income		53,787	48,845	17,356	17,878
Net income from Islamic financing and investing activities	18.2	4,083	4,130	1,402	1,439
Other operating income	19	12,444	21,043	3,941	5,149
TOTAL OPERATING INCOME		70,314	74,018	22,699	24,466
Staff costs		(18,878)	(21,633)	(6,389)	(7,166)
Other operating expenses	20	(11,012)	(10,173)	(3,523)	(3,189)
Depreciation		(2,209)	(1,865)	(751)	(674)
TOTAL OPERATING EXPENSES		(32,099)	(33,671)	(10,663)	(11,029)
NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		38,215	40,347	12,036	13,437
Loan impairment charges and other credit risk provisions (net)	21	(17,379)	(12,820)	(6,677)	(7,111)
PROFIT BEFORE TAX		20,836	27,527	5,359	6,326
Income tax expense		(3,084)	(2,468)	(782)	149
PROFIT FOR THE PERIOD		17,752	25,059	4,577	6,475
OTHER COMPREHENSIVE INCOME / (EXPENSE)					
Items that will not be reclassified subsequently to the income statement					
Revaluation losses on equity instruments held at fair value through other comprehensive income (FVOCI)		(75)	(716)	31	(26)
Items that will be reclassified subsequently to the income statement					
Net changes in fair value on debt instruments held at FVOCI		(2,261)	-	101	-
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		(2,336)	(716)	132	(26)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		15,416	24,343	4,709	6,449
Basic earnings per share for the period	22	<i>Baisas</i> 1,029	<i>Baisas</i> 6.191	<i>Baisas</i> (1,260)	<i>Baisas</i> (0.520)
Profit for the period					
Conventional banking		17,326	24,183	4,431	6,642
Islamic banking		426	876	146	(167)
		17,752	25,059	4,577	6,475

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(Unaudited)

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve	Subordinated loans reserve	Retained earnings	Total Shareholders' Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1 January 2020	236,360	19,942	28,519	988	(2,213)	14,000	38,513	336,109	200,000	536,109
Profit for the period	-	-	-	-	-	-	17,752	17,752	-	17,752
Other comprehensive loss for the period	-	-	-	-	(2,336)	-	-	(2,336)	-	(2,336)
Total comprehensive income for the period	-	-	-	-	(2,336)	-	17,752	15,416	-	15,416
Reclassification of net change in fair value of equity instruments upon de- recognition	-	-	-	-	856	-	(856)	-	-	-
Share premium transferred to share capital	1,904	(1,904)	-	-	-	-	-	-	-	-
Dividends paid for 2019	-	-	-	-	-	-	(7,091)	(7,091)	-	(7,091)
Issue of bonus shares for 2019	7,091	-	-	-	-	-	(7,091)	-	-	-
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	(15,248)	(15,248)	-	(15,248)
Balance as at 30 September 2020	245,355	18,038	28,519	988	(3,693)	14,000	25,979	329,186	200,000	529,186
Balance as at 1 January 2019	198,265	18,037	24,375	988	(2,124)	7,000	38,883	285,424	100,000	385,424
Profit for the period	-	-	-	-	-	-	25,059	25,059	-	25,059
Other comprehensive loss for the period	-	-	-	-	(716)	-	-	(716)	-	(716)
Total comprehensive income for the period	-	-	-	-	(716)	-	25,059	24,343	-	24,343
Issue of rights shares	38,095	-	-	-	-	-	-	38,095	-	38,095
Share premium received	-	1,905	-	-	-	-	-	1,905	-	1,905
Reclassification of net change in fair value of equity instruments upon de- recognition	-	-	-	-	683	-	(683)	-	-	-
Dividends paid for 2018	-	-	-	-	-	-	(11,896)	(11,896)	-	(11,896)
Issue of Perpetual Tier1 Capital Securities	-	-	-	-	-	-	-	-	100,000	100,000
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	(11,532)	(11,532)	-	(11,532)
Issue expenses - Additional Tier 1 capital	-	-	-	-	-	-	(226)	(226)	-	(226)
Reclassification of fair value of debt instruments to investment securities	-	-	-	-	(23)	-	-	(23)	-	(23)
Balance as at 30 September 2019	236,360	19,942	24,375	988	(2,180)	7,000	39,605	326,090	200,000	526,090

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**
**(Unaudited)
(RO'000)**

	30 September 2020	30 September 2019
OPERATING ACTIVITIES		
Profit before tax	20,836	27,527
Adjustments for:		
Depreciation	2,209	1,865
Loan impairment charges and other credit risk provisions, net	17,379	12,820
Net losses on investments held at fair value through profit or loss (FVTPL)	135	561
Profit on sale of fixed assets	-	(2)
Income from Islamic investment activities	(1,026)	(921)
Interest on investments	(14,130)	(12,944)
Interest accrued on subordinated loans and compulsorily convertible bonds	1,859	1,832
Cash from operating activities before changes in operating assets and liabilities	27,262	30,738
Due from banks and other money market placements	(199)	2,207
Loans, advances and financing	(31,958)	(237,558)
Investment held at fair value through profit or loss (FVTPL)	(3,900)	(23,317)
Other assets	(36,107)	(1,460)
Due to banks and other money market borrowings	2,652	(98,376)
Customer deposits	251,186	176,086
Certificate of deposits	(6)	(6)
Other liabilities	26,952	(17,252)
Cash from operating activities	235,882	(168,938)
Income tax paid	(4,232)	(1,296)
Net cash from/(used in) operating activities, net of tax	231,650	(170,234)
INVESTING ACTIVITIES		
Purchase of investments, net	(17,329)	(49,338)
Proceeds from sale/redemption of investments	355	605
Acquisition of property, equipment and fixtures	(7,486)	(18,210)
Income from Islamic investment activities	686	856
Interest received on investments	14,130	12,944
Net cash used in investing activities	(9,644)	(53,143)
FINANCING ACTIVITIES		
Dividends paid	(7,091)	(11,896)
Issue of rights shares	-	38,095
Share premium received	-	1,905
Interest paid on subordinated loans	(1,577)	(1,570)
Issue of perpetual Tier 1 capital securities	-	100,000
Interest paid on perpetual Tier 1 capital securities	(15,248)	(11,532)
Issue expenses of perpetual Tier 1 capital securities	-	(226)
Net cash (used in)/from financing activities	(23,916)	114,776
NET CHANGE IN CASH AND CASH EQUIVALENTS	198,090	(108,601)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	278,474	344,710
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	476,564	236,109
REPRESENTING:		
Cash and balances with Central Bank (other than capital deposit) (Note 5)	145,615	99,664
Due from banks and other money market placements with OM of 90 days (Note 6)	208,657	67,311
Investments securities with original maturity (OM) of 90 days (Note 8.2)	364,145	274,010
Due to banks and other money market borrowings with OM of 90 days (Note 10)	(241,853)	(204,876)
	476,564	236,109

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2020 (RO'000)

1. Legal status and principal activities

Bank Sohar SAOG ("the Bank") was established in the Sultanate of Oman on 4 March 2007 as a public joint stock company and is primarily engaged in commercial, investment and Islamic banking through a network of thirty commercial banking branches and eight Islamic banking branches within the Sultanate of Oman. The Bank operates under commercial, investment and an Islamic banking licence issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank started commercial operations from 9 April 2007. The registered address of the Bank is PO Box 44, Hai Al Mina, Postal Code 114, Muscat, Sultanate of Oman. The Bank has its primary listing on the Muscat Securities Market.

