



SOHAR INTERNATIONAL BANK SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2021

Chairman's Report for the three months ended 31 March 2021

I am pleased to present Sohar International's results for the three months ended 31st March 2021.

With a vision of becoming a world-leading Omani service company that helps customers, communities and people to prosper and grow, Sohar International has persistently delivered robust growth, reflecting our capabilities and continued investment in strategic initiatives. Despite the vagaries of the business cycle, Sohar International has maintained focus on building its institutional foundations for the future with an unshakable determination to deliver long-term sustainable growth.

At Sohar International, our robust strategy echoes our approach towards finding opportunities amid current challenges as we continue to successfully move forward and navigate through these uncertain times.

Financial performance

Total assets as at 31 March 2021 increased by 9.9% to RO 3,754 million (31 March 2020: RO 3,416 million). Net loans and advances increased by 2.8% to RO 2,531 million (31 March 2020: RO 2,461 million) reflecting the bank's prudence in managing growth given current economic conditions. Customer deposits increased by 7.6% to RO 2,293 million (31 March 2020: RO 2,131 million), reflecting the bank's strengthening funding and liquidity position.

Net profit for the three months ended 31 March 2021 increased by 13.1% to RO 6.98 million compared to RO 6.18 million during the same period in 2020.

Operating income increased by 13.5% to RO 26.19 million, (31 March 2020: RO 23.07 million), driven by increases in other operating income streams including gain on sale of investment securities. Operating profit increased by 15.5% to RO 14.19 million compared to RO 12.29 million for the same period last year.

Operating expenses increased by 11.3% to RO 12.00 million (31 March 2020: RO 10.78 million). Sohar International continues to manage the expense base to support its strategic objectives as well as maintain a strong cost/income ratio, reporting 45.8% for the period compared to 46.7% for the same period last year.

Net impairment charges and other credit risk provisions for the period was RO 6.0 million compared to RO 5.0 million for the same period last year.



Embedding a Culture of Digitalization

Sohar International has an extraordinary learning journey in digitization, staying ahead of the curve by adopting a digital-first approach. The bank continued to serve its wide customer base with no disruption in overall service delivery, enabled by a spontaneous modern banking environment.

As part of its digital transformation journey, Sohar International launched its latest campaign that highlights the bank's digital prowess in enabling responsive banking services, to help customers reach any goal, open up new avenues and experiences and help them achieve more. As part of the enhanced digitalization experience, the bank has invested and launched a dedicated Investor Relations section on its website that provides valuable and relevant information to our customers and key stakeholders.

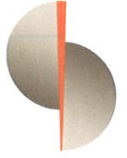
Sohar International continues to embrace the growing interest of customers to connect online and, moving forward with the bank's digitalization agenda, we are uniquely positioned to deliver on our 'winning' promise that revolves around the bank's principles of providing more vision, more value, and more velocity to all segments of the community.

Bringing the best of the World to Oman

Continuing the success of its pioneering thought-leadership platform 'Chairman's Forum – Viewpoints', Sohar International successfully hosted two more virtual sessions, on topics carefully chosen to resonate with the prevailing market conditions and circumstances. Both these sessions stayed true to their objective of bringing global insights and learnings to the people of Oman, and have recorded over 100K views. The 10th edition featured Dr. Robbert Dijkgraaf, Director and Leon Levy Professor at Institute for Advanced Study in Princeton, New Jersey in USA – one of the world's foremost centres for curiosity-driven basic research. Most recently, the 11th edition hosted Sir Ranulph Fiennes, a famous British explorer, UK Army Officer and travel writer - also named as 'the world's greatest living explorer' by Guinness Book of World Records. The virtual sessions of Viewpoints witnessed a growing and remarkable response from its audience, continuing to gain ground as a highly informative knowledge sharing platform that helps drive value for Oman's businesses.

Connecting with Customers

Harnessing digital capabilities and reach, Sohar International continued to stay well connected to customers. Sustaining the momentum of creating more winning journeys and instilling the culture of saving, the bank held its Prize Scheme Draws virtually enabling customers to tune in and be part of these important moments. The virtual events, held through Sohar International's social media pages, witnessed great attendance, reaching into the thousands, with significant engagement from participants.



The year-end grand prize virtual draws for the year 2020 witnessed OMR 400,000 being distributed equally between four customers; two from the general segment and two from the wealth management category. Having concluded the year 2020 scheme, the bank launched Sohar | Prize Scheme 2021 offering RO 2,250,000+ in cash prizes. The 2021 Prize Scheme related events took a paradigm shift in their approach, highlighting our beautiful nation, in order to promote the Sultanate as a touristic hub for international and local tourism creating in-country value. The first monthly draws took place in the Governorate of Musandam highlighting its unique culture and traditions, while the second destination was the A'Sharqiya (North) Region highlighting the diversified array of touristic attractions.

To stay connected to our Sohar Islamic's customer base, consistent and dedicated digital channels were introduced consisting of Instagram and Twitter, as a gateway for the bank's activities and services. Sohar Islamic social media pages, having gained significant popularity in a short span of time, have contributed significantly towards helping people benefit from a diverse range of the bank's responsive solutions and services for their dynamic world.

Staying True to Our Nation

Sohar International has been actively supporting initiatives that strengthen the position of Oman on the world map and highlight the country's various assets through sponsorships, public representation and financial support.

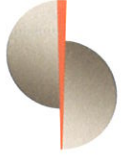
Strengthening its commitment to encourage and empower the Omani youth, Sohar International has committed its sponsorship to Oman Rally Championship, an event hosted by the Oman Automobile Association. This sponsorship comes as part of the bank's continued efforts in lending its unwavering support to sport tournaments in the Sultanate and promoting the spirit of 'Winning', bringing positive socioeconomic change by promoting Oman as an International Sporting Destination.

Reaffirming its commitment towards endorsing the Sultanate's socio-economic activities, the bank has become the official sponsor of a documentary series, 'Not Yet Discovered' that will bring forth the Sultanate's diverse hidden wild life, boosting tourism and conservation activities in the country and placing Oman on the global tourism destination map.

Recognition

I thank all our stakeholders for their continued trust and confidence as well as our team of dedicated employees for their commitment and agility during these exceptional times.

I would like to express my gratitude to the Central Bank of Oman and the Capital Market Authority for their strong governance, transparency and leadership.



Finally, on behalf of the Board of Directors and our loyal employees, I extend my heartfelt thanks to His Majesty Sultan Haitham Bin Tariq Bin Taimur for his leadership and vision to take our country to greater heights, with His Majesty's government giving praise worthy impetus to the Banking sector in Oman.

