



SOHAR INTERNATIONAL BANK SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

Chairman's Report for the six months ended 30th June 2021

I am pleased to present Sohar International's results for the six months ended 30th June 2021. In response to the far-reaching economic consequences of the COVID-19 pandemic we have seen a path of swift action, innovative change, and resilient continuity across businesses and industries globally. The Sultanate of Oman has proactively stepped forward, adopting learning and implementation agendas, through investments and other commendable support initiatives. There are positive signs of improving economic activity due to an effective and aggressive vaccination campaign launched by the government as well as the rise in global oil prices.

FINANCIAL PERFORMANCE

Total assets as at 30 June 2021 increased by 12.5% to RO 4,031 million (30 June 2020: RO 3,584 million). Net loans and advances increased by 3.4% to RO 2,526 million (30 June 2020: RO 2,442 million) reflecting the bank's prudence in managing growth given current economic conditions. Customer deposits increased by 2.8% to RO 2,304 million (30 June 2020: RO 2,241 million), reflecting the bank's strengthening funding and liquidity position.

Net profit for the six months ended 30 June 2021 increased by 15.3% to RO 15.20 million compared to RO 13.18 million during the same period in 2020.

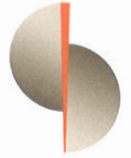
Operating income increased by 13.9% to RO 54.22 million, (30 June 2020: RO 47.62 million), driven by increases in other operating income streams including gain on sale of investment securities. Operating profit increased by 17.0% to RO 30.64 million compared to RO 26.18 million for the same period last year.

Operating expenses increased by 10% to RO 23.58 million (30 June 2020: RO 21.44 million). The bank continues to manage the expense base to support its strategic objectives as well as maintain a strong cost/income ratio, reporting 43.5% for the period compared to 45.0% for the same period last year.

Net impairment charges and other credit risk provisions for the period was RO 12.77 million compared to RO 10.70 million for the same period last year.

REAFFIRMING OUR LONG-TERM DIGITALISATION STRATEGY

While investing in technology, innovation and digitalisation have long remained one of Sohar International's top priorities, the COVID-19 pandemic has highlighted its importance even more. Being prepared for this radical shift has earned Sohar International the loyalty of its customers as it introduced its entirely new mobile banking App offering customers a premium, seamless, secure and convenient digital banking platform.



We have furthered our digital footprint to include e-Payment facilities and added-value services under an agreement signed with the Public Authority for Social Insurance (PASI), becoming the sole bank in the Sultanate integrating its payment gateway solution with PASI's website, enabling PASI's subscribers to pay their contributions online swiftly and securely.

STRONG CORPORATE GOVERNANCE

As Sohar International continues to strengthen its market position and investor confidence, despite a challenging operating environment, it maintains its enviable growth trajectory supported by a strong corporate governance platform, delivering on well-defined strategic imperatives such as financial robustness, customer centricity and digital first.

The pandemic has reinforced the importance and urgency of staying connected with our various stakeholders. Sohar International has responded rapidly through its digital platforms to communicate and engage with its customers, partners and wider community at large. As a part of its outreach to investors and shareholders, Sohar International conducted a virtual meeting hosted by Muscat Stock Exchange SAOC (MSX) to discuss the current operating environment, the bank's financial performance, and the strategic plan for the coming years. This meeting reflects the bank's strong corporate governance approach, adopting best international practices to enhance investor relations and establishing and retaining meaningful relations with its shareholders whether domiciled locally, regionally, or internationally.

CUSTOMER FIRST STRATEGY

Staying relevant and connected to our customer's ever-changing world is key to our purpose and hence the bank continues to be responsive to their requirements as well as proactive in providing what is required in the market. The introduction of "Transfer Your Salary, Transform Your Life" promotion is a result of such careful attention to customer and market needs. The campaign offers a host of benefits and rewards for those transferring their salary to the bank whilst providing attainable banking facilities to all market segments.

Safeguarding the financial interests of our customers has always been an article of faith at Sohar International and the global economic slowdown has given this heightened urgency. To provide such assurances, the bank, including Sohar Islamic, have introduced Escrow accounts protecting investors following the purchase of real estate developments within the country. Such measures will continue strengthening the Sultanate's burgeoning real estate sector.



SERVING OUR COMMUNITY

We pride ourselves on our dedication and sense of responsibility in serving the community in which we operate. This stems from Sohar International's deep rooted belief that fulfilling a larger purpose and being an agent of change is fundamental to staying relevant. Rising to the call of duty as a responsible financial institution, Sohar International ensured adequate and timely support to customers affected financially by the pandemic by committing personal loan relief of up to RO 1.5 million. In addition, the bank continues to donate to support the wider community both directly and through national initiatives.

Sohar International has been fostering and nurturing Omani talent since its inception. In another first, we have collaborated with the Ministry of Labour, committing to onboard 200 Omanis, for a 2-year Training and Development program, entailing extensive on-the-job experience.

Sohar International, cognizant of the need to raise awareness of COVID-19 and safety protocols, has undertaken programs encouraging people to adhere to safety measures and comply with directives issued by the Ministry of Health.

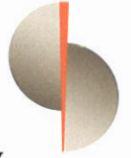
CARING FOR OUR EMPLOYEES

Sohar International supported the national priority of "vaccination for all" by completing the first phase of its COVID-19 employee vaccination program. The vaccination program was extended to spouses and first degree family members accomplishing an impressive 85% vaccination rate. This vaccination initiative reflects the bank's commitment to the well-being of its staff as well as its sense of responsibility to support the national health agenda.

RECOGNITION

In conclusion, I would like to thank and appreciate all our stakeholders in their support towards the Bank. I would especially like to thank the Bank's shareholders and valued customers for their continued confidence, as well as the management and employees for their sincerity and hard work to together achieve continued success.

For their invaluable contribution in supporting the banking sector in the Sultanate, I would also like to thank and appreciate the Central Bank of Oman (CBO) and the Capital Market Authority (CMA). It is their ongoing guidance and application of international standards to the highest level in banking and governance that has helped us achieve global confidence in the Sultanate's economic sector.