With effect from 30 April 2013, the Bank obtained a license to operate an Islamic Banking Window ("Sohar Islamic"). Sohar Islamic offers a full range of Islamic banking services and products. The principal activities of the window include accepting Shari'a compliant customer deposits, providing Shari'a compliant financing based on Murabaha, Mudaraba, Musharaka, Ijarah, Istisna'a, Salam and providing commercial banking services, investment and other activities permitted under Islamic Banking Regulatory Framework (IBRF).

On 18 December 2018, an extraordinary meeting of the shareholders of Bank Sohar SAOG was held and the shareholders of the bank passed a resolution to amend Section (1) of the Articles of Association of the Bank to change the name of the Bank from 'Bank Sohar SAOG' to 'Sohar International Bank SAOG' (hereinafter referred to as the 'Bank'). This has been confirmed by Ministry of Commerce and Industry on 14 January 2019 by issuing new set of Company documents.

The Bank employed 881 employees as of 30 September 2020 (31 December 2019: 871, 30 September 2019: 854).

2. Basis of preparation

These interim condensed financial statements are prepared in accordance with International Accounting Standard No.34 - "Interim Financial Reporting", relevant disclosure requirements of the Commercial Companies Law of Oman, Capital Market Authority and the applicable regulations of the CBO. Since these are interim condensed financial statements, they do not contain all information and disclosures for the full financial statements prepared in accordance with IFRS. Therefore, it should be read in conjunction with the Bank's annual financial statements as at 31 December 2019.

2.1 Statement of compliance

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019 except for securities sold with a commitment to repurchase (repos) mentioned below.

Securities sold with a commitment to repurchase (repos) at a specified future date are recognised in the statement of financial position and are measured in accordance with accounting policies for trading securities or investment securities. The counterparty liability for amounts received under these agreements is included in 'due to banks and other money market borrowings'. The difference between the sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments classified as at fair value through profit or loss (FVTPL) are measured at fair value;
- financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value;

The statement of financial position is presented in descending order of liquidity as this presentation is more appropriate to the Bank's operations

2.3 Functional and presentation currency

These financial statements are presented in Rial Omani, which is the Bank's functional currency. All financial information presented in Rial Omani has been rounded to the nearest thousands, unless otherwise indicated.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

2. Basis of preparation (continued)**2.4 Use of estimates and judgements**

In preparation of the Bank's financial statements, management is required to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired loans and receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. Application of new and revised International Financial Reporting Standards (IFRS)

For the period ended 30 September 2020, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2020.

4. Covid-19 and Expected Credit Loss (ECL)

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. Central Bank of Oman (CBO) also introduced several temporary policy relief measures to support the banking sector and financing leasing companies to overcome the prevailing economic conditions.

The Central Bank of Oman initiatives directly related to ECL include a) accepting requests for deferment of loan /interest/profit for all affected corporates, particularly SMEs for a period of 6 months without adversely impacting the risk classification of such loans, which has been further extended for another 6 months till end of March 2021 b) deferring the risk classification of loans pertaining to government projects for the period of 12 months. In response the Bank has initiated a program of payment relief for its SME customer base to address their short-term cash flow requirements. The relief offered to customers may indicate a significant increase in credit risk (SICR), however the Bank believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as such relief assists borrowers to resume regular payments. At this stage sufficient information is not available to enable the Bank to individually differentiate between a borrowers' short term cash flow constraints and a change in its lifetime credit risk.

The Bank continues to assess borrowers for other indications of default, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or of a longer term nature. The Bank continues to assess significant corporate exposures to adequately safeguard against any adverse movements due to Covid-19 in addition to industry specific account level adjustments for retail exposures with regards to specific industry sectors whose employees are expected to be most impacted.

The Bank has included within its loan impairment charges and other credit risk provisions (net) an element of management overlay in response to expected credit deterioration due to the economic impact of COVID-19 and lower oil prices. The impact of such an uncertain economic environment is judgmental and the Bank will continue to assess its ECL taking into account initiatives by the Central Bank of Oman as well as guidance issued by the International Accounting Standards Board (IASB) on 27 March 2020.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

5. Cash and balances with Central Bank

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Cash	30,644	26,967	22,605
Capital deposit with CBO	504	505	503
Balance with CBO	114,971	62,100	77,059
	<u>146,119</u>	<u>89,572</u>	<u>100,167</u>

- (i) The Capital deposit with CBO cannot be withdrawn without CBO approval.
- (ii) During the period average minimum balance to be kept with CBO as statutory reserves is RO 86.37 million (31 December 2019: RO 76.89 million, 30 September 2019: RO 75.83 million).

6. Due from banks and other money market placements

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
<i>Local currency:</i>			
Money market placements	30,003	5,001	-
	<u>30,003</u>	<u>5,001</u>	<u>-</u>
<i>Foreign currency:</i>			
Money market placements	135,455	179,042	52,099
Lending to banks	2,714	2,543	6,333
Demand balances	43,240	12,467	15,262
	<u>181,409</u>	<u>194,052</u>	<u>73,694</u>
	<u>211,412</u>	<u>199,053</u>	<u>73,694</u>
Expected credit loss allowance	(70)	(816)	(345)
	<u>211,342</u>	<u>198,237</u>	<u>73,349</u>

The analysis of changes in the gross carrying amount and corresponding ECL allowance on due from banks and other money market placements is as follows:

Gross carrying amount

	30 September 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	198,129	924	-	199,053
New assets originated or purchased	36,995	-	-	36,995
Assets derecognised or matured	(23,712)	(924)	-	(24,636)
	<u>211,412</u>	<u>-</u>	<u>-</u>	<u>211,412</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
**AS AT 30 September 2020
(RO'000)**
6. Due from banks and other money market placements (continued)

ECL	30 September 2020				30 September 2019
	Stage 1	(Unaudited) Stage 2	Stage 3	Total	(Unaudited) Total
As at 1 January	787	29	-	816	442
Net (release)/charge for the year (Note 6)	(717)	(29)	-	(746)	(97)
As at 30 September	70	-	-	70	345

7. Loans, advances and financing, net

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Corporate	1,675,732	1,668,479	1,710,499
Retail	911,682	901,006	873,414
Gross loans, advances and financing	2,587,414	2,569,485	2,583,913
Expected credit loss allowance	(100,141)	(99,668)	(92,964)
Contractual interest not recognised	(19,885)	(15,664)	(13,646)
	(120,026)	(115,332)	(106,610)
Net loans, advances and financing	2,467,388	2,454,153	2,477,303

Gross loans, advances and financing include RO 241.67 million (31 December 2019: RO 216.59 million, 30 September 2019: RO 207.95 million) under Islamic mode of financing through Sohar Islamic financing activities.