Mohammed Mahfoudh Al Ardhi
Chairman

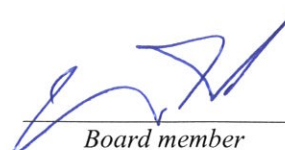
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021
(RO'000)

		31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
ASSETS	Note			
Cash and balances with Central Bank	5	110,030	202,630	68,821
Due from banks and other money market placements	6	107,447	81,584	63,707
Loans, advances and financing, net	7	2,531,032	2,503,497	2,461,072
Investment securities	8	869,420	701,118	665,482
Property, equipment and fixtures		45,704	44,278	39,836
Investment properties		2,900	2,900	2,900
Other assets	9	87,697	74,980	114,005
TOTAL ASSETS		3,754,230	3,610,987	3,415,823
LIABILITIES				
Due to banks and other money market borrowings	10	790,094	720,561	606,301
Customer deposits	11	2,293,415	2,231,565	2,130,688
Other liabilities	12	101,967	91,258	115,140
Subordinated loans		35,645	35,392	35,650
Certificates of deposit		503	509	503
TOTAL LIABILITIES		3,221,624	3,079,285	2,888,282
SHAREHOLDERS' EQUITY				
Share capital	13	245,355	245,355	245,355
Share premium	13	18,038	18,038	18,038
Legal reserve		30,520	30,520	28,519
General reserve		988	988	988
Fair value reserve		(1,951)	(3,437)	(2,262)
Subordinated loans reserve		21,000	21,000	14,000
Impairment reserve		5,464	5,464	-
Retained earnings		13,192	13,774	22,903
TOTAL SHAREHOLDERS' EQUITY		332,606	331,702	327,541
Perpetual Tier 1 capital securities	14	200,000	200,000	200,000
TOTAL EQUITY		532,606	531,702	527,541
TOTAL LIABILITIES AND EQUITY		3,754,230	3,610,987	3,415,823
CONTINGENT LIABILITIES	15.1	402,175	421,048	408,240
COMMITMENTS	15.2	523,604	438,104	392,124
		<i>Baizas</i>	<i>Baizas</i>	<i>Baizas</i>
Net assets per share		136.62	136.25	134.54

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on 29th April 2021 and signed on their behalf by:



Chairman



Board member

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2021
(Unaudited)
(RO'000)

	Notes	31 March 2021	31 March 2020
Interest income	16	35,212	36,346
Interest expense	17	(17,870)	(18,860)
Net interest income		17,342	17,486
Net income from Islamic financing and investing activities	18.2	1,586	1,481
Other operating income	19	7,264	4,103
TOTAL OPERATING INCOME		26,192	23,070
Staff costs		(6,932)	(6,313)
Other operating expenses	20	(4,293)	(3,754)
Depreciation		(776)	(715)
TOTAL OPERATING EXPENSES		(12,001)	(10,782)
NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		14,191	12,288
Loan impairment charges and other credit risk provisions (net)	21	(5,999)	(5,024)
PROFIT BEFORE TAX		8,192	7,264
Income tax expense		(1,211)	(1,089)
PROFIT FOR THE PERIOD		6,981	6,175
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)		(28)	(49)
Items that will be reclassified subsequently to the income statement			
Net changes in fair value on debt instruments held at FVOCI		1,514	-
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		1,486	(49)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		8,467	6,126
Basic earnings per share for the period	22	<i>Baisas</i> (0.239)	<i>Baisas</i> (0.587)
Profit for the period			
Conventional banking		6,806	6,079
Islamic banking		175	96
		6,981	6,175

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2021

(Unaudited)

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve	Subordinated loans reserve	Impairment reserve	Retained earnings	Total Shareholders' Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1 January 2021	245,355	18,038	30,520	988	(3,437)	21,000	5,464	13,774	331,702	200,000	531,702
Profit for the period	-	-	-	-	-	-	-	6,981	6,981	-	6,981
Other comprehensive gain for the period	-	-	-	-	1,486	-	-	-	1,486	-	1,486
Total comprehensive income for the period	-	-	-	-	1,486	-	-	-	8,467	-	8,467
Reclassification of net change in fair value of equity instruments upon de-recognition	-	-	-	-	-	-	-	-	-	-	-
Share premium transferred to share capital	-	-	-	-	-	-	-	-	-	-	-
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	-	(7,563)	(7,563)	-	(7,563)
Balance as at 31 March 2021	245,355	18,038	30,520	988	(1,951)	21,000	5,464	13,192	332,606	200,000	532,607
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	-	-	-	-	-	-	-	6,175	6,175	-	6,175
Other comprehensive loss for the period	-	-	-	-	(49)	-	-	-	(49)	-	(49)
Total comprehensive income for the period	-	-	-	-	(49)	-	-	-	6,126	-	6,126
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	-	-	-	-	-	-	-	(7,603)	(7,603)	-	(7,603)
Balance as at 31 March 2020	245,355	18,038	28,519	988	(2,262)	14,000	-	22,903	327,541	200,000	527,541

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2021
(Unaudited)
(RO'000)

	31 March 2021	31 March 2020
OPERATING ACTIVITIES		
Profit before tax	8,192	7,264
Adjustments for:		
Depreciation	776	715
Loan impairment charges and other credit risk provisions, net	5,999	5,024
Net losses/(gains) on investments	(2,871)	76
Income from Islamic investment activities	(374)	(343)
Interest on investments	(4,723)	(4,693)
Interest accrued on subordinated loans and compulsorily convertible bonds	604	611
Cash from operating activities before changes in operating assets and liabilities	7,603	8,654
Due from banks and other money market placements	150	(4,352)
Loans, advances and financing	(33,325)	(12,763)
Investment held at fair value through profit or loss (FVTPL)	2,225	(258)
Other assets	(12,717)	(30,945)
Due to banks and other money market borrowings	9,927	58,496
Customer deposits	61,850	33,379
Certificate of deposits	(6)	(6)
Other liabilities	9,287	19,341
Cash from operating activities	44,994	71,546
Income tax paid	-	(4,232)
Net cash from/(used in) operating activities, net of tax	44,994	67,314
INVESTING ACTIVITIES		
Purchase of investments, net	(10,854)	(22,951)
Proceeds from sale of investments	11,935	-
Acquisition of property, equipment and fixtures	(2,200)	(2,161)
Income from Islamic investment activities	84	4
Interest received on investments	4,723	4,693
Net cash used in investing activities	3,688	(20,415)
FINANCING ACTIVITIES		
Dividends paid	-	(7,091)
Interest paid on subordinated loans	(353)	(353)
Interest paid on perpetual Tier 1 capital securities	(7,562)	(7,603)
Net cash (used in)/from financing activities	(7,915)	(15,047)
NET CHANGE IN CASH AND CASH EQUIVALENTS	40,767	31,852
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	255,660	278,474
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	296,427	310,326
REPRESENTING:		
Cash and balances with Central Bank (other than capital deposit) (Note 5)	109,530	68,321
Due from banks and other money market placements with OM of 90 days (Note 6)	104,849	59,938
Investments securities with original maturity (OM) of 90 days (Note 8.2)	538,978	334,725
Due to banks and other money market borrowings with OM of 90 days (Note 10)	(456,930)	(152,658)
	296,427	310,326

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2021

(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-one 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 875 employees as of 31 March 2021 (31 December 2020: 873, 31 March 2020: 883).