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 conscious and wise leadership, that will put Oman on a path of progress and development, and allow its people to enjoy prosperity, security, and progress.

Mohammed Mahfoudh Al Ardhi
Chairman

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021
(RO'000)

		30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
ASSETS				
Cash and balances with Central Bank	Note 5	118,408	202,630	132,068
Due from banks and other money market placements	6	154,392	81,584	165,832
Loans, advances and financing, net	7	2,525,829	2,503,497	2,441,854
Investment securities	8	1,020,539	701,118	678,137
Property, equipment and fixtures		46,726	44,278	42,088
Investment properties		2,900	2,900	2,900
Other assets	9	162,311	74,980	120,980
TOTAL ASSETS		4,031,105	3,610,987	3,583,859
LIABILITIES				
Due to banks and other money market borrowings	10	969,869	720,561	653,632
Customer deposits	11	2,304,001	2,231,565	2,240,742
Other liabilities	12	181,037	91,258	121,469
Subordinated loans		35,385	35,392	35,386
Certificates of deposit		509	509	509
TOTAL LIABILITIES		3,490,801	3,079,285	3,051,738
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		(2,156)	(3,437)	(4,161)
Subordinated loans reserve		21,000	21,000	14,000
Impairment reserve		5,464	5,464	-
Retained earnings		21,095	13,774	29,382
TOTAL SHAREHOLDERS' EQUITY		340,304	331,702	332,121
Perpetual Tier 1 capital securities	14	200,000	200,000	200,000
TOTAL EQUITY		540,304	531,702	532,121
TOTAL LIABILITIES AND EQUITY		4,031,105	3,610,987	3,583,859
CONTINGENT LIABILITIES				
COMMITMENTS	15.1	278,857	421,048	441,417
	15.2	448,861	438,104	401,922
		<i>Baisas</i>	<i>Baisas</i>	<i>Baisas</i>
Net assets per share		139.78	136.25	136.42

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



Chairman



Board member

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021**
**(Unaudited)
(RO'000)**

	Notes	For the six months ended		For the three months ended	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
Interest income	16	71,991	73,155	36,779	36,809
Interest expense	17	(35,906)	(36,724)	(18,036)	(17,864)
Net interest income		36,085	36,431	18,743	18,945
Net income from Islamic financing and investing activities	18.2	4,192	2,681	2,606	1,200
Other operating income	19	13,943	8,503	6,679	4,400
TOTAL OPERATING INCOME		54,220	47,615	28,028	24,545
Staff costs		(14,274)	(12,489)	(7,342)	(6,176)
Other operating expenses	20	(7,834)	(7,489)	(3,541)	(3,735)
Depreciation		(1,474)	(1,458)	(698)	(743)
TOTAL OPERATING EXPENSES		(23,582)	(21,436)	(11,581)	(10,654)
NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		30,638	26,179	16,447	13,891
Loan impairment charges and other credit risk provisions (net)	21	(12,768)	(10,702)	(6,769)	(5,678)
PROFIT BEFORE TAX		17,870	15,477	9,678	8,213
Income tax expense		(2,669)	(2,302)	(1,458)	(1,213)
PROFIT FOR THE PERIOD		15,201	13,175	8,220	7,000
OTHER COMPREHENSIVE INCOME / (EXPENSE)					
Items that will not be reclassified subsequently to the income statement					
Revaluation losses on securities classified as fair value through other comprehensive income (FVOCI)		(505)	(106)	(477)	(57)
Items that will be reclassified subsequently to the income statement					
Net changes in fair value on debt instruments classified as fair value through other comprehensive income (FVOCI)		1,469	(2,362)	(45)	(2,362)
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		964	(2,468)	(522)	(2,419)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		16,165	10,707	7,698	4,581
Basic earnings per share for the period	22	<i>Baisas</i> 3.137	<i>Baisas</i> 2.288	<i>Baisas</i> 3.376	<i>Baisas</i> 2.875
Profit for the period					
Conventional banking		13,959	12,895	7,153	6,816
Islamic banking		1,242	280	1,067	184
		15,201	13,175	8,220	7,000

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 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	-	-	-	-	-	-	-	15,201	15,201	-	15,201
Other comprehensive gain for the period	-	-	-	-	964	-	-	-	964	-	964
Total comprehensive income for the period	-	-	-	-	964	-	-	15,201	16,165	-	16,165
Reclassification of net change in fair value of equity instruments upon de- recognition	-	-	-	-	317	-	-	(317)	-	-	-
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	-	(7,563)	(7,563)	-	(7,563)
Balance as at 30 June 2021	245,355	18,038	30,520	988	(2,156)	21,000	5,464	21,095	340,304	200,000	540,304
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	-	-	-	-	-	-	-	13,175	13,175	-	13,175
Other comprehensive loss for the period	-	-	-	-	(2,468)	-	-	-	(2,468)	-	(2,468)
Total comprehensive income for the period	-	-	-	-	(2,468)	-	-	13,175	10,707	-	10,707
Reclassification of net change in fair value of equity instruments upon de- recognition	-	-	-	-	520	-	-	(520)	-	-	-
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	-	-	-	-	-	-	-	(7,604)	(7,604)	-	(7,604)
Balance as at 30 June 2020	245,355	18,038	28,519	988	(4,161)	14,000	-	29,382	332,121	200,000	532,121