Loans, advances and financing comprise of:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Loans	2,344,723	2,316,094	2,303,898
Overdrafts	106,871	106,406	119,343
Loans against trust receipts	84,975	94,104	105,211
Bills discounted	50,845	52,881	55,461
Gross loans, advances and financing	2,587,414	2,569,485	2,583,913
Expected credit loss allowance	(100,141)	(99,668)	(92,964)
Contractual interest not recognised	(19,885)	(15,664)	(13,646)
	(120,026)	(115,332)	(106,610)
Net loans, advances and financing	2,467,388	2,454,153	2,477,303

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020
(RO'000)
7. Loans, advances and financing, net (continued)

The analysis of changes in the gross carrying amount and corresponding ECL allowance on loans, advances and financing is as follows:

30 September 2020
(Unaudited)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	2,092,096	353,416	123,973	2,569,485
New assets originated or purchased	446,574	36,286	10,489	493,349
Assets derecognised or repaid	(400,137)	(48,412)	(8,701)	(457,250)
Loans written off	-	(259)	(194)	(453)
Loans transferred to memoranda portfolio	-	-	(17,933)	(17,933)
Loans brought back from memoranda portfolio	-	-	216	216
Transfers to Stage 1	44,472	(43,983)	(489)	-
Transfers to Stage 2	(65,852)	66,779	(927)	-
Transfers to Stage 3	(5,766)	(38,561)	44,327	-
At 30 September 2020	2,111,387	325,266	150,761	2,587,414
ECL	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	10,811	41,745	47,112	99,668
Expected credit losses recognised	2,721	7,305	20,559	30,585
Recoveries from expected credit losses	(4,267)	(6,486)	(1,189)	(11,942)
Loans written off	-	(259)	(194)	(453)
Loans transferred to memoranda portfolio	-	-	(17,933)	(17,933)
Loans brought back from memorandum portfolio	-	-	216	216
Transfers to Stage 1	2,615	(2,414)	(201)	-
Transfers to Stage 2	(1,524)	1,910	(386)	-
Transfers to Stage 3	(248)	(5,082)	5,330	-
At 30 September 2020	10,108	36,719	53,314	100,141

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020
(RO'000)
7. Loans, advances and financing, net (continued)
30 September 2019
(Unaudited)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	1,825,751	437,926	76,983	2,340,660
New assets originated or purchased	637,585	216,663	12,363	866,611
Assets derecognised or repaid	(448,575)	(161,844)	(12,939)	(623,358)
Transfers to Stage 1	28,159	(27,693)	(466)	-
Transfers to Stage 2	(264,022)	258,922	5,100	-
Transfers to Stage 3	(1,891)	1,548	343	-
At 30 September 2019	<u>1,777,007</u>	<u>725,522</u>	<u>81,384</u>	<u>2,583,913</u>
ECL	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	12,695	33,629	33,025	79,349
Expected credit losses recognised	2,647	21,883	2,759	27,289
Recoveries from expected credit losses	(5,972)	(4,898)	(3,312)	(14,182)
Losses brought back from memorandum portfolio	-	-	508	508
Transfers to Stage 1	2,636	(2,214)	(422)	-
Transfers to Stage 2	(2,174)	2,985	(811)	-
Transfers to Stage 3	(60)	(1,108)	1,168	-
At 30 September 2019	<u>9,772</u>	<u>50,277</u>	<u>32,915</u>	<u>92,964</u>

The analysis of the changes in contractual interest not recognised is as follows:

	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Contractual interest not recognised		
Balance at beginning of year	15,664	9,381
Not recognised during the period	7,766	6,038
Written back due to recovery	(3,545)	(1,773)
Balance at end of the period	<u>19,885</u>	<u>13,646</u>

All loans and advances require payment of interest, some at fixed rates and others at rates that reprice prior to maturity. Interest reserve account is maintained to comply with rules, regulations and guidelines issued by CBO on loans, advances and financing that are impaired. As of 30 September 2020, loans and advances on which interest was not being accrued or where interest was reserved amounted to RO 150.761 million. (31 December 2019: RO 123.973 million, 30 September 2019: RO 81.384 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

8. Investment securities

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Equity Investments			
Held at FVOCI (Fair value through other comprehensive income)	6,080	6,357	17,940
Total Equity Investments	6,080	6,357	17,940
Debt Investments			
Held at FVTPL	96,928	101,268	121,522
Held at FVOCI	369,996	330,026	274,033
Less : Expected credit loss allowance	(31)	(28)	(23)
Net FVOCI debt investments	369,965	329,998	274,010
Held at amortised cost	218,866	201,360	191,025
Less : Expected credit loss allowance	(1,534)	(1,508)	(1,643)
Held at amortised cost (net)	217,332	199,852	189,382
Net Debt Investments	684,225	631,118	584,914
Total Investment securities	690,305	637,475	602,854

8.1 Held at FVTPL

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Quoted equity investments – Oman			
Service sector	-	500	500
Unquoted equity investments - Oman			
Manufacturing sector	2,500	2,500	2,500
Quoted debt investments – Foreign			
Service sector	115	1,295	1,275
Quoted debt investments – Oman			
Government development bonds	94,313	88,868	108,974
Sukuk trust certificates – secured	-	8,105	8,273
Total FVTPL investments	96,928	101,268	121,522

- As at 30 September 2020, unquoted equity investments includes an investment of RO 2.50 million in the Oman Development Fund SAOC (“Fund”). The Fund was incorporated on 7 May 2014 under license no. 1196427 with the Bank being the founder shareholder. The purpose of the Fund is to identify mid-segment industrial and manufacturing sectors that leverage Oman’s unique advantages such as its infrastructure, tax treaties, geography and natural mineral resources for potential investment opportunities. The Bank currently holds a 12.66% stake in the Fund (31 December 2019: 12.66%, 30 September 2019: 12.66%). The Bank has an Investment Management Agreement with the Fund.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020
(RO'000)

8 Investment securities (continued)

8.2 Held at FVOCI

	Carrying / fair value 30 September 2020 (Unaudited)	Cost 30 September 2020 (Unaudited)	Carrying / fair value 31 December 2019 (Audited)	Cost 31 December 2019 (Audited)	Carrying / fair value 30 June 2019 (Unaudited)	Cost 30 June 2019 (Unaudited)
Quoted equity investments – Oman						
Service Sector	6,080	7,478	6,357	8,535	17,940	20,085
Unquoted equity investments – Oman						
Service sector	-	34	-	34	-	34
	<u>6,080</u>	<u>7,512</u>	<u>6,357</u>	<u>8,569</u>	<u>17,940</u>	<u>20,119</u>
Quoted debt investments – Oman						
Service sector	5,852	8,113	-	-	-	-
Quoted debt investments – Foreign						
Treasury bills	364,144	334,213	330,026	330,572	274,033	274,623
Less : Expected credit loss allowance	(31)	-	(28)	-	(23)	-
	<u>364,113</u>	<u>334,213</u>	<u>329,998</u>	<u>330,572</u>	<u>274,010</u>	<u>274,623</u>
Total FVOCI investments	<u><u>376,045</u></u>	<u><u>349,837</u></u>	<u><u>336,355</u></u>	<u><u>339,141</u></u>	<u><u>291,950</u></u>	<u><u>294,742</u></u>

The analysis of changes in the ECL allowance on debt investments classified as FVOCI is as follows:

ECL	30 September 2020				30 September 2019 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
As at 1 January	28	-	-	28	23
Expected credit losses recognised	3	-	-	3	-
As at 30 September	<u><u>31</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>31</u></u>	<u><u>23</u></u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

8. Investment securities (continued)

8.3 Held at amortised cost

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Quoted debt investments – Oman			
Government Development Bonds	195,831	174,564	170,436
Service sector	23,035	26,796	20,589
	<u>218,866</u>	<u>201,360</u>	<u>191,025</u>
Less : Expected credit loss allowance	(1,534)	(1,508)	(1,643)
Total Investments held at amortised cost	<u><u>217,332</u></u>	<u><u>199,852</u></u>	<u><u>189,382</u></u>