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 2020.

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 2020 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 classified 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 31 MARCH 2021

(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 31 March 2021, 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 2021.

3.a Interest Rate Benchmark Reforms

IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019 through Interest Rate Benchmark Reforms. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments are relevant to the Bank, provided that the Bank hedges and applies hedge accounting to its benchmark interest rate exposure. The application of the amendments does not impact the Bank's accounting as currently the Bank is not exposed to any hedge accounting relationships.

The Bank had significant volumes of derivative and non-derivative financial instruments, mostly within its Banking Book, that are not included in hedge accounting relationships. Given hedge accounting is not applied, there is no accounting relief. The fair value of these financial assets and liabilities reflects the uncertainties arising from the interest rate benchmark reforms.

The Bank is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission) regarding the transition away from LIBOR (including GBP LIBOR, USD LIBOR and JPY LIBOR) to Sterling Overnight Index Average Rate (SONIA), the Secured Overnight Financing Rate (SOFR), and the Tokyo Overnight Average Rate (TONA) respectively and announcements on the transition from EONIA to Euro Short Term Rate (€STR). The FCA has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR. Furthermore, EONIA will cease to be published from 3 January 2022.

The Bank has established an IBOR transition management team comprising senior executives from Risk management, Finance, Treasury, Legal and IT. The transition programme is under the governance of the ALCO Committee, chaired by the Chief Executive Officer who reports to the Board. The Bank is planning for a smooth transition to alternative benchmark rates by the end of 2021. None of the Bank's current IBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different IBORs, which the Bank is monitoring closely and will look to implement as appropriate.

For the Bank's derivatives, the International Swaps and Derivatives Association's (ISDA) fall back clauses were made available at the end of 2019 and the Bank will begin discussion with its correspondent banks with the aim to implement this language into its ISDA agreements in early 2021 for derivatives in both the banking and trading book.

For the Bank's floating rate debt, the Bank will commence discussions with respective counterparties to amend the EONIA bank loan so that the reference benchmark interest rate will change to €STR given EONIA will cease to exist in January 2022. The Bank aims to finalise this amendment in the second half of 2021. For the USD LIBOR issued bond, the Bank will begin a dialogue with bondholders in 2021 to propose amendments to the fall back provisions to move from USD LIBOR to the SOFR.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2021

(RO'000)

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

3.a Interest Rate Benchmark Reforms (continued)

In respect of floating rate customer advances and deposits, the Bank's response is focused on treating customers fairly and considers several aspects of transition including the reduction of clients' exposures to legacy IBOR contracts by amending or replacing existing contracts to include robust fall back provisions or replace IBOR with relevant alternative benchmark interest rates. A critical aspect of this response is also the development of new products linked to relevant alternative benchmark interest rates. The Bank will develop a detailed communication plan with a focus on communicating with customers in a way that is clear, fair and not misleading.

Implementation of this plan commenced in 2021, and will include explanation of what will happen to contracts that mature beyond the end of 2021 and the effect of IBOR replacement on the customer. Communications will be undertaken in good time to ensure that all customers have time to consider the options available before the end of 2021. Initial communications will focus on raising awareness and engagement will increase with detailed discussions with all clients taking place well in advance of the end of 2021. Our response also includes a rigorous training programme to ensure that relevant client-facing staff have adequate knowledge and competence to understand the implications of IBORs ending and can respond to customers appropriately.

The Bank will continue to apply the amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Bank is exposed ends. The Bank has assumed that this uncertainty will not end until the Bank's contracts that reference IBORs are amended to specify the date the interest rate benchmark will be replaced and the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fall back clauses which have yet to be added to the Bank's contracts and the negotiation with lenders and bondholders.

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

ECL provisions and Management Overlays during the pandemic:

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).

Accounting for modification loss:

For both corporate and retail customers, the Bank has added the simple interest accrued during the deferral period (DP) to the principal outstanding and either extended the original maturity period of the loan or increased the instalments at the end of the DP. The Bank has determined that the modifications due to deferment of instalment and waiver of profit allowed in line with CBO relaxation measures do not result in de-recognition of financial assets. Further, the impact of day one modification loss was not considered material for the period.

Relaxation from the IFRS 9 Significant increase in Credit Risk (SICR) criteria:

CBO Circular BSD/CB&FLC/2021/002 dated March 18, 2021 suspended the stringent IFRS 9 Significant increase in Credit Risk (SICR) and two-track approach for loan loss provisioning for FY 2021. This relaxation mitigates the effects of stage downgrades of customer accounts most impacted by qualitative and specific quantitative factors relating to credit deterioration.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
(RO'000)
5. Cash and balances with Central Bank

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Cash	32,128	29,175	30,557
Capital deposit with CBO	502	507	500
Balance with CBO	77,400	172,948	37,764
	110,030	202,630	68,821

- (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 86.477 million (31 December 2020: RO 86.694 million, 31 March 2020: RO 74.1 million).

6. Due from banks and other money market placements

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
<i>Local currency:</i>			
Money market placements	20,005	376	-
	20,005	376	-
<i>Foreign currency:</i>			
Money market placements	47,479	32,371	46,379
Lending to banks	2,475	2,718	3,003
Demand balances	37,520	46,151	14,468
	87,474	81,240	63,850
	107,479	81,616	63,850
Expected credit loss allowance	(32)	(32)	(143)
	107,447	81,584	63,707

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
31 March 2021

	Stage 1	Stage 2	Stage 3	Total	31 March 2020 Total
As at 1 January	81,616	-	-	81,616	199,053
New assets originated or purchased	33,286	-	-	33,286	3,384
Assets derecognised or matured	(7,423)	-	-	(7,423)	(138,587)
As at 31 March	107,479	-	-	107,479	63,850

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
(RO'000)
6. Due from banks and other money market placements (continued)

ECL	31 March 2021				31 March 2020
	Stage 1	(Unaudited) Stage 2	Stage 3	Total	(Unaudited) Total
As at 1 January	32	-	-	32	816
Net (release)/charge for the year (Note 6)	-	-	-	-	(673)
As at 31 March	32	-	-	32	143

7. Loans, advances and financing, net

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Corporate	1,724,841	1,695,839	1,662,378
Retail	943,560	936,272	905,709
Gross loans, advances and financing	2,668,401	2,632,111	2,568,087
Expected credit loss allowance	(112,308)	(106,443)	(89,085)
Contractual interest not recognised	(25,061)	(22,171)	(17,930)
	(137,369)	(128,614)	(107,015)
Net loans, advances and financing	2,531,032	2,503,497	2,461,072

Gross loans, advances and financing include RO 273.863 million (31 December 2020: RO 264.549 million, 31 March 2020: RO 229.26 million) under Islamic mode of financing through Sohar Islamic financing activities.