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**
**(Unaudited)
(RO'000)**

	30 June 2021	30 June 2020
OPERATING ACTIVITIES		
Profit before tax	17,870	15,477
Adjustments for:		
Depreciation	1,474	1,458
Loan impairment charges and other credit risk provisions, net	12,768	10,702
Net losses/(gains) on investments	(3,280)	-
Income from Islamic investment activities	(795)	(684)
Interest on investments	(10,370)	(9,370)
Interest accrued on subordinated loans and compulsorily convertible bonds	1,215	1,222
Cash from operating activities before changes in operating assets and liabilities	18,882	18,906
Due from banks and other money market placements	(7,165)	(322)
Loans, advances and financing	(34,109)	793
Investment held at fair value through profit or loss (FVTPL)	5,292	2,871
Other assets	(87,739)	(39,026)
Due to banks and other money market borrowings	(5,351)	129,597
Customer deposits	72,434	143,433
Other liabilities	91,134	25,617
Cash from operating activities	53,378	281,869
Income tax paid	(3,902)	(4,232)
Net cash from/(used in) operating activities, net of tax	49,476	277,637
INVESTING ACTIVITIES		
Purchase of investments, net	(135,709)	(42,377)
Proceeds from sale of investments	16,162	324
Acquisition of property, equipment and fixtures	(3,921)	(5,157)
Income from Islamic investment activities	750	686
Interest received on investments	10,370	9,370
Net cash used in investing activities	(112,348)	(37,154)
FINANCING ACTIVITIES		
Dividends paid	-	(7,091)
Interest paid on subordinated loans	(1,229)	(1,229)
Interest paid on perpetual Tier 1 capital securities	(7,563)	(7,604)
Net cash (used in)/from financing activities	(8,792)	(15,924)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(71,664)	224,560
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	255,660	278,474
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	183,996	503,034
REPRESENTING:		
Cash and balances with Central Bank (other than capital deposit) (Note 5)	117,908	131,567
Due from banks and other money market placements with OM of 90 days (Note 6)	144,471	165,176
Investments securities with original maturity (OM) of 90 days (Note 8.2)	573,600	334,178
Due to banks and other money market borrowings with OM of 90 days (Note 10)	(651,983)	(127,887)
	183,996	503,034

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 2021

(RO'000)

1. Legal status and principal activities

Sohar International Bank SAOG ("the Bank"), formerly Bank Sohar SAOG, 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).

The Bank employed 893 employees as of 30 June 2021 (31 December 2020: 873, 30 June 2020: 882).

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 30 JUNE 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 30 June 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 has commenced discussion with its correspondent banks with the aim to implement this language into its ISDA agreements for derivatives in both the banking and trading book, prior to 31 December 2021

For the Bank's floating rate debt, the Bank has commenced 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 30 JUNE 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 before 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 deferral 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 30 JUNE 2021

(RO'000)

5. Cash and balances with Central Bank

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Cash	33,462	29,175	33,344
Capital deposit with CBO	504	507	501
Balance with CBO	84,442	172,948	98,223
	<u>118,408</u>	<u>202,630</u>	<u>132,068</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 93.92 million (31 December 2020: RO 86.694 million, 30 June 2020: RO 82.64 million).

6. Due from banks and other money market placements

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
<i>Local currency:</i>			
Money market placements	8,004	376	15,006
	<u>8,004</u>	<u>376</u>	<u>15,006</u>
<i>Foreign currency:</i>			
Money market placements	110,569	32,371	124,249
Lending to banks	2,167	2,718	2,882
Demand balances	33,676	46,151	23,920
	<u>146,412</u>	<u>81,240</u>	<u>151,051</u>
	<u>154,416</u>	<u>81,616</u>	<u>166,057</u>
Expected credit loss allowance	(24)	(32)	(225)
	<u>154,392</u>	<u>81,584</u>	<u>165,832</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 June 2021 (Unaudited)			30 June 2020 (Unaudited)	
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	81,616	-	-	81,616	199,053
New assets originated or purchased	87,746	2,156	-	87,746	22,805
Assets derecognised or matured	(17,102)	-	-	(14,946)	(55,801)
	<u>152,260</u>	<u>2,156</u>	<u>-</u>	<u>154,416</u>	<u>166,057</u>

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

ECL	30 June 2021 (Unaudited)				30 June 2020 (Unaudited)	
	Stage 1	Stage 2	Stage 3	Total	Total	
At 1 January	32	-	-	32	816	
Net (release)/charge for the year (Note 6)	(13)	5	-	(8)	(591)	
At 30 June	19	5	-	24	225	

7. Loans, advances and financing, net

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Corporate	1,739,883	1,695,839	1,656,353
Retail	932,169	936,272	899,638
Gross loans, advances and financing	2,672,052	2,632,111	2,555,991
Expected credit loss allowance	(118,342)	(106,443)	(94,908)
Contractual interest not recognised	(27,881)	(22,171)	(19,229)
	(146,223)	(128,614)	(114,137)
Net loans, advances and financing	2,525,829	2,503,497	2,441,854

Gross loans, advances and financing include RO 281.96 million (31 December 2020: RO 264.549 million, 30 June 2020: RO 234.46 million) through Sohar Islamic financing activities.

Loans, advances and financing comprise of:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Loans	2,421,478	2,403,050	2,307,326
Overdrafts	120,603	99,074	108,967
Loans against trust receipts	83,583	82,427	86,330
Bills discounted	46,388	47,560	53,368
Gross loans, advances and financing	2,672,052	2,632,111	2,555,991
Expected credit loss allowance	(118,342)	(106,443)	(94,908)
Contractual interest not recognised	(27,881)	(22,171)	(19,229)
	(146,223)	(128,614)	(114,137)
Net loans, advances and financing	2,525,829	2,503,497	2,441,854

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 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:

30 June 2021
(Unaudited)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
At 1 January	2,130,737	344,288	157,086	2,632,111
New assets originated or purchased	470,888	33,213	11,860	515,961
Assets derecognised or repaid	(446,375)	(21,998)	(7,770)	(476,143)
Loans written off	(33)	-	-	(33)
Loans brought back from memoranda portfolio			156	156
Transfers to Stage 1	22,757	(22,162)	(595)	-
Transfers to Stage 2	(17,491)	18,562	(1,071)	-
Transfers to Stage 3	(1,206)	(7,057)	8,263	-
At 30 June	2,159,277	344,846	167,929	2,672,052
ECL	Stage 1	Stage 2	Stage 3	Total
At 1 January	5,125	41,659	59,659	106,443
Expected credit losses recognised	2,577	4,889	14,133	21,599
Recoveries from expected credit losses	(2,481)	(4,429)	(2,913)	(9,823)
Loans written off	(33)			(33)
Loans brought back from memorandum portfolio			156	156
Transfers to Stage 1	739	(604)	(135)	-
Transfers to Stage 2	(442)	877	(435)	-
Transfers to Stage 3	(12)	(1,158)	1,170	-
At 30 June	5,473	41,234	71,635	118,342