The analysis of changes in the fair value and the corresponding ECL allowance on debt investments classified as held at amortised cost is as follows:

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	173,329	28,031	-	201,360
New assets originated or purchased	42,504	(24,998)	-	17,506
At 30 September 2020	<u><u>215,833</u></u>	<u><u>3,033</u></u>	<u><u>-</u></u>	<u><u>218,866</u></u>

ECL	Stage 1	Stage 2	Stage 3	Total	30 September 2019
Balance as at 1 January 2020	618	890	-	1,508	996
Expected credit losses recognised	182	(156)	-	26	647
At 30 September	<u><u>800</u></u>	<u><u>734</u></u>	<u><u>-</u></u>	<u><u>1,534</u></u>	<u><u>1,643</u></u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

9. Other assets

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Acceptances	78,672	64,381	23,988
Prepayments	2,266	2,120	2,836
Receivables	1,623	75	-
Positive fair value of derivatives (Note 25)	5,284	6,108	5,093
Right-to-use assets	5,902	3,827	4,105
Others	25,956	7,868	9,767
	<u>119,703</u>	<u>84,379</u>	<u>45,789</u>

10. Due to banks and other money market borrowings

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	19,252	7,650	-
Demand balances	6,955	5,748	8,797
	<u>26,207</u>	<u>13,398</u>	<u>8,797</u>
<i>Foreign currency:</i>			
Money market borrowings	478,093	624,979	492,529
Demand balances	3,203	-	-
Syndicated borrowings	135,150	96,884	212,704
	<u>616,446</u>	<u>721,863</u>	<u>705,233</u>
	<u>642,653</u>	<u>735,261</u>	<u>714,030</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

11. Customer deposits

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Conventional Banking			
Term deposits	1,089,320	833,134	877,645
Demand deposits	672,324	797,715	630,978
Saving deposits	272,676	254,009	248,992
Margin deposits	64,537	6,942	8,735
	<u>2,098,857</u>	<u>1,891,800</u>	<u>1,766,350</u>
Islamic Banking			
Term deposits	131,058	109,203	105,788
Demand deposits	71,055	61,999	83,267
Saving deposits	43,627	29,182	33,097
Margin deposits	3,899	5,126	5,939
	<u>249,639</u>	<u>205,510</u>	<u>228,091</u>
Total Customer deposits	<u>2,348,496</u>	<u>2,097,310</u>	<u>1,994,441</u>

12. Other liabilities

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Acceptances	78,672	64,381	23,988
Staff entitlements	1,785	5,441	4,896
Income tax payable	8,377	9,677	6,088
Negative fair value of derivatives (Note 25)	751	408	556
Deferred tax liabilities	773	621	555
Other accruals and provisions	27,327	14,483	24,617
Expected credit loss allowance on loan commitments and financial guarantees	2,374	2,921	3,753
Lease liability on right of use assets	4,852	2,592	3,215
Total	<u>124,911</u>	<u>100,524</u>	<u>67,668</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
**AS AT 30 SEPTEMBER 2020
(RO'000)**
12. Other liabilities (continued)

The analysis of changes in the gross carrying amount and corresponding ECL allowance on credit related commitments, financial guarantees, documentary letters of credit and acceptances is as follows:

Outstanding exposure	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	750,257	53,821	1,338	805,416
New assets originated or purchased	461,250	9,543	88	470,881
Assets derecognised or repaid	(309,254)	(24,221)	(5,138)	(338,613)
Transfers to Stage 1	5,962	(5,898)	(64)	-
Transfers to Stage 2	(8,689)	8,787	(98)	-
Transfers to Stage 3	(226)	(8,126)	8,352	-
Amounts written off	-	-	-	-
At 30 September 2020	899,300	33,906	4,478	937,684

ECL	30 September 2020				30 September 2019
	Stage 1	Stage 2	Stage 3	Total	Total
Balance as at 1 January 2020	1,817	1,063	41	2,921	4,612
Expected credit losses recognised	1,211	164	22	1,397	1,761
Recoveries from expected credit losses	(1,334)	(505)	(105)	(1,944)	(2,620)
Transfers to Stage 1	26	(26)	-	-	-
Transfers to Stage 2	(46)	46	-	-	-
Transfers to Stage 3	(2)	(423)	425	-	-
At 30 September	1,672	319	383	2,374	3,753

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2020 (RO'000)

13. Share capital and Share premium

The authorised share capital of the Bank is 4,000,000,000 shares (31 December 2019: 4,000,000,000). The issued shares of the Bank are 2,434,506,735 shares (31 December 2019: 2,363,598,772 shares, 30 September 2019: 2,363,598,772 shares). The paid up share capital of the Bank is RO 245.355 million (31 December 2019: RO 236.360 million, 30 September 2019: RO 236.360 million).

During the period ended 30 September 2020, the Bank distributed 70,907,963 bonus shares equal to 3% of the issued shares as at 31 December 2019, resulting in increase in share capital by RO 7.091 million. No bonus shares were issued in the comparative period last year.

During the period the Bank has reclassified an amount of RO 1.904 million from Share Premium to Share Capital.

As of 30 September 2020, the following shareholders held 10% or more of the Bank's capital, either individually or together with related parties:

	<i>Number of shares</i>	<i>% Holding</i>
Oman Investment & Finance Co. SAOG	374,161,440	15.37
The Royal Court of Affairs	354,684,105	14.57

14. Perpetual Tier 1 Capital Securities

The Bank issued its first Perpetual Tier 1 Capital Securities amounting to RO 100 million on 25 September 2017. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.75% with interest rate reset at five year intervals. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

On 14 March 2019, the Bank issued its second Perpetual Tier 1 Capital Securities amounting to RO 100 million. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.50% with interest rate reset at five year intervals. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

Both the securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. They do not have a fixed or final maturity date. The Bank may at its discretion and after prior consent from the relevant regulatory authority, exercise its option to redeem the securities in full (not in part) on the first Call Date, i.e. the 5th anniversary of the Issue Date, and on every fifth anniversary thereafter, again subject to the prior consent of the regulatory authorities. The Bank at its sole discretion may elect not to distribute interest. This is not considered as an event of default. If the Bank does not pay interest, on a scheduled interest payment date (for whatever reason), it cannot make any other distribution or payment on or with respect to its ordinary shares or any of its other Common Equity Tier 1 instruments or securities, ranking junior to or pari-passu with the Perpetual Tier 1 Capital Securities unless and until it has paid one interest payment in full on the securities. The terms of the Perpetual Tier 1 Capital Securities issuance allow the Bank to write-down (in whole or in part) any amounts due to the holders of the securities under certain circumstances.

RO 15.248 million was paid as coupon during the period ended 30 September 2020 (31 December 2019: 11.531 million, 30 September 2019: 11.532 million) and is recognised in the statement of changes in equity.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

15. Contingent liabilities and commitments

15.1 Contingent liabilities

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers, contingent upon the failure of the customer to perform under the terms of a specified contract.

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Guarantees	239,446	303,402	321,197
Documentary letters of credit	197,377	89,308	71,638
	<u>436,823</u>	<u>392,710</u>	<u>392,835</u>

15.2 Commitments

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees that are designed to meet the requirements of the Bank's customers. Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contracted amounts do not necessarily represent future cash obligations.