Loans, advances and financing comprise of:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Loans	2,428,954	2,403,050	2,320,839
Overdrafts	104,755	99,074	111,571
Loans against trust receipts	87,622	82,427	81,688
Bills discounted	47,070	47,560	53,989
Gross loans, advances and financing	2,668,401	2,632,111	2,568,087
Expected credit loss allowance	(112,308)	(106,443)	(89,085)
Contractual interest not recognised	(25,061)	(22,171)	(17,930)
	(137,369)	(128,614)	(107,015)
Net loans, advances and financing	2,531,032	2,503,497	2,461,072

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
(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:

31 March 2021
(Unaudited)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	2,130,737	344,288	157,086	2,632,111
New assets originated or purchased	292,995	22,775	1,819	317,589
Assets derecognised or repaid	(262,592)	(18,225)	(558)	(281,375)
Loans written off	(12)	(1)	-	(13)
Loans brought back from memoranda portfolio	-	-	89	89
Transfers to Stage 1	9,899	(9,806)	(93)	-
Transfers to Stage 2	(21,104)	22,054	(950)	-
Transfers to Stage 3	(191)	(3,057)	3,248	-
At 31 March 2021	2,149,732	358,028	160,641	2,668,401
ECL	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	5,125	41,659	59,659	106,443
Expected credit losses recognised	1,336	7,407	2,861	11,604
Recoveries from expected credit losses	(1,369)	(3,567)	(881)	(5,817)
Loans written off	(12)	-	-	(12)
Loans brought back from memorandum portfolio	-	-	89	89
Transfers to Stage 1	401	(401)	-	-
Transfers to Stage 2	(370)	694	(323)	-
Transfers to Stage 3	(8)	(592)	600	-
At 31 March 2021	5,103	45,200	62,005	112,308

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
(RO'000)
7. Loans, advances and financing, net (continued)
31 March 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	315,751	16,010	7,862	339,623
Assets derecognised or repaid	(305,421)	(17,907)	(1,267)	(324,595)
Loans transferred to memoranda portfolio	-	-	(16,464)	(16,464)
Loans brought back from memoranda portfolio	-	-	38	38
Transfers to Stage 1	31,977	(31,953)	(24)	-
Transfers to Stage 2	(91,368)	92,013	(645)	-
Transfers to Stage 3	(758)	(34,599)	35,357	-
At 31 March 2020	2,042,277	376,980	148,830	2,568,087

ECL	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	10,811	41,745	47,112	99,668
New assets originated or purchased	223	1,010	6,459	7,692
Assets derecognised or repaid	(1,683)	(75)	(89)	(1,847)
Loans transferred to memoranda portfolio	-	-	(16,464)	(16,464)
Loans brought back from memorandum portfolio	-	-	38	38
Transfers to Stage 1	1,785	(1,777)	(8)	-
Transfers to Stage 2	(2,337)	2,625	(288)	-
Transfers to Stage 3	(77)	(4,290)	4,365	-
At 31 March 2020	8,722	39,238	41,125	89,085

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

	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
Contractual interest not recognised		
Balance at beginning of year	22,171	15,664
Not recognised during the period	6,562	3,502
Written back due to recovery	(3,672)	(1,236)
Balance at end of the period	25,061	17,930

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 31 March 2021, loans and advances on which interest was not being accrued or where interest was reserved amounted to RO 160.641 million. (31 December 2020: RO 157.086 million, 31 March 2020: RO 148.830 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
(RO'000)
8. Investment securities

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Equity Investments			
Held at FVOCI	6,285	6,189	6,307
Total Equity Investments	6,285	6,189	6,307
Debt Investments			
Held at FVTPL	96,791	96,145	101,460
Held at FVOCI	546,687	378,123	334,725
Less : Expected credit loss allowance	(882)	(880)	(28)
FVOCI debt investments (net)	545,805	377,243	334,697
Held at amortised cost	221,160	222,166	224,640
Less : Expected credit loss allowance	(621)	(625)	(1,622)
Held at amortised cost (net)	220,539	221,541	223,018
Total Debt Investments	863,135	694,929	659,175
Total Investment securities	869,420	701,118	665,482

8.1 Held at FVTPL

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Quoted equity investments – Oman			
Finance sector	-	-	1,155
Real estate sector	-	-	8,115
Unquoted equity investments - Oman			
Service sector	2,500	2,500	2,500
Quoted debt investments – Foreign			
Service sector	117	117	98
Quoted debt investments – Oman			
Government development bonds	92,253	91,607	88,592
Sukuk trust certificates – secured	1,921	1,921	1,000
Total FVTPL investments	96,791	96,145	101,460

- As at 31 March 2021, unquoted equity investments include 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 2020: 12.66%, 31 March 2020: 12.66%). The Bank has an Investment Management Agreement with the Fund.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
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8 Investment securities (continued)
8.2 Held at FVOCI

	Carrying / fair value 31 March 2021 (Unaudited)	Cost 31 March 2021 (Unaudited)	Carrying / fair value 31 December 2020 (Audited)	Cost 31 December 2020 (Audited)	Carrying / fair value 31 March 20 (Unaudited)	Cost 31 March 2020 (Unaudited)
Quoted equity investments – Oman						
Service Sector	6,285	7,828	6,189	7,669	6,307	8,535
Unquoted equity investments – Oman						
Service sector	-	34	-	34	-	34
Total Equity Investments	6,285	7,862	6,189	7,703	6,307	8,569
Quoted debt investments – Oman						
Real estate	7,709	7,854	6,105	7,854	-	-
Less : Expected credit loss allowance	(866)	-	(866)	-	-	-
Finance sector (Treasury bills)	184,730	184,709	29,956	29,942	-	-
Less : Expected credit loss allowance	(7)	-	(2)	-	-	-
Quoted debt investments – Foreign						
Finance sector (Treasury bills)	354,248	354,261	342,062	342,083	334,725	335,020
Less : Expected credit loss allowance	(9)	-	(12)	-	(28)	-
Total debt investments	545,805	546,824	377,243	379,879	334,697	335,020
Total investments held at FVOCI	552,090	554,686	383,432	387,582	341,004	343,589

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

	31 March 2021 (Unaudited)				31 March 2020 (Unaudited)
ECL	Stage 1	Stage 2	Stage 3	Total	Total
As at 1 January	14	866	-	880	28
Expected credit losses recognised	2	-	-	2	-
As at 31 March	16	866	-	882	28

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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8. Investment securities (continued)
8.3 Held at amortised cost

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Quoted debt investments – Oman			
Government Development Bonds	198,139	199,020	201,556
Service sector	23,021	23,146	23,084
	221,160	222,166	224,640
Less : Expected credit loss allowance	(621)	(625)	(1,622)
Total Investments held at amortised cost	220,539	221,541	223,018

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	31 March 2020
Balance as at 1 January	219,429	2,737	-	222,166	201,360
Assets derecognised	(1,004)	-	-	(1,004)	23,280
At 31 March	218,423	2,737	-	221,160	224,640