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7. Loans, advances and financing, net (continued)

30 June 2020

(Unaudited)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
At 1 January	2,092,096	353,416	123,973	2,569,485
New assets originated or purchased	379,585	22,233	10,167	411,985
Assets derecognised or repaid	(363,352)	(37,200)	(8,660)	(409,212)
Loans written off	-	(259)	-	(259)
Loans transferred to memoranda portfolio	-	-	(16,091)	(16,091)
Loans brought back from memoranda portfolio	-	-	83	83
Transfers to Stage 1	48,281	(47,973)	(308)	-
Transfers to Stage 2	(94,996)	95,571	(575)	-
Transfers to Stage 3	(2,519)	(37,774)	40,293	-
At 30 June	2,059,095	348,014	148,882	2,555,991
ECL	Stage 1	Stage 2	Stage 3	Total
At 1 January	10,811	41,745	47,112	99,668
New assets originated or purchasedG3	1,072	5,283	9,015	15,370
Assets derecognised or repaid	(3,124)	(324)	(417)	(3,865)
Loans written off	-	(259)	-	(259)
Loans transferred to memoranda portfolio	-	-	(16,091)	(16,091)
Loans brought back from memorandum portfolio	-	-	83	83
Transfers to Stage 1	2,416	(2,292)	(124)	-
Transfers to Stage 2	(2,307)	2,573	(264)	-
Transfers to Stage 3	(138)	(4,909)	5,047	-
At 30 June	8,730	41,817	44,361	94,908

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

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Contractual interest not recognised		
Balance at beginning of year	22,171	15,664
Not recognised during the period	9,969	5,309
Written back due to recovery	(4259)	(1,744)
Balance at end of the period	27,881	19,229

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 June 2021, loans and advances on which interest was not being accrued or where interest was reserved amounted to RO 167.93 million. (31 December 2020: RO 157.086 million, 30 June 2020: RO 148.88 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 2021
(RO'000)

8. Investment securities

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Equity Investments			
Held at FVOCI	6,193	6,189	6,083
Total Equity Investments	6,193	6,189	6,083
Debt Investments			
Held at FVTPL	94,133	96,145	90,191
Held at FVOCI	584,191	378,123	339,764
Less : Expected credit loss allowance	(890)	(880)	(29)
FVOCI debt investments (net)	583,301	377,243	339,735
Held at amortised cost	338,786	222,166	243,738
Less : Expected credit loss allowance	(1,874)	(625)	(1,610)
Held at amortised cost (net)	336,912	221,541	242,128
Total Debt Investments	1,014,345	694,929	672,054
Total Investment securities	1,020,539	701,118	678,137

8.1 Held at FVTPL

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Unquoted equity investments - Oman			
Service sector	2,500	2,500	2,500
Quoted debt investments – Foreign			
Service sector	120	117	111
Quoted debt investments – Oman			
Government development bonds	91,513	91,607	87,580
Sukuk trust certificates – secured	-	1,921	-
Total FVTPL investments	94,133	96,145	90,191

- As at 30 June 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%, 30 June 2020: 12.66%). The Bank has an Investment Management Agreement with the Fund.

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**AS AT 30 JUNE 2021
(RO'000)**
8 Investment securities (continued)
8.2 Held at FVOCI

	Carrying / fair value 30 June 2021 (Unaudited)	Cost 30 June 2021 (Unaudited)	Carrying / fair value 31December 2020 (Audited)	Cost 31December 2020 (Audited)	Carrying / fair value 30 June 2020 (Unaudited)	Cost 30 June 2020 (Unaudited)
Quoted equity investments – Oman						
Service Sector	6,193	7,291	6,189	7,669	6,083	7,847
Unquoted equity investments – Oman						
Service sector	-	34	-	34	-	34
Total Equity Investments	6,193	7,325	6,189	7,703	6,083	7,881
Quoted debt investments – Oman						
Real estate	7,577	7,854	6,105	7,854	5,585	8,008
Less : Expected credit loss allowance	(866)	-	(866)	-	-	-
Finance sector (Treasury bills & GDB)	192,862	192,866	29,956	29,942	-	-
Less : Expected credit loss allowance	(14)	-	(2)	-	-	-
Quoted debt investments – Foreign						
Finance sector (Treasury bills)	383,752	383,756	342,062	342,083	334,178	334,223
Less : Expected credit loss allowance	(10)	-	(12)	-	(28)	-
Total debt investments	583,301	584,476	377,243	379,879	339,735	342,231
Total investments held at FVOCI	589,494	591,801	383,432	387,582	345,818	350,112

- USD Treasury bills of RO 383.8 million (31 December 2020: RO 342.1 million, 30 June 2020: 334.2 million) are assigned as collateral against the bank's borrowings of RO 354.2 million (31 December 2020: RO 329.0 million, 30 June 2020: 354.2 million)

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

ECL	30 June 2021 (Unaudited)				30 June 2020 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	14	866	-	880	28
Expected credit losses recognised	10	-	-	10	-
At 30 June	24	866	-	890	28

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AS AT 30 JUNE 2021

(RO'000)

8. Investment securities (continued)

8.3 Held at amortised cost

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Quoted debt investments – Oman			
Government Development Bonds	316,642	199,020	221,039
Service sector	22,144	23,146	22,699
	<u>338,786</u>	<u>222,166</u>	<u>243,738</u>
Less : Expected credit loss allowance	(1,874)	(625)	(1,610)
Total Investments held at amortised cost	<u><u>336,912</u></u>	<u><u>221,541</u></u>	<u><u>242,128</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:

	30 June 2021 (Unaudited)				30 June 2020 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
Gross carrying amount					
At 1 January	219,429	2,737	-	222,166	201,360
New assets purchased	116,621	-	-	116,621	42,378
At 30 June	<u><u>336,050</u></u>	<u><u>2,737</u></u>	<u><u>-</u></u>	<u><u>338,788</u></u>	<u><u>243,738</u></u>
ECL					
At 1 January	567	58	-	625	1,508
Expected credit losses recognised	1,249	-	-	1,249	102
At 30 June	<u><u>1,816</u></u>	<u><u>58</u></u>	<u><u>-</u></u>	<u><u>1,874</u></u>	<u><u>1,610</u></u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(RO'000)**
9. Other assets

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Acceptances	129,965	44,688	80,581
Prepayments	3,074	1,789	2,371
Receivables	1,356	997	2,496
Positive fair value of derivatives (Note 25)	3,828	2,514	5,478
Right-to-use assets	6,885	5,898	5,813
Others	17,203	19,094	24,241
	162,311	74,980	120,980

10. Due to banks and other money market borrowings

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	115,223	57,752	44,044
Demand balances	6,962	6,061	13,490
	122,185	63,813	57,534
<i>Foreign currency:</i>			
Money market borrowings	456,064	521,618	499,327
Demand balances	256,671	-	80
Syndicated borrowings	134,949	135,130	96,691
	847,684	656,748	596,098
	969,869	720,561	653,632

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11. Customer deposits

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Conventional Banking			
Term deposits	881,635	985,749	924,732
Demand deposits	749,698	626,189	748,937
Saving deposits	308,995	283,695	264,388
Margin deposits	64,071	64,357	64,437
	<u>2,004,399</u>	<u>1,959,990</u>	<u>2,002,494</u>
Islamic Banking			
Term deposits	152,802	135,728	136,770
Demand deposits	92,147	90,831	64,030
Saving deposits	52,347	42,878	32,552
Margin deposits	2,306	2,138	4,896
	<u>299,602</u>	<u>271,575</u>	<u>238,248</u>
Total Customer deposits	<u>2,304,001</u>	<u>2,231,565</u>	<u>2,240,742</u>

12. Other liabilities

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Acceptances	129,965	44,688	80,581
Staff entitlements	2,782	3,862	1,518
Income tax payable	7,538	8,886	7,689
Negative fair value of derivatives (Note 25)	402	1,932	255
Deferred tax liabilities	886	863	702
Other accruals and provisions	31,983	23,965	23,171
Expected credit loss allowance on loan commitments and financial guarantees	1,713	1,972	2,607
Lease liability on right of use assets	5,768	5,090	4,946
Total	<u>181,037</u>	<u>91,258</u>	<u>121,469</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 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

	30 June 2021 (Unaudited)				30 June 2020 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
At 1 January	863,770	34,236	3,008	901,014	805,416
New assets originated or purchased	317,414	7,183	74	324,671	383,527
Assets derecognised or repaid	(361,663)	(7,942)	(698)	(370,303)	(281,425)
Transfers to Stage 1	1,279	(1,249)	(30)	-	-
Transfers to Stage 2	2,627	(2,627)	-	-	-
Transfers to Stage 3	(63)	(12)	75	-	-
At 30 June	823,364	29,589	2,429	855,382	907,518

ECL	30 June 2021 (Unaudited)				30 June 2020 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
At 1 January	1,398	225	349	1,972	2,921
Expected credit losses recognised	1,042	49	14	1,105	2,145
Recoveries from expected credit losses	(1,002)	(58)	(304)	(1,364)	(2,459)
Transfers to Stage 1	3	(3)	-	-	-
Transfers to Stage 2	2	(2)	-	-	-
Transfers to Stage 3	-	-	-	-	-
At 30 June	1,443	211	59	1,713	2,607

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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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, 30 June 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, 30 June 2020: RO 245.355 million).

As of 30 June 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

The Board of Directors disclosed on July 8th 2021 to issue Rights of OMR 50 million in response to the increased international and regional focus on enhanced regulatory capital requirements as a result of the Basel III regime and to further strengthen the quality of the capital base of the Bank to be in line with global best practice. The issuance will be subject to obtaining final regulatory approvals from the Central Bank of Oman and the Capital Market Authority.

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 30 June 2021 (31 December 2020: 15.250 million, 30 June 2020: 7.604 million) and is recognised in the statement of changes in equity.

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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 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Guarantees	204,178	219,684	276,763
Documentary letters of credit	74,679	201,364	164,654
	<u>278,857</u>	<u>421,048</u>	<u>441,417</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 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Capital commitments	2,301	2,826	16,402
Credit related commitments	446,560	435,278	385,520
	<u>448,861</u>	<u>438,104</u>	<u>401,922</u>

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(Unaudited)

(RO'000)

16. Interest income

	For six months ended		For three months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Loans and advances to customers	61,288	62,969	30,968	31,843
Due from banks and other money market placements	333	816	164	289
Investments	10,370	9,370	5,647	4,677
	<u>71,991</u>	<u>73,155</u>	<u>36,779</u>	<u>36,809</u>

17. Interest expense

	For six months ended		For three months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Customer deposits	29,150	27,197	14,832	13,586
Subordinated loans	1,215	1,222	611	611
Due to banks and other money market borrowings	5,541	8,305	2,593	3,667
	<u>35,906</u>	<u>36,724</u>	<u>18,036</u>	<u>17,864</u>

18. Net income earned from Islamic financing and investing activities

18.1 Gross income earned from Islamic financing and investing activities

	For six months ended		For three months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Financing to customers	8,081	6,038	4,546	3,103
Due from banks and other money market placements	21	41	-	38
Investments	795	684	421	341
	<u>8,897</u>	<u>6,763</u>	<u>4,967</u>	<u>3,482</u>

18.2 Profit paid to depositors / money market borrowings

	For six months ended		For three months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Profit paid to depositors	4,693	3,876	2,353	2,190
Profit paid to banks and other money market Borrowings	12	206	8	92
	<u>4,705</u>	<u>4,082</u>	<u>2,361</u>	<u>2,282</u>
Net income from Islamic financing and investing activities	<u>4,192</u>	<u>2,681</u>	<u>2,606</u>	<u>1,200</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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(Unaudited)