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Capital commitments	19,833	15,915	1,524
Credit related commitments	422,190	348,325	372,826
	<u>442,023</u>	<u>364,240</u>	<u>374,350</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(Unaudited)

(RO'000)

16. Interest income

	For the nine months ended		For the three months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Loans and advances to customers	94,647	93,894	31,678	32,654
Due from banks and other money market placements	1,005	1,675	189	447
Investments	14,130	12,944	4,760	4,634
	<u>109,782</u>	<u>108,513</u>	<u>36,627</u>	<u>37,735</u>

17. Interest expense

	For the nine months ended		For the three months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Customer deposits	42,362	36,778	15,165	12,552
Subordinated loans	1,859	1,832	637	617
Due to banks and other money market borrowings	11,774	21,058	3,469	6,688
	<u>55,995</u>	<u>59,668</u>	<u>19,271</u>	<u>19,857</u>

18. Net income earned from Islamic financing and investing activities

18.1 Gross income earned from Islamic financing and investing activities

	For the nine months ended		For the three months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Financing to customers	9,199	7,690	3,161	2,711
Due from banks and other money market placements	69	312	28	68
Investments	1,026	921	342	308
	<u>10,294</u>	<u>8,923</u>	<u>3,531</u>	<u>3,087</u>

18.2 Profit paid to depositors / money market borrowings

	For the nine months ended		For the three months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Profit paid to depositors	5,940	4,366	2,064	1,545
Profit paid to banks and other money market borrowings	271	427	65	103
	<u>6,211</u>	<u>4,793</u>	<u>2,129</u>	<u>1,648</u>
Net income from Islamic financing and investing activities	<u>4,083</u>	<u>4,130</u>	<u>1,402</u>	<u>1,439</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 September 2020

(Unaudited)

(RO'000)

19. Other operating income

	For the nine months ended		For the three months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Fees and commission	10,175	14,594	2,942	3,299
Net gains from foreign exchange dealings	1,855	5,510	835	1,398
Dividend income	462	1,515	184	640
Losses from FVTPL investments	(39)	(561)	(33)	(185)
Others	(9)	(15)	13	(3)
	<u>12,444</u>	<u>21,043</u>	<u>3,941</u>	<u>5,149</u>

20. Other operating expenses

	For the nine months ended		For the three months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Operating and administration costs	8,029	7,679	2,517	2,425
Occupancy cost	2,756	2,283	980	742
Directors remuneration	156	146	-	-
Directors sitting fees	30	32	10	7
Shari'a supervisory board remuneration and sitting fees	41	33	16	15
	<u>11,012</u>	<u>10,173</u>	<u>3,523</u>	<u>3,189</u>

21. Loan impairment charges and other credit risk provisions, net

	For the nine months ended		For the three months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Impairment charges provided/(released) on:				
Loans, advance and financing (Note 7)	18,643	13,107	7,138	6,950
Loan commitments and financial guarantees (Note 12)	(547)	(859)	(233)	138
Due from banks and other money market placements (Note 6)	(746)	(97)	(155)	(62)
Debt securities at amortised cost (Note 8.3)	26	647	(76)	65
Debt securities at FVOCI (Note 8.2)	3	-	3	-
Loans written back during the period	-	22	-	20
Loan impairment charges and other credit risk provisions under IFRS 9, net	<u>17,379</u>	<u>12,820</u>	<u>6,677</u>	<u>7,111</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020
(Unaudited)
(RO'000)
22. Basic earnings per share

Basic earnings per share are calculated by dividing net profit for the year by the weighted average number of shares outstanding during the period.

	For the nine months ended		For the three months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Profit for the period	17,752	25,059	4,577	6,475
Less: Additional Tier 1 Coupon	(15,248)	(11,532)	(7,645)	(7,689)
Less: issue expenses – Additional Tier 1 capital	-	(226)	-	-
Profit for the period attributable to equity holders of the Bank after coupon and issuance cost on Additional Tier 1 capital securities	2,504	13,301	(3,068)	(1,214)
Weighted average number of shares outstanding during the period (in thousands)	2,434,507	2,148,444	2,434,507	2,335,128
Basic earnings per share for the period (baizas)	1.029	6.191	(1.260)	(0.520)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020
(RO'000)**
23. Financial Instruments

The additional disclosures on non-performing financial assets and impairment coverage as per CBO circular BM 1149 is given below:

**30 September 2020
(Unaudited)**

CBO Classification	IFRS9	Gross carrying amount (1)	CBO Provisions (2)	IFRS9 Provisions (3)	Difference (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)	IFRS9 Reserve Interest	CBO Reserve Interest
Standard	Stage 1	2,062,148	24,569	9,459	15,110	2,052,689	-	-
	Stage 2	87,329	994	5,022	(4,028)	82,307	-	-
	Stage 3	336	4	81	(77)	255	-	-
Sub Total		2,149,813	25,567	14,562	11,005	2,135,251		
Special mention	Stage 1	49,239	591	649	(58)	48,590	-	-
	Stage 2	237,937	8,198	31,697	(23,499)	206,240	-	-
	Stage 3	548	5	120	(115)	428	-	-
Sub Total		287,724	8,794	32,466	(23,672)	255,258		
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	5,546	1,399	2,203	(804)	3,343	111	111
Sub Total		5,546	1,399	2,203	(804)	3,343	111	111
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	61,671	23,418	16,960	6,458	44,711	3,275	3,275
Sub Total		61,671	23,418	16,960	6,458	44,711	3,275	3,275
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	82,660	39,494	53,835	(14,341)	28,825	16,499	16,499
Sub Total		82,660	39,494	53,835	(14,341)	28,825	16,499	16,499
Gross Loans, advances and financing	Stage 1	2,111,387	25,160	10,108	15,052	2,101,279	-	-
	Stage 2	325,266	9,192	36,719	(27,527)	288,547	-	-
	Stage 3	150,761	64,320	73,199	(8,879)	77,562	19,885	19,885
Sub Total		2,587,414	98,672	120,026	(21,354)	2,467,388	19,885	19,885
Due from banks, Investment securities, Loan commitments & Financial guarantees*	Stage 1	1,674,057	13	2,536	(2,523)	1,671,521	-	-
	Stage 2	63,939	-	1,090	(1,090)	62,849	-	-
	Stage 3	4,478	-	383	(383)	4,095	-	-
Total		1,742,474	13	4,009	(3,996)	1,738,465	-	-
Total	Stage 1	3,785,444	25,173	12,644	12,529	3,772,800	-	-
	Stage 2	389,205	9,192	37,809	(28,617)	351,396	-	-
	Stage 3	155,239	64,320	73,582	(9,262)	81,657	19,885	19,885
	Total	4,329,888	98,685	124,035	(25,350)	4,205,853	19,885	19,885

*Other items not covered under CBO circular BM 977 and related instructions

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020
(RO'000)**
23. Financial Instruments (continued)