ECL	Stage 1	Stage 2	Stage 3	Total	31 March 2020
Balance as at 1 January	567	58	-	625	1,508
Expected credit losses recognised	(4)	-	-	(4)	114
At 31 March	562	58	-	621	1,622

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
(RO'000)
9. Other assets

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Acceptances	56,963	44,688	73,891
Prepayments	3,020	1,789	2,730
Receivables	1,423	997	2,138
Positive fair value of derivatives (Note 25)	3,023	2,514	6,252
Right-to-use assets	7,433	5,898	6,212
Others	15,835	19,094	22,782
	87,697	74,980	114,005

10. Due to banks and other money market borrowings

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	88,554	57,752	-
Demand balances	6,473	6,061	7,079
	95,027	63,813	7,079
<i>Foreign currency:</i>			
Money market borrowings	559,941	521,618	502,364
Demand balances	11	-	-
Syndicated borrowings	135,115	135,130	96,858
	695,067	656,748	599,222
	790,094	720,561	606,301

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(RO'000)
11. Customer deposits

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Conventional Banking			
Term deposits	927,437	985,749	914,871
Demand deposits	716,493	626,189	731,801
Saving deposits	291,433	283,695	255,805
Margin deposits	64,463	64,357	8,236
	<u>1,999,826</u>	<u>1,959,990</u>	<u>1,910,713</u>
Islamic Banking			
Term deposits	151,561	135,728	111,597
Demand deposits	90,330	90,831	70,008
Saving deposits	49,049	42,878	33,346
Margin deposits	2,649	2,138	5,024
	<u>293,589</u>	<u>271,575</u>	<u>219,975</u>
Total Customer deposits	<u>2,293,415</u>	<u>2,231,565</u>	<u>2,130,688</u>

12. Other liabilities

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Acceptances	56,963	44,688	73,891
Staff entitlements	2,136	3,862	1,478
Income tax payable	9,992	8,886	6,512
Negative fair value of derivatives (Note 25)	597	1,932	467
Deferred tax liabilities	875	863	643
Other accruals and provisions	22,300	23,965	24,144
Expected credit loss allowance on loan commitments and financial guarantees	2,186	1,972	2,659
Lease liability on right of use assets	6,918	5,090	5,346
Total	<u>101,967</u>	<u>91,258</u>	<u>115,140</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
(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 2021	863,770	34,236	3,008	901,014
New assets originated or purchased	245,934	4,605	100	250,639
Assets derecognised or repaid	(163,278)	(8,436)	(23)	(171,737)
Transfers to Stage 1	1,133	(1,133)	-	-
Transfers to Stage 2	(331)	357	(26)	-
Transfers to Stage 3	(23)	(119)	142	-
At 31 March 2021	947,205	29,510	3,201	979,916

	31 March 2021				31 March 2020
ECL	Stage 1	Stage 2	Stage 3	Total	Total
Balance as at 1 January	1,398	225	349	1,972	2,921
Expected credit losses recognised	544	57	98	699	938
Recoveries from expected credit losses	(435)	(49)	(1)	(485)	(1,200)
Transfers to Stage 1	1	(1)	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	(1)	(1)	2	-	-
At 31 March	1,507	231	448	2,186	2,659

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2021

(RO'000)

13. Share capital and Share premium

The authorised share capital of the Bank is 4,000,000,000 shares (31 December 2020: 4,000,000,000). The issued shares of the Bank are 2,434,506,735 shares (31 December 2020: 2,434,506,735 shares, 31 March 2020: 2,434,506,735 shares). The paid up share capital of the Bank is RO 245.355 million (31 December 2020: RO 245.355 million, 31 March 2020: RO 245.355 million).

As of 31 March 2021, 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	375,512,865	15.42
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 7.563 million was paid as coupon during the period ended 31 March 2021 (31 December 2020: 15.250 million, 31 March 2020: 7.603 million) and is recognised in the statement of changes in equity.

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AS AT 31 MARCH 2021
(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.

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Guarantees	205,460	219,684	314,090
Documentary letters of credit	196,715	201,364	94,150
	<u>402,175</u>	<u>421,048</u>	<u>408,240</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.

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Capital commitments	2,826	2,826	17,387
Credit related commitments	520,778	435,278	374,737
	<u>523,604</u>	<u>438,104</u>	<u>392,124</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
(Unaudited)
(RO'000)
16. Interest income

	31 March 2021	31 March 2020
Loans and advances to customers	30,320	31,126
Due from banks and other money market placements	169	527
Investments	4,723	4,693
	35,212	36,346

17. Interest expense

	31 March 2021	31 March 2020
Customer deposits	14,318	13,611
Subordinated loans	604	611
Due to banks and other money market borrowings	2,948	4,638
	17,870	18,860

18. Net income earned from Islamic financing and investing activities
18.1 Gross income earned from Islamic financing and investing activities

	31 March 2021	31 March 2020
Financing to customers	3,535	2,935
Due from banks and other money market placements	21	3
Investments	374	343
	3,930	3,281

18.2 Profit paid to depositors / money market borrowings

	31 March 2021	31 March 2020
Profit paid to depositors	2,340	1,686
Profit paid to banks and other money market Borrowings	4	114
	2,344	1,800
Net income from Islamic financing and investing activities	1,586	1,481

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(Unaudited)
(RO'000)
19. Other operating income

	31 March 2021	31 March 2020
Net fees and commissions	3,571	3,516
Net gains from foreign exchange	613	324
Bad debt recovery/(expense)	17	(17)
Dividend income	192	260
Gain on sale of investments	2,871	20
	<u>7,264</u>	<u>4,103</u>

20. Other operating expenses

	31 March 2021	31 March 2020
Operating and administration costs	3,291	2,754
Occupancy cost	825	975
Directors remuneration	150	-
Directors sitting fees	13	13
Shari'a supervisory board remuneration and sitting fees	14	13
	<u>4,293</u>	<u>3,754</u>

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

	31 March 2021	31 March 2020
Impairment charges provided/(released) on:		
Loans, advances and financing (Note 7)	5,787	5,845
Loan commitments and financial guarantees (Note 12)	214	(262)
Due from banks and other money market placements (Note 6)	-	(673)
Debt securities at amortised cost (Note 8.3)	(4)	114
Debt securities at FVOCI (Note 8.2)	2	-
	<u>5,999</u>	<u>5,024</u>
Loan impairment charges and other credit risk provisions under IFRS 9, net		

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2021

(Unaudited)

(RO'000)

22. Basic earnings per share

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

	31 March 2021	31 March 2020
Profit for the period	6,981	6,175
Less: Additional Tier 1 Coupon	(7,562)	(7,603)
Profit for the period attributable to equity holders of the Bank after coupon and issuance cost on Additional Tier 1 capital securities	(581)	(1,428)
Weighted average number of shares outstanding during the period (in thousands)	2,434,507	2,434,507
Basic earnings per share for the period (baisas)	(0.239)	(0.587)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
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23. Financial Instruments