(RO'000)

19. Other operating income

	For six months ended		For three months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Net fees and commissions	7,944	7,233	4,373	3,717
Net gains from foreign exchange	2,499	1,020	1,886	696
Bad debt recovery/(expense)	9	-	(8)	-
Dividend income	211	278	19	18
Gain/(Loss) on sale of investments	3,280	(28)	409	(31)
	<u>13,943</u>	<u>8,503</u>	<u>6,679</u>	<u>4,400</u>

20. Other operating expenses

	For six months ended		For three months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Operating and administration costs	5,904	5,512	2,613	2,758
Occupancy cost	1,728	1,776	903	801
Directors remuneration	150	156	-	156
Directors sitting fees	24	20	11	8
Shari'a supervisory board remuneration and sitting fees	28	25	14	12
	<u>7,834</u>	<u>7,489</u>	<u>3,541</u>	<u>3,735</u>

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

	For six months ended		For three months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Impairment charges provided/(released) on:				
Loans, advances and financing (Note 7)	11,776	11,505	5,988	5,660
Loan commitments and financial guarantees (Note 12)	(259)	(314)	(473)	(52)
Due from banks and other money market placements (Note 6)	(8)	(591)	(3)	82
Debt securities at amortised cost (Note 8.3)	1,249	102	1,250	(12)
Debt securities at FVOCI (Note 8.2)	10	-	7	-
	<u>12,768</u>	<u>10,702</u>	<u>6,769</u>	<u>5,678</u>
Loan impairment charges and other credit risk provisions under IFRS 9, net				

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(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.

	For six months ended		For three months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Profit for the period	15,201	13,175	8,220	7,000
Less: Additional Tier 1 Coupon	(7,563)	(7,604)	-	-
Profit for the period attributable to equity holders of the Bank after coupon and issuance cost on Additional Tier 1 capital securities	7,638	5,571	8,220	7,000
Weighted average number of shares outstanding during the period ('000)	2,434,507	2,434,507	2,434,507	2,434,507
Basic earnings per share for the period (baisas)	3.137	2.288	3.376	2.875

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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:

**30 June 2021
(Unaudited)**

Classification								
CBO	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	2,074,368	24,326	5,070	19,256	2,069,298	-	-
	Stage 2	63,132	740	3,943	(3,203)	59,189	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	2,137,500	25,066	9,013	16,053	2,128,487	-	-
Special mention	Stage 1	84,909	882	403	479	84,506	-	-
	Stage 2	281,714	8,729	37,291	(28,562)	244,423	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	366,623	9,611	37,694	(28,083)	328,929	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	12,005	2,910	4,047	(1,137)	7,958	191	191
	Sub Total	12,005	2,910	4,047	(1,137)	7,958	191	191
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	33,706	9,810	10,303	(493)	23,403	2,053	2,053
	Sub Total	33,706	9,810	10,303	(919)	23,403	2,053	2,053
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	122,218	81,063	85,166	(4,103)	37,052	25,637	25,637
	Sub Total	122,218	81,063	85,166	(1,370)	37,052	25,637	25,637
Gross Loans, advances and financing	Stage 1	2,159,277	25,208	5,473	25,208	2,153,804	-	-
	Stage 2	344,846	9,469	41,234	(31,765)	303,612	-	-
	Stage 3	167,929	93,783	99,516	(5,733)	68,413	27,881	27,881
	Sub Total	2,672,052	128,460	146,223	(15,455)	2,525,829	27,881	27,881
Due from banks, Investment securities, Loan commitments & Financial guarantees*	Stage 1	1,890,126	19	2,994	(2,975)	1,887,132	-	-
	Stage 2	46,671	-	1,450	(1,450)	45,221	-	-
	Stage 3	2,429	-	59	(59)	2,370	-	-
	Total	1,939,226	19	4,503	(4,484)	1,934,723	-	-
Total	Stage 1	4,049,403	25,227	8,467	16,760	4,040,936	-	-
	Stage 2	391,517	9,469	42,684	(33,215)	348,833	-	-
	Stage 3	170,358	93,783	99,575	(5,792)	70,783	27,881	27,881
	Total	4,611,278	128,479	150,726	(22,247)	4,460,552	27,881	27,881

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

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31 December 2020

(Unaudited)

Classification:								
CBO	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000	IFRS9 Reserve interest RO'000	CBO Reserve interest RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Standard	Stage 1	2,107,397	26,867	4,966	21,901	2,102,431	-	-
	Stage 2	86,447	1,164	4,911	(3,747)	81,536	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		2,193,844	27,798	9,877	18,154	2,183,967	-	-
Special mention	Stage 1	23,340	304	159	145	23,181	-	-
	Stage 2	257,841	6,410	36,748	(30,338)	221,093	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		281,181	6,714	36,907	(30,193)	244,274	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	8,414	2,133	2,662	(529)	5,752	103	103
Sub Total		8,414	2,133	2,662	(529)	5,752	103	103
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	37,231	10,983	13,174	(2,191)	24,057	852	852
Sub Total		37,231	10,983	13,174	(2,191)	24,057	852	852
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	111,441	68,506	65,994	2,512	45,447	21,216	21,216
Sub Total		111,441	68,506	65,994	2,512	45,447	21,216	21,216
Gross Loans, advances and financing								
	Stage 1	2,130,737	27,171	5,125	22,046	2,125,612	-	-
	Stage 2	344,288	7,574	41,659	(34,085)	302,629	-	-
	Stage 3	157,086	81,622	81,830	(208)	75,256	22,171	22,171
Sub Total		2,632,111	116,367	128,614	(12,247)	2,503,497	22,171	22,171
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	1,543,020	13	2,011	(1,998)	1,541,009	-	-
	Stage 2	43,080	-	1,149	(1,149)	41,931	-	-
	Stage 3	3,008	-	349	(349)	2,659	-	-
Sub Total		1,589,108	13	3,509	(3,496)	1,585,599	-	-
	Stage 1	3,673,757	27,184	7,136	20,048	3,666,621	-	-
	Stage 2	387,368	7,574	42,808	(35,234)	344,560	-	-
	Stage 3	160,094	81,622	82,179	(557)	77,915	22,171	22,171
Total		4,221,219	116,380	132,123	(15,743)	4,089,096	22,171	22,171