 30 September 2019
(Unaudited)

Classification:		Gross carrying amount (1)	CBO Provision (2)	IFRS 9 Provisions (3)	Difference between CBO and IFRS 9 (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)	IFRS 9 Reserve interest	CBO Reserve interest
CBO	IFRS 9							
Standard	Stage 1	1,776,459	21,361	9,764	11,597	1,766,695	-	-
	Stage 2	350,815	4,174	10,270	(6,096)	340,545	-	-
	Stage 3	172	4	54	(50)	118	-	-
Sub Total		2,127,446	25,539	20,088	5,451	2,107,358	-	-
Special mention	Stage 1	26	-	-	-	26	-	-
	Stage 2	374,133	11,709	39,931	(28,222)	334,202	-	-
	Stage 3	89	2	39	(37)	50	-	-
Sub Total		374,248	11,711	39,970	(28,259)	334,278	-	-
Substandard	Stage 1	3	-	-	-	3	-	-
	Stage 2	315	4	5	(1)	310	-	-
	Stage 3	4,736	1,223	1,900	(677)	2,836	105	105
Sub Total		5,054	1,227	1,905	(678)	3,149	105	105
Doubtful	Stage 1	453	-	7	(7)	446	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	13,471	4,577	3,235	1,342	10,236	251	251
Sub Total		13,924	4,577	3,242	1,335	10,682	251	251
Loss	Stage 1	66	-	1	(1)	65	-	-
	Stage 2	259	-	71	(71)	188	-	-
	Stage 3	62,916	38,404	41,333	(2,929)	21,583	13,290	13,290
Sub Total		63,241	38,404	41,405	(3,001)	21,836	13,290	13,290
Gross loans, advances and financing								
Sub Total	Stage 1	1,777,007	21,361	9,772	11,589	1,767,235	-	-
	Stage 2	725,522	15,887	50,277	(34,390)	675,245	-	-
	Stage 3	81,384	44,210	46,561	(2,351)	34,823	13,646	13,646
Sub Total		2,583,913	81,458	106,610	(25,152)	2,477,303	13,646	13,646
On:	Stage 1	882,489	31	2,156	(2,125)	880,333	-	-
	Stage 2	178,695	-	3,568	(3,568)	175,127	-	-
	Stage 3	1,243	-	40	(40)	1,203	-	-
Loan commitments & financial guarantees*		1,062,427	31	5,764	(5,733)	1,056,663	-	-
Total	Stage 1	2,659,496	21,392	11,928	9,464	2,647,568	-	-
	Stage 2	904,217	15,887	53,845	(37,958)	850,372	-	-
	Stage 3	82,627	44,210	46,601	(2,391)	36,026	13,646	13,646
	Total	3,646,340	81,489	112,374	(30,885)	3,533,966	13,646	13,646

*Other items not covered under CBO circular BM 977 and related instructions

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

23. Financial Instruments (continued)

In accordance with CBO requirements, where the aggregate provision on portfolio & specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS9, the difference, net of impact of taxation, will be transferred to an impairment reserve as an appropriation from the retained earnings. The Bank generally transfers this amount annually at year end.

30 September 2020 (Unaudited)	IFRS 9	CBO	Difference
Impairment loss charged to statement of comprehensive income	17,379	7,895	9,484
Provisions	124,035	118,570	5,465
Gross NPL ratio (percentage)*	5.83	5.79	0.04
Net NPL ratio (percentage)*	3.14	2.66	0.48

*NPL ratios are calculated on the basis of funded non-performing loans and advances.

The reconciliation of expected credit loss allowance for all financial assets is as below:

	IFRS 9	CBO
Gross loans advances and financing	100,141	98,672
Due from Banks	70	13
Investment securities(amortised cost)	1,534	-
Investment securities (FVOCI)	31	-
Loan commitments and financial guarantees	2,374	-
Total ECL	104,150	98,685
Contractual interest not recognised	19,885	19,885
Total ECL and Contractual interest not recognised	124,035	118,570

The analysis of changes in the ECL allowance on due from banks and other money market placements, loans, advances and financing (excluding contractual interest not recognised), investments and loan commitments and financial guarantees is as follows:

ECL	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	14,061	43,727	47,153	104,941
Expected credit losses recognised	4,124	7,313	20,581	32,018
Recoveries from expected credit losses	(6,324)	(7,020)	(1,295)	(14,639)
Loans written off	-	(259)	(194)	(453)
Loans transferred to memoranda	-	-	(17,933)	(17,933)
Loans brought back from memorandum portfolio	-	-	216	216
Transfers to Stage 1	2,603	(2,403)	200	-
Transfers to Stage 2	(1,570)	1,956	(386)	-
Transfers to Stage 3	(250)	(5,505)	5,755	-
At 30 September 2020	12,644	37,809	53,697	104,150

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020
(RO'000)
23. Financial Instruments (continued)
Restructured loans

Loans with renegotiated terms are defined as loans that have been restructured due to deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

30 September 2020
(Unaudited)
Classification:

CBO	IFRS 9	Gross Carrying amount	CBO Provision	IFRS9 Provisions	Difference	Net carrying amount	IFRS9 Reserve interest	CBO Reserve interest
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Classified as performing	Stage 1	36,289	-	695	(695)	35,594	-	-
	Stage 2	160,872	6,941	24,140	(17,199)	136,732	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		197,161	6,941	24,835	(17,894)	172,326	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-
Total	Stage 1	36,289	-	695	(695)	35,594	-	-
	Stage 2	160,872	6,941	24,140	(17,199)	136,732	-	-
	Stage 3	-	-	-	-	-	-	-
Total		197,161	6,941	24,835	(17,894)	172,326	-	-

30 September 2019
(Unaudited)

CBO classification	IFRS 9 classification on RO'000	Gross carrying amount RO'000	CBO Provision RO'000	IFRS 9 Provisions RO'000	Difference between CBO and IFRS 9 RO'000	Net carrying amount RO'000	IFRS 9 Reserve interest RO'000	CBO Reserve interest RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)	(9)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	121,397	7,467	22,563	(15,096)	98,834	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		121,397	7,467	22,563	(15,096)	98,834	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	121,397	7,467	22,563	(15,096)	98,834	-	-
	Stage 3	-	-	-	-	-	-	-
Total		121,397	7,467	22,563	(15,096)	98,834	-	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

24. Related party transactions

In the ordinary course of business, the Bank enters into transactions with certain of its directors, shareholders, senior management, Shari'a supervisory board, Shari'a reviewer and companies in which they have a significant interest. These transactions are conducted on an arm's length basis and are approved by the Bank's management and Board of Directors.

The aggregate amount of balances and the income and expenses generated with such related parties are as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Directors & Senior management			
Loans, advances and financing at the end of period	2,457	2,661	2,732
Loans disbursed during the period	471	538	542
Loans repaid during the period	(281)	(364)	(286)
Deposits at the end of the period	1,282	1,387	1,717
Deposits received during the period	1,334	614	1,135
Deposits matured/paid during the period	(1,422)	(646)	(533)
Interest income during the period	81	102	74
Interest expense during the period	7	14	6
Directors' sitting fees and remuneration	186	190	178
Shari'a Supervisory Board members	41	47	33
Other related parties			
Loans, advances and financing at the end of period	63,330	36,727	77,915
Loans disbursed during the period	34,035	17,142	57,621
Loans repaid during the period	(949)	(6,468)	(5,759)
Deposits at the end of the period	11,201	7,004	6,882
Deposits received during the period	8,601	6,589	4,378
Deposits matured/paid during the period	(3,911)	(2,914)	(823)
Interest income during the period	2,252	3,207	2,554
Interest expense during the period	66	55	35

Key management compensation

Key management comprises of 7 (2019:7) senior management executives. The Bank considers these members to be key management personnel for the purpose of IAS 24 Related Party Disclosures

In the ordinary course of business, the Bank conducts transactions with certain of its key management personnel and companies in which they have a significant interest. The balances in respect of these related parties as at the reporting date are as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Loans as at end of the period	271	43	345
Deposits as at the end of the period	141	380	332
Interest Income (during the period)	10	2	12
Interest expense (during the period)	2	8	7
Salaries and other short term benefits	983	2,117	979
Post-employment benefits	30	24	29