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

31 March 2021
(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	2,077,371	25,583	4,803	20,780	2,072,568	-	-
	Stage 2	77,604	919	2,878	(1,959)	74,726	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		2,154,975	26,502	7,681	18,821	2,147,294	-	-
Special mention	Stage 1	72,361	758	300	458	72,061	-	-
	Stage 2	280,424	8,818	42,322	(33,504)	238,102	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		352,785	9,576	42,622	(33,046)	310,163	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	17,363	2,128	5,675	(3,547)	11,688	89	89
Sub Total		17,363	2,128	5,675	(3,547)	11,688	89	89
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	20,544	8,662	7,587	1,075	12,957	590	590
Sub Total		20,544	8,662	7,587	1,075	12,957	590	590
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	122,734	74,623	73,804	819	48,930	24,382	24,382
Sub Total		122,734	74,623	73,803	820	24,381	24,382	24,382
Gross Loans, advances and financing	Stage 1	2,149,732	26,341	5,103	21,238	2,144,629	-	-
	Stage 2	358,028	9,737	45,200	(35,463)	312,828	-	-
	Stage 3	160,641	85,413	87,066	(1,653)	73,575	25,061	25,061
Sub Total		2,668,401	121,491	137,369	(15,878)	2,531,032	25,061	25,061
Due from banks,	Stage 1	1,809,516	12	2,118	(2,106)	1,807,398	-	-
Investment securities,	Stage 2	48,811	-	1,155	(1,155)	47,656	-	-
Loan commitments & Financial guarantees*	Stage 3	3,200	-	448	(448)	2,752	-	-
	Total	1,861,527	12	3,721	(3,709)	1,857,806	-	-
Total	Stage 1	3,959,248	26,353	7,221	19,132	3,952,027	-	-
	Stage 2	406,839	9,737	46,355	(36,618)	360,484	-	-
	Stage 3	163,841	85,413	87,514	(2,101)	76,327	25,061	25,061
	Total	4,529,928	121,503	141,090	(19,587)	4,388,838	25,061	25,061

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 31 MARCH 2021 (RO'000)

23. Financial Instruments (continued)

31 March 2020
(Unaudited)

Classification:		Gross carrying amount	CBO Provision	IFRS 9 Provisions	Difference between CBO and IFRS 9 (4)=(2)-(3)	Net carrying amount	IFRS 9 Reserve interest	CBO Reserve interest
CBO	IFRS 9	(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Standard	Stage 1	2,019,465	26,136	8,649	17,487	2,010,816	-	-
	Stage 2	145,364	1,818	9,665	(7,847)	135,699	-	-
	Stage 3	179	1	106	(105)	73	45	45
Sub Total		2,165,008	27,955	18,420	9,535	2,146,588	45	45
Special mention	Stage 1	21,938	288	64	224	21,874	-	-
	Stage 2	231,221	6,112	29,483	(23,371)	201,738	-	-
	Stage 3	410	5	66	(61)	344	6	6
Sub Total		253,569	6,405	29,613	(23,208)	223,956	6	6
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	9	-	5	(5)	4	-	-
	Stage 3	40,886	8,847	9,045	(198)	31,841	952	952
Sub Total		40,895	8,847	9,050	(203)	31,845	952	952
Doubtful	Stage 1	465	-	5	(5)	460	-	-
	Stage 2	6	-	-	-	6	-	-
	Stage 3	59,841	29,142	20,514	8,628	39,327	3,102	3,102
Sub Total		60,312	29,142	20,519	8,623	39,793	3,102	3,102
Loss	Stage 1	409	-	4	(4)	405	-	-
	Stage 2	380	-	85	(85)	295	-	-
	Stage 3	47,514	23,924	29,324	(5,400)	18,190	13,825	13,825
Sub Total		48,303	23,924	29,413	(5,489)	18,890	13,825	13,825
Gross loans, advances and financing								
Sub Total	Stage 1	2,042,277	26,424	8,722	17,702	2,033,555	-	-
	Stage 2	376,980	7,930	39,238	(31,308)	337,742	-	-
	Stage 3	148,830	61,920	59,056	2,863	89,774	17,930	17,930
Sub Total		2,568,087	96,274	107,016	(10,743)	2,461,071	17,930	17,930
On:	Stage 1	1,355,785	15	2,892	(2,877)	1,352,893	-	-
	Stage 2	123,626	-	1,485	(1,485)	122,141	-	-
	Stage 3	5,464	-	76	(76)	5,388	-	-
Loan commitments & financial guarantees*	Total	1,484,875	15	4,453	(4,438)	1,480,422	-	-
Total	Stage 1	3,398,062	26,439	11,614	14,825	3,386,448	-	-
	Stage 2	500,606	7,930	40,723	(32,793)	459,883	-	-
	Stage 3	154,294	61,920	59,132	2,787	95,162	17,930	17,930
Total	Total	4,052,962	96,289	111,469	(15,181)	3,941,493	17,930	17,930

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

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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.

31 March 2021 (Unaudited)	CBO	IFRS 9	Difference
Impairment loss charged to statement of comprehensive income	5,198	5,999	801
Provisions	146,564	141,090	(5,474)
Gross NPL ratio (percentage)*	6.02	6.02	-
Net NPL ratio (percentage)*	1.98	2.91	0.93

*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:

	CBO	IFRS
Gross loans advances and financing	121,491	112,308
Due from Banks	32	32
Investment securities(amortised cost)	-	621
Investment securities (FVOCI)	-	882
Loan commitments and financial guarantees	-	2,186
Total ECL	121,503	116,029
Contractual interest not recognised	25,061	25,061
Total ECL and Contractual interest not recognised	146,564	141,090

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 2021	7,136	42,808	60,008	109,952
Expected credit losses recognised	1,881	7,464	2,959	12,304
Recoveries from expected credit losses	(1,807)	(3,616)	(882)	(6,305)
Loans written off	(12)	-	-	(12)
Loans brought back from memorandum portfolio	-	-	89	89
Transfers to Stage 1	402	(402)	-	-
Transfers to Stage 2	(370)	694	(323)	-
Transfers to Stage 3	(9)	(593)	602	-
At 31 March 2021	7,221	46,355	62,453	116,029

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AS AT 31 MARCH 2021

(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.