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

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23. Financial Instruments (continued)

 30 June 2020
 (Unaudited)

Classification:		Gross carrying amount (1)	CBO Provision (2)	IFRS 9 Provisions (3)	Difference (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)	IFRS 9 Reserve interest	CBO Reserve interest	
CBO	IFRS 9								
Standard	Stage 1	2,036,365	23,385	8,490	14,895	2,027,875	-	-	
	Stage 2	112,186	1,113	9,044	(7,931)	103,142	-	-	
	Stage 3	1,004	-	170	(170)	834	11	11	
Sub Total		2,149,555	24,498	17,704	6,794	2,131,851	11	11	
Special mention	Stage 1	21,930	264	230	34	21,700	-	-	
	Stage 2	235,332	8,114	32,648	(24,534)	202,684	-	-	
	Stage 3	124	-	33	(33)	91	-	-	
Sub Total		257,386	8,378	32,911	(24,533)	224,475	-	-	
Substandard	Stage 1	2	-	-	-	2	-	-	
	Stage 2	3	-	-	-	3	-	-	
	Stage 3	17,359	2,627	6,382	(3,755)	10,977	229	229	
Sub Total		17,364	2,627	6,382	(3,755)	10,982	229	229	
Doubtful	Stage 1	464	-	7	(7)	457	-	-	
	Stage 2	6	-	-	-	6	-	-	
	Stage 3	87,611	41,946	26,184	15,762	61,427	4,933	4,933	
Sub Total		88,081	41,946	26,191	15,755	61,890	4,933	4,933	
Loss	Stage 1	334	-	3	(3)	331	-	-	
	Stage 2	487	-	125	(125)	362	-	-	
	Stage 3	42,784	24,183	30,821	(6,638)	11,963	14,056	14,056	
Sub Total		43,605	24,183	30,949	(6,766)	12,656	14,056	14,056	
Gross loans, advances and financing									
Sub Total	Stage 1	2,059,095	23,649	8,730	14,919	2,050,365	-	-	
	Stage 2	348,014	9,227	41,817	(32,590)	306,197	-	-	
	Stage 3	148,882	68,756	63,590	5,166	85,292	19,229	19,229	
Sub Total		2,555,991	101,632	114,137	(12,505)	2,441,854	19,229	19,229	
On:	Stage 1	1,544,167	14	3,237	(3,223)	1,540,930	-	-	
	Stage 2	114,340	-	1,178	(1,178)	113,162	-	-	
	Stage 3	5,104	-	55	(55)	5,049	-	-	
Loan commitments & financial guarantees*		Total	1,663,611	14	4,470	(4,456)	1,659,141	-	-
Total	Stage 1	3,603,262	23,663	11,967	11,696	3,591,295	-	-	
	Stage 2	462,354	9,227	42,995	(33,768)	419,359	-	-	
	Stage 3	153,986	68,756	63,645	5,111	90,341	19,229	19,229	
	Total	4,219,602	101,646	118,607	(16,961)	4,100,995	19,229	19,229	

*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.

30 June 2021 (Unaudited)	CBO	IFRS 9	Difference
Impairment loss charged to statement of comprehensive income	12,219	12,768	549
Provisions	156,360	150,726	(5,634)
Gross NPL ratio (percentage)*	6.28	6.28	-
Net NPL ratio (percentage)*	1.84	2.71	0.87

*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	128,460	118,342
Due from Banks	19	24
Investment securities(amortised cost)	-	1,876
Investment securities (FVOCI)	-	890
Loan commitments and financial guarantees	-	1,713
Total ECL	128,479	122,845
Contractual interest not recognised	27,881	27,881
Total ECL and Contractual interest not recognised	156,360	150,726

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
At 1 January	7,136	42,808	60,008	109,952
Expected credit losses recognised	2,213	5,253	14,145	21,611
Recoveries from expected credit losses	(1,139)	(4,487)	(3,217)	(8,843)
Loans written off	(33)	-	-	(33)
Loans brought back from memorandum portfolio	-	-	156	156
Transfers to Stage 1	742	(607)	(135)	-
Transfers to Stage 2	(440)	875	(433)	-
Transfers to Stage 3	(12)	(1,158)	1,170	-
At 30 June	8,467	42,684	71,694	122,845

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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. For restructured loans there is no reserve interest under IFRS9 and CBO classification.

30 June 2021 (Unaudited)

Classification:

CBO	IFRS 9	Gross Carrying amount	CBO Provision	IFRS9 Provisions	Difference	Net carrying amount
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	73,042	717	378	339	72,664
	Stage 2	201,447	7,013	31,501	(24,488)	169,946
	Stage 3	-	-	-	-	-
Sub Total		274,489	7,730	31,879	(24,149)	242,610
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	73,042	717	378	339	72,664
	Stage 2	201,447	7,013	31,501	(24,488)	169,946
	Stage 3	-	-	-	-	-
Total		274,489	7,730	31,879	(24,149)	242,610

30 June 2020 (Unaudited)

Classification: CBO	IFRS 9	Gross carrying amount	CBO Provision	IFRS 9 Provisions	Difference	Net carrying amount
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	63,580	416	361	55	63,219
	Stage 2	156,231	6,704	22,670	(15,966)	133,561
	Stage 3	-	-	-	-	-
Sub Total		219,811	7,120	23,031	(15,911)	196,780
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	63,580	416	361	55	63,219
	Stage 2	156,231	6,704	22,670	(15,966)	133,561
	Stage 3	-	-	-	-	-
Total		219,811	7,120	23,031	(15,911)	196,780