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

24. Related party transactions (continued)

The aggregate amount of balances and the income and expenses generated with shareholders holding 10% or more of the Banks' shares are as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)	30 September 2019 (Unaudited)
Loans, advances and financing at the end of the period	6,000	8,454	7,500
Loans disbursed during the period	6,000	8,453	7,500
Deposits at the end of the period	3,913	2,001	5,769
Deposits received during the period	2,365	1	3,374
Deposits matured/paid during the period	-	(395)	-
Interest income during the period	399	236	135
Interest expense during the period	61	85	64

As at 30 September 2020, no loans to related parties are classified under stage 3 (31 December 2019: nil, 30 September 2019; nil)

25. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) In the accessible principal market for the asset or liability; or
- ii) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices in active markets for the same instrument without modification or repacking;
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

The Bank considers that the fair value of financial instruments was not significantly different to their carrying value (including accrued interest) at each of those dates. The table below sets out the classification and fair value of each class of financial assets and liabilities including accrued interest.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

25. Fair value of financial instruments (continued)

At 30 September 2020 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	146,119	-	-	146,119
Due from banks and other money market placements	211,342	-	-	211,342
Loans, advances and financing	2,467,388	-	-	2,467,388
Investments	217,332	376,045	96,928	690,305
Other assets (excluding prepayments)	117,437	-	-	117,437
Total	3,159,618	376,045	96,928	3,632,591
Liabilities				
Due to banks and other money market borrowings	642,653	-	-	642,653
Customer deposits	2,348,496	-	-	2,348,496
Other liabilities (excluding other accruals & provisions)	97,584	-	-	97,584
Subordinated loans	35,674	-	-	35,674
Certificates of deposit	503	-	-	503
Total	3,124,910	-	-	3,124,910

At 31 December 2019 (Audited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	89,572	-	-	89,572
Due from banks and other money market placements	198,237	-	-	198,237
Loans, advances and financing	2,454,153	-	-	2,454,153
Investments	199,852	336,355	101,268	637,475
Other assets (excluding prepayments)	82,259	-	-	82,259
Total	3,024,073	336,355	101,268	3,461,696
Liabilities				
Due to banks and other money market borrowings	735,261	-	-	735,261
Customer deposits	2,097,310	-	-	2,097,310
Other liabilities (excluding other accruals & provisions)	86,041	-	-	86,041
Subordinated loans	35,392	-	-	35,392
Certificates of deposit	509	-	-	509
Total	2,954,513	-	-	2,954,513

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020
(RO'000)
25. Fair value of financial instruments (continued)

At 30 September 2019 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying (including accrued interest)/fair value
Assets				
Cash and balances with Central Bank	100,167	-	-	100,167
Due from banks and other money market placements	73,349	-	-	73,349
Loans, advances and financing	2,477,303	-	-	2,477,303
Investments	189,382	291,950	121,522	602,854
Other assets (excluding prepayments)	42,953	-	-	42,953
Total	2,883,154	291,950	121,522	3,296,626
Liabilities				
Due to banks and other money market borrowings	714,030	-	-	714,030
Customers' deposits	1,994,441	-	-	1,994,441
Other liabilities (excluding other accruals & provisions)	43,051	-	-	43,051
Subordinated loans	35,654	-	-	35,654
Certificates of deposits	503	-	-	503
Total	2,787,679	-	-	2,787,679

The table below analyses financial instruments measured at fair value at the end of the reporting period:

30 September 2020 (Unaudited)	Investment securities	Positive fair value of derivatives	Negative fair value of derivatives	Total
Level 1	6,080	-	-	6,080
Level 2	464,393	5,284	(751)	468,926
Level 3	2,500	-	-	2,500
	472,973	5,284	(751)	477,506

31 December 2019 (Audited)	Investments	Positive fair value of derivatives	Negative fair value of derivatives	Total
Level 1	6,357	-	-	6,357
Level 2	428,766	6,108	(408)	434,466
Level 3	2,500	-	-	2,500
	437,623	6,108	(408)	443,323

30 September 2019 (Unaudited)	Investment securities	Positive fair value of derivatives	Negative fair value of derivatives	Total
Level 1	6,390	-	-	6,390
Level 2	404,582	5,093	(556)	409,119
Level 3	2,500	-	-	2,500
	413,472	5,093	(556)	418,009

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2020

(RO'000)

26. Derivatives

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

As at 30 September 2020 (Un audited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	75	230	682,532	187,621	289,739	205,172
Forward foreign exchange sales contracts	5,209	521	679,831	186,770	292,861	200,200

As at 31 December 2019 (Audited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	27	380	691,991	333,734	34,913	323,344
Forward foreign exchange sales contracts	6,081	28	686,984	333,797	34,650	318,537

As at 30 September 2019 (Un audited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	25	529	407,938	239,302	39,024	129,612
Forward foreign exchange sales contracts	5,068	27	403,127	238,378	38,905	125,843

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020
(RO'000)**
27. Exposure to liquidity risk

The Bank also monitors the liquidity through Liquidity Coverage ratio (LCR), Net Stable Funding Ratio (NSFR) and Leverage Ratio. Current levels of these ratios are given below:

	30 September 2020	31 December 2019	30 September 2019
LCR	206.9%	147.2%	138.4%
LCR (average for the quarter)	210.7%	155.5%	142.0%
NSFR	120.5%	107.4%	106.9%
Leverage ratio	13.4%	14.5%	14.0%

The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) is calculated in accordance with Basel III framework and guidelines adopted by CBO vide circular BM 1127 and BM 1147. The complete disclosures required under these circulars are available on the Investor Relations page of the Bank's website.

The table below summarises the maturity profile of the Bank's liabilities as on the reporting date based on contractual repayment arrangements. The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

30 September 2020	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks and other money market borrowings	642,653	648,663	213,416	99,818	335,429
Customer deposits	2,348,496	2,381,846	1,039,570	425,974	916,302
Other liabilities	124,911	124,911	124,911	-	-
Subordinated loans	35,674	42,269	880	1,570	39,819
Certificates of deposit	503	524	6	518	-
Total	3,152,237	3,198,213	1,378,783	527,880	1,291,550

31 December 2019	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks and other money market borrowings	735,261	756,394	248,583	303,065	204,746
Customer deposits	2,097,310	2,116,992	1,199,732	428,995	488,265
Other liabilities	100,524	100,524	100,524	-	-
Subordinated loans	35,392	43,846	350	2,107	41,389
Certificates of deposit	509	542	6	18	518
Total	2,968,996	3,018,298	1,549,195	734,185	734,918

30 September 2019	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks and other money market borrowings	714,030	740,978	210,759	13,832	516,387
Customer deposits	1,994,441	2,014,872	1,139,548	412,062	463,262
Other liabilities	67,668	67,669	67,669	-	-
Subordinated loans	35,654	44,726	880	1,577	42,269
Certificates of deposit	503	548	6	18	524
Total	2,812,296	2,868,793	1,418,862	427,489	1,022,442

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 September 2020

(RO'000)

28. Capital management

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off balance sheet exposures weighted according to broad categories of risk. The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