31 March 2021

(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	69,768	445	296	149	69,472	-	-
	Stage 2	199,039	7,237	30,616	(23,379)	168,423	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		268,807	7,682	30,912	(23,230)	237,895	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-
	Stage 1	69,768	445	296	149	69,472	-	-
	Stage 2	199,039	7,237	30,616	(23,379)	168,423	-	-
	Stage 3	-	-	-	-	-	-	-
Total		268,807	7,682	30,912	(23,230)	237,895	-	-

31 March 2020

(Unaudited)

CBO classification	IFRS 9 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)=(2)-(3)	(5)=(1)-(3)		
Classified as performing	Stage 1	21,936	-	66	(66)	21,870	-	-
	Stage 2	152,270	6,637	20,220	(13,583)	132,050	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		174,206	6,637	20,286	(13,649)	153,920	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		-	-	-	-	-	-	-
	Stage 1	21,936	-	66	(66)	21,870	-	-
	Stage 2	152,270	6,637	20,220	(13,583)	132,050	-	-
	Stage 3	-	-	-	-	-	-	-
Total		174,206	6,637	20,286	(13,649)	153,920	-	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2021

(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:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Directors & Senior management			
Loans, advances and financing at the end of period	2,495	2,476	2,656
Loans disbursed during the period	154	684	332
Loans repaid during the period	(93)	(357)	(102)
Deposits at the end of the period	1,412	1,575	890
Deposits received during the period	362	1,492	909
Deposits matured/paid during the period	(737)	(1,461)	(110)
Interest income during the period	25	104	27
Interest expense during the period	4	11	4
Directors' sitting fees and remuneration	163	198	12
Shari'a Supervisory Board members	55	55	13
Other related parties			
Loans, advances and financing at the end of period	72,074	69,125	36,818
Loans disbursed during the period	29,876	47,750	15,841
Loans repaid during the period	(477)	(8,829)	-
Deposits at the end of the period	13,064	17,991	4,787
Deposits received during the period	1,494	12,893	917
Deposits matured/paid during the period	(4,868)	(4,169)	(2,516)
Interest income during the period	997	3,199	451
Interest expense during the period	60	217	26

Key management compensation

Key management comprises of 7 (2020:7) 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:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Loans as at end of the period	229	264	321
Deposits as at the end of the period	164	292	204
Interest Income (during the period)	3	13	4
Interest expense (during the period)	1	2	1
Salaries and other short term benefits	379	1,559	342
Post-employment benefits	4	42	10

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(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:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)	30 March 2020 (Unaudited)
Loans, advances and financing at the end of the period	7,475	6,495	8,242
Loans disbursed during the period	7,002	6,041	8,488
Loans repaid during the period	(6)	-	-
Deposits at the end of the period	19	144	2,048
Deposits received during the period	1	143	48
Deposits matured/paid during the period	(126)	-	(1)
Interest income during the period	113	499	115
Interest expense during the period	-	71	22

As at 31 March 2021, no loans to related parties are classified under stage 3 (31 December 2020: nil, 31 March 2020: 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:

- In the accessible principal market for the asset or liability; or
- 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 31 MARCH 2021
(RO'000)
25. Fair value of financial instruments (continued)

At 31 March 2021 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	110,030	-	-	110,030
Due from banks and other money market placements	107,447	-	-	107,447
Loans, advances and financing	2,531,032	-	-	2,531,032
Investments	220,539	552,090	96,791	869,420
Other assets (excluding prepayments)	84,677			
Total	3,053,725	552,090	96,791	3,702,606
Liabilities				
Due to banks and other money market borrowings	790,094	-	-	790,094
Customer deposits	2,293,415	-	-	2,293,415
Other liabilities (excluding other accruals & provisions)	79,667	-	-	79,667
Subordinated loans	35,645	-	-	35,645
Certificates of deposit	503	-	-	503
Total	3,199,324	-	-	3,199,324

At 31 December 2020 (Audited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	202,630	-	-	202,630
Due from banks and other money market placements	81,584	-	-	81,584
Loans, advances and financing	2,503,497	-	-	2,503,497
Investments	221,541	383,432	96,145	701,118
Other assets (excluding prepayments)	73,191	-	-	73,191
Total	3,082,443	383,432	96,145	3,562,020
Liabilities				
Due to banks and other money market borrowings	720,561	-	-	720,561
Customer deposits	2,231,565	-	-	2,231,565
Other liabilities (excluding other accruals & provisions)	67,293	-	-	67,293
Subordinated loans	35,392	-	-	35,392
Certificates of deposit	509	-	-	509
Total	3,055,320	-	-	3,055,320

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2021
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25. Fair value of financial instruments (continued)

At 31 March 2020 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying (including accrued interest)/fair value
Assets				
Cash and balances with Central Bank	68,821	-	-	68,821
Due from banks and other money market placements	63,707	-	-	63,707
Loans, advances and financing	2,461,072	-	-	2,461,072
Investments	223,018	341,004	101,460	665,482
Other assets (excluding prepayments)	111,275	-	-	111,275
Total	2,927,893	341,004	101,460	3,370,357
Liabilities				
Due to banks and other money market borrowings	606,301	-	-	606,301
Customers' deposits	2,130,688	-	-	2,130,688
Other liabilities (excluding other accruals & provisions)	90,996	-	-	90,996
Subordinated loans	35,650	-	-	35,650
Certificates of deposits	503	-	-	503
Total	2,864,138	-	-	2,864,138

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

31 March 2021 (Unaudited)	Investment securities	Positive fair value of derivatives	Negative fair value of derivatives	Total
Level 1	6,285	-	-	6,285
Level 2	640,096	3,023	(597)	642,522
Level 3	2,500	-	-	2,500
	648,881	3,023	(597)	651,307

31 December 2020 (Audited)	Investments	Positive fair value of derivatives	Negative fair value of derivatives	Total
Level 1	6,189	-	-	6,189
Level 2	470,888	2,514	(1,932)	471,470
Level 3	2,500	-	-	2,500
	479,577	2,514	(1,932)	480,159

31 March 2020 (Unaudited)	Investment securities	Positive fair value of derivatives	Negative fair value of derivatives	Total
Level 1	4,859	-	-	4,859
Level 2	435,105	6,252	(467)	440,888
Level 3	2,500	-	-	2,500
	442,464	6,252	(467)	448,246

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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(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 31 March 2021 (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	455	153	770,238	294,096	338,135	138,008
Forward foreign exchange sales contracts	2,569	444	768,744	296,099	337,895	134,750

As at 31 December 2020 (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	52	216	877,111	480,625	187,188	209,298
Forward foreign exchange sales contracts	2,462	1,716	876,653	482,648	188,914	205,091

As at 31 March 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	41	367	741,786	274,764	171,919	295,103
Forward foreign exchange sales contracts	6,211	100	697,755	243,832	170,986	282,937

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS **AS AT 31 MARCH 2021** **(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:

	31 March 2021	31 December 2020	31 March 2020
LCR	178.20%	134.02%	102.07%
LCR (average for the quarter)	157.15%	146.11%	117.20%
NSFR	116.78%	113.18%	106.62%
Leverage ratio	13.5%	14.3%	14.7%

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.

	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
31 March 2021					
Non – derivative liabilities					
Due to banks and other money market borrowings	790,094	935,223	326,194	171,174	437,855
Customer deposits	2,293,415	2,392,487	1,439,316	449,184	503,986
Other liabilities	101,967	101,967	101,967	101,967	101,967
Subordinated loans	35,645	41,389	349	2,101	38,939
Certificates of deposit	503	512	6	506	-
Total	3,221,624	3,471,578	1,867,832	622,965	980,780

	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
31 December 2020					
Non – derivative liabilities					
Due to banks and other money market borrowings	720,561	727,551	235,289	153,513	338,749
Customer deposits	2,231,565	2,337,350	1,194,642	652,262	490,446
Other liabilities	91,258	91,258	91,258	-	-
Subordinated loans	35,392	41,389	349	2,101	38,939
Certificates of deposit	509	518	6	512	-
Total	3,079,285	3,198,066	1,521,544	808,388	868,134

	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
31 March 2020					
Non – derivative liabilities					
Due to banks and other money market borrowings	606,301	620,230	162,800	223,411	234,019
Customer deposits	2,130,688	2,162,225	1,207,397	458,694	496,133
Other liabilities	115,140	115,140	115,140	-	-
Subordinated loans	35,650	43,846	350	2,107	41,389
Certificates of deposit	503	536	6	18	512
Total	2,888,282	2,941,977	1,485,693	684,230	772,053

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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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:

	31 March 2021	31 December 2020	30 March 2020
CET 1 capital			
Ordinary share capital	245,355	245,355	245,355
Share premium	18,038	18,038	18,038
Legal reserve	30,520	30,520	28,519
General reserve	988	988	988
Subordinated loan reserve	21,000	21,000	14,000
Retained earnings	6,211	13,774	16,728
Fair value losses	(1,951)	(3,437)	(2,267)
Total CET 1 capital	320,161	326,238	321,361
Additional Tier 1 capital			
Perpetual Tier 1 Capital Securities	200,000	200,000	200,000
Total Tier 1 capital	520,161	526,238	521,361
Tier 2 capital			
Impairment allowance on portfolio basis	17,375	24,627	24,711
Fair value gains	-	-	2
Subordinated loan	14,000	14,000	21,000
Total Tier 2 capital	31,375	38,627	45,713
Total regulatory capital	551,536	564,865	567,074
Risk weighted assets			
Credit and market risks	2,786,864	2,773,198	2,902,562
Operational risk	191,888	191,888	179,749
Total risk weighted assets	2,978,752	2,965,086	3,082,311
Capital adequacy ratio			
Total regulatory capital expressed as a percentage of total risk weighted assets	18.52%	19.05%	18.40%
Total tier I capital expressed as a percentage of total risk weighted assets	17.46%	17.75%	16.91%
Total CET 1 capital expressed as a percentage of total risk weighted assets	10.75%	11.00%	10.43%

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 4 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

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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

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.

Head office

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

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 2021 or 2020.

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29.1 Segmental information (continued)

	<i>Retail banking</i>	<i>Wholesale banking</i>	<i>Islamic banking</i>	<i>Head office</i>	<i>Total</i>
31 March 2021					
<i>Income Statement</i>					
Net interest income	4,533	12,809	-	-	17,342
Net income from Islamic financing and investing activities	-	-	1,532	54	1,586
Other operating income	1,653	5,426	185	-	7,264
Total operating income	6,186	18,289	1,717		26,192
Total operating expenses	(4,902)	(5,813)	(1,286)	-	(12,001)
Net operating Income	1,284	12,476	431	-	14,191
Impairment on FVOCI investments	-	3	-	-	3
Loan impairment charges and other credit risk provisions, net	(618)	(5,159)	(225)	-	(6,002)
Segment Profit	666	7,320	206	-	8,192
Income tax expense	(154)	(1,026)	(31)	-	(1,211)
Profit for the period	512	6,294	175	-	6,981
<i>Balance sheet</i>					
<i>Assets</i>					
Cash and balances with Central Bank	-	96,847	13,183	-	110,030
Due from banks and other money market placements	-	86,776	20,671	-	107,447
Loans, advances and financing, net	791,306	1,469,001	270,725	-	2,531,032
Investment securities	-	845,635	23,785	-	869,420
Property, equipment and fixtures	-	-	830	44,874	45,704
Investment properties	-	-	-	2,900	2,900
Other assets	-	-	752	86,945	87,697
TOTAL ASSETS	791,306	2,498,259	329,946	134,719	3,754,230
<i>Liabilities</i>					
Due to banks and other money market borrowings	-	790,083	11	-	790,094
Customer deposits	458,108	1,541,718	293,589	-	2,293,415
Other liabilities	-	-	2,103	99,864	101,967
Subordinated loans	-	-	-	35,645	35,645
Certificates of deposit	-	503	-	-	503
TOTAL LIABILITIES	458,108	2,332,304	295,703	135,509	3,221,624
Internal funding (net)	333,198	165,955	-	(499,153)	-
TOTAL EQUITY	-	-	34,243	498,363	532,606
TOTAL LIABILITIES & EQUITY	791,306	2,498,259	329,946	134,719	3,754,230

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS **AS AT 31 MARCH 2021** **(RO'000)**

29.1 Segmental information (continued)

	<i>Retail banking</i>	<i>Wholesale banking</i>	<i>Islamic banking</i>	<i>Head Office</i>	<i>Total</i>
<i>31 March 2020</i>					
<i>Income Statement</i>					
Net interest income	5,314	12,172	-	-	17,486
Net income from Islamic financing and investing activities	-	-	1,481	-	1,481
Other operating income	1,814	2,182	107	-	4,103
Total operating income	7,128	14,354	1,588	-	23,070
Total operating expenses	(5,018)	(4,529)	(1,235)	-	(10,782)
Net operating Income	2,110	9,825	353	-	12,288
Impairment on FVOCI investments	-	(114)	-	-	(114)
Loan impairment charges and other credit risk provisions, net	(1,274)	(3,395)	(241)	-	(4,910)
Segment Profit	836	6,316	112	-	7,264
Income tax expense	(146)	(927)	(16)	-	(1,089)
Profit for the period	690	5,389	96	-	6,175
<i>Balance sheet</i>					
<i>Assets</i>					
Cash and balances with Central Bank	-	60,136	8,685	-	68,821
Due from banks and other money market placements	-	63,281	426	-	63,707
Loans, advances and financing, net	776,855	1,458,508	225,709	-	2,461,072
Investments	-	641,875	23,607	-	665,482
Property, equipment and fixtures	-	-	1,035	38,801	39,836
Investment properties	-	-	5	2,900	2,905
Other assets	-	80,143	-	33,857	114,000
TOTAL ASSETS	776,855	2,303,943	259,467	75,558	3,415,823
<i>Liabilities</i>					
Due to banks and other money market borrowings	-	602,332	3,969	-	606,301
Customer deposits	402,513	1,508,200	219,975	-	2,130,688
Other liabilities	-	75,723	1,437	37,980	115,140
Subordinated loans	-	-	-	35,650	35,650
Certificates of deposit	-	503	-	-	503
TOTAL LIABILITIES	402,513	2,186,758	225,381	73,630	2,888,282
Internal funding (net)	374,342	117,185	-	(491,527)	-
TOTAL EQUITY	-	-	34,086	493,455	527,541
TOTAL LIABILITIES & EQUITY	776,855	2,303,943	259,467	75,558	3,415,823

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.