	30 September 2020	31 December 2019	30 September 2019
CET 1 capital			
Ordinary share capital	245,355	236,360	236,360
Share premium	18,038	19,942	19,942
Legal reserve	28,519	28,519	24,375
General reserve	988	988	988
Subordinated loan reserve	14,000	14,000	7,000
Retained earnings	8,225	31,422	39,605
Fair value losses	(3,698)	(2,213)	(2,189)
Total CET 1 capital	311,427	329,018	326,081
Additional Tier 1 capital			
Perpetual Tier 1 Capital Securities	200,000	200,000	200,000
Total Tier 1 capital	511,427	529,018	526,081
Tier 2 capital			
Impairment allowance on portfolio basis	28,960	25,062	24,879
Fair value gains	2	-	4
Subordinated loan	21,000	21,000	28,000
Total Tier 2 capital	49,962	46,062	52,883
Total regulatory capital	561,389	575,080	578,964
Risk weighted assets			
Credit and market risks	2,811,024	2,870,164	2,843,693
Operational risk	179,749	179,749	157,920
Total risk weighted assets	2,990,773	3,049,913	3,001,613
Capital adequacy ratio			
Total regulatory capital expressed as a percentage of total risk weighted assets	18.77%	18.86 %	19.29%
Total tier I capital expressed as a percentage of total risk weighted assets	17.10%	17.35 %	17.53%
Total CET 1 capital expressed as a percentage of total risk weighted assets	10.41%	10.79 %	10.86%

In order to smoothen the higher volatility in ECL computation and its impact on regulatory capital of the banks amid Covid-19 outbreak, CBO has issued a new interim requirement to apply a "prudential filter" on IFRS 9 ECL provisions for calculating the regulatory capital. The impact of this prudential filter on the Bank's regulatory capital is 14 bps.

The capital adequacy ratio is calculated in accordance with Basel II & Basel III requirements as adopted by CBO. Disclosures required under Basel III and circular BM-1114 dated 17 November 2013 issued by CBO are available on the Investor Relations page of the Bank's website.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2020 (RO'000)

29. Segmental information

Segmental information is presented for the Bank's operating segments. For management purposes the Bank is organised into the following operating segments:

Retail banking:

- Including loans to and deposits from retail customers, credit card and fund transfer facilities.

Wholesale banking:

- Corporates including loans to and deposits from large and mid-sector corporates, small & medium enterprises and trade finance customers
- Government and project finance syndication including loans to and deposits from government and financial institutions, project finance and syndicated loans.
- Investments including proprietary investments, correspondent and investment banking.
- Treasury including money market instruments, derivatives and foreign exchange products

Head office

- includes balance sheet, income and expense related items that are not directly related to the Bank's operating segments

Islamic banking

- Including Islamic financing activities, current accounts, unrestricted investment accounts and other products and services to corporate and individual customers under Shari'a principles.

The CEO monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer pricing between operating segments is on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external counterparty or customer amounted to 10% or more of the Bank's total revenue in 2020 or 2019.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020
(RO'000)
29.1 Segmental information (continued)

	<i>Retail banking</i>	<i>Wholesale banking</i>	<i>Head Office</i>	<i>Islamic banking</i>	<i>Total</i>
30 September 2020					
<i>Income Statement</i>					
Interest income	31,997	77,785	-	-	109,782
Interest expense	(16,577)	(39,418)	-	-	(55,995)
Net interest income	15,420	38,367	-	-	53,787
Net income from Islamic financing and investing activities	-	-	-	4,083	4,083
Other operating income	3,977	7,860	-	607	12,444
Total Operating income	19,397	46,227	-	4,690	70,314
Total Operating expenses	(14,806)	(13,445)	-	(3,848)	(32,099)
Net Operating Income	4,591	32,782	-	842	38,215
Impairment on FVOCI investments	-	(29)	-	(1)	(30)
Loan impairment charges and other credit risk provisions, net	(3,204)	(13,805)	-	(340)	(17,349)
Segment Profit / (loss)	1,386	18,949	-	501	20,836
Income tax expense	(215)	(2,794)	-	(75)	(3,084)
Profit / (loss) for the period	1,171	16,155	-	426	17,752
<i>Balance sheet</i>					
Assets					
Cash and balances with Central Bank	-	130,483	-	15,636	146,119
Due from banks and other money market placements	-	200,924	-	10,418	211,342
Loans, advances and financing, net	772,793	1,456,523	-	238,072	2,467,388
Investment securities	-	668,958	-	21,347	690,305
Property, equipment and fixtures	-	-	42,736	930	43,666
Investment properties	-	-	2,900	-	2,900
Other assets	-	-	118,419	1,284	119,703
TOTAL ASSETS	772,793	2,456,888	164,055	287,687	3,681,423
Liabilities					
Due to banks and other money market borrowings	-	639,450	-	3,203	642,653
Customer deposits	417,728	1,681,129	-	249,639	2,348,496
Other liabilities	-	-	122,222	2,689	124,911
Subordinated loans	-	-	35,674	-	35,674
Certificates of deposit	-	503	-	-	503
TOTAL LIABILITIES	417,728	2,321,082	157,896	255,531	3,152,237
TOTAL EQUITY	-	-	497,030	32,156	529,186
	417,728	2,321,082	654,926	287,687	3,681,423

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020
(RO'000)
29.1 Segmental information (continued)

	<i>Retail banking</i>	<i>Wholesale banking</i>	<i>Head Office</i>	<i>Islamic banking</i>	<i>Total</i>
<i>30 September 2019</i>					
<i>Income Statement</i>					
Interest income	29,860	78,653	-	-	108,513
Interest expense	(15,968)	(43,700)	-	-	(59,668)
Net interest income	13,892	34,953	-	-	48,845
Net income from Islamic financing and investing activities	-	-	-	4,130	4,130
Other operating income	3,732	16,893	2	416	21,043
Total Operating income	17,624	51,846	2	4,546	74,018
Total Operating expenses	(16,900)	(13,585)	-	(3,186)	(33,671)
Net Operating Income	724	38,261	2	1,360	40,347
Impairment on FVOCI investments	-	(647)	-	14	(633)
Loan impairment charges and other credit risk provisions, net	(9)	(11,835)	-	(343)	(12,187)
Segment Profit / (loss)	715	25,779	2	1,031	27,527
Income tax expense	(65)	(2,248)	-	(155)	(2,468)
Profit / (loss) for the period	650	23,531	2	876	25,059
<i>Balance sheet</i>					
<i>Assets</i>					
Cash and balances with Central Bank	-	82,442	-	17,725	100,167
Due from banks and other money market placements	-	60,922	-	12,427	73,349
Loans, advances and financing, net	756,795	1,515,732	-	204,776	2,477,303
Investments	-	581,845	-	21,009	602,854
Property, equipment and fixtures	-	-	34,995	1,029	36,024
Investment properties	-	-	2,900	-	2,900
Other assets	-	-	43,497	2,292	45,789
TOTAL ASSETS	756,795	2,240,941	81,392	259,258	3,338,386
<i>Liabilities</i>					
Due to banks and other money market borrowings	-	714,030	-	-	714,030
Customer deposits	403,852	1,362,498	-	228,091	1,994,441
Other liabilities	-	-	64,858	2,810	67,668
Subordinated loans	-	-	35,654	-	35,654
Certificates of deposit	-	503	-	-	503
TOTAL LIABILITIES	403,852	2,077,031	100,512	230,901	2,812,296
TOTAL EQUITY	-	-	497,733	28,357	526,090
	403,852	2,077,031	598,245	259,258	3,338,386

30. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation for the current period. Such reclassifications do not affect previously reported net profit or shareholders' equity.