31 December 2020 (Unaudited)

Classification: CBO	IFRS 9	Gross Carrying amount	CBO Provision	IFRS9 Provisions	Difference	Net carrying amount
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	69,765	452	234	218	69,531
	Stage 2	197,190	7,209	31,247	(24,038)	165,943
	Stage 3	-	-	-	-	-
Sub Total		266,955	7,661	31,481	(23,820)	235,474
Classified as non-erforming	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	69,765	452	234	218	69,531
	Stage 2	197,190	7,209	31,247	(23,820)	165,943
	Stage 3	-	-	-	-	-
Total		266,955	7,661	31,481	(23,820)	235,474

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(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 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Directors & Senior management			
Loans, advances and financing at the end of period	2,296	2,476	2,568
Loans disbursed during the period	184	684	367
Loans repaid during the period	(223)	(357)	(225)
Deposits at the end of the period	1,581	1,575	794
Deposits received during the period	755	1,492	206
Deposits matured/paid during the period	(973)	(1,461)	(441)
Interest income during the period	49	104	54
Interest expense during the period	10	11	1
Directors' sitting fees and remuneration	174	198	176
Shari'a Supervisory Board members	28	55	25
Other related parties			
Loans, advances and financing at the end of period	64,672	69,125	40,468
Loans disbursed during the period	23,165	47,750	31,294
Loans repaid during the period	(1,163)	(8,829)	(11,804)
Deposits at the end of the period	11,474	17,991	4,128
Deposits received during the period	3,344	12,893	425
Deposits matured/paid during the period	(7,716)	(4,169)	(3,683)
Interest income during the period	1,934	3,199	1,082
Interest expense during the period	119	217	49

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:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Loans as at end of the period	222	264	309
Deposits as at the end of the period	392	292	92
Interest Income (during the period)	5	13	7
Interest expense (during the period)	1	2	1
Salaries and other short term benefits	378	1,559	326
Post-employment benefits	8	42	7

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:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Loans, advances and financing at the end of the period	7,361	6,495	8,839
Loans disbursed during the period	6,882	6,041	8,385
Loans repaid during the period	-	-	-
Deposits at the end of the period	147	144	2,027
Deposits received during the period	82	143	25
Deposits matured/paid during the period	(77)	-	-
Interest income during the period	214	499	242
Interest expense during the period	-	71	40

As at 30 June 2021, no loans to related parties are classified under stage 3 (31 December 2020: nil, 30 June 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:

- 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.

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25. Fair value of financial instruments (continued)

At 30 June 2021 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	118,408			118,408
Due from banks and other money market placements	154,392	-	-	154,392
Loans, advances and financing	2,525,829	-	-	2,525,829
Investments	336,912	589,494	94,133	1,020,539
Other assets (excluding prepayments)	159,237	-	-	159,237
Total	3,294,778	589,494	94,133	3,978,405
Liabilities				
Due to banks and other money market borrowings	969,869	-	-	969,869
Customer deposits	2,304,001	-	-	2,304,001
Other liabilities (excluding other accruals & provisions)	149,054	-	-	149,054
Subordinated loans	35,385	-	-	35,385
Certificates of deposit	509	-	-	509
Total	3,458,818	-	-	3,458,818

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

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(RO'000)
25. Fair value of financial instruments (continued)

At 30 June 2020 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying (including accrued interest)/fair value
Assets				
Cash and balances with Central Bank	132,068	-	-	132,068
Due from banks and other money market placements	165,832	-	-	165,832
Loans, advances and financing	2,441,854	-	-	2,441,854
Investments	242,128	345,818	90,191	678,137
Other assets (excluding prepayments)	118,609	-	-	118,609
Total	3,100,491	345,818	90,191	3,536,500
Liabilities				
Due to banks and other money market borrowings	653,632	-	-	653,632
Customers' deposits	2,240,742	-	-	2,240,742
Other liabilities (excluding other accruals & provisions)	98,298	-	-	98,298
Subordinated loans	35,386	-	-	35,386
Certificates of deposits	509	-	-	509
Total	3,028,567	-	-	3,028,567

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

30 June 2021 (Unaudited)	Investment securities	Positive fair value of Derivatives	Negative fair value of derivatives	Total
Level 1	6,194	-	-	6,194
Level 2	674,933	3,828	(402)	678,359
Level 3	2,500	-	-	2,500
	683,627	3,828	(402)	687,455

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

30 June 2020 (Unaudited)	Investment securities	Positive fair value of Derivatives	Negative fair value of derivatives	Total
Level 1	6,083	-	-	6,083
Level 2	427,426	5,478	(255)	432,649
Level 3	2,500	-	-	2,500
	436,009	5,478	(255)	441,232

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 30 June 2021 (Unaudited)	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	266	147	831,938	444,944	288,462	98,533
Forward foreign exchange sales contracts	3,562	255	832,922	449,793	286,879	96,250
IRS	571	571	38,500	-	-	38,500

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 30 June 2020 (Unaudited)	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	34	208	658,819	96,161	357,486	205,172
Forward foreign exchange sales contracts	5,444	47	654,926	96,118	358,609	200,200

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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 June 2021	31 December 2020	30 June 2020
LCR	117.3%	134.02%	163.5%
LCR (average for the quarter)	124.0%	146.11%	134.8%
NSFR	120.53%	113.18%	115.9%
Leverage ratio	12.6%	14.3%	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.

	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
30 June 2021					
Non – derivative liabilities					
Due to banks and other money market borrowings	969,869	1,117,806	439,615	140,512	537,679
Customer deposits	2,304,001	2,391,835	1,517,634	386,502	487,699
Other liabilities	175,714	175,714	175,714	-	-
Subordinated loans	35,385	41,389	349	2,101	38,939
Certificates of deposit	509	512	6	506	-
Total	3,485,478	3,727,256	2,133,318	529,621	1,064,317

	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
30 June 2020					
Non – derivative liabilities					
Due to banks and other money market borrowings	653,632	664,597	233,115	295,174	136,308
Customer deposits	2,240,742	2,275,482	1,095,101	439,846	740,535
Other liabilities	121,469	121,469	121,469	-	-
Subordinated loans	35,386	42,621	352	2,099	40,170
Certificates of deposit	509	530	6	18	506
Total	3,051,738	3,104,699	1,450,043	737,137	917,519

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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:

	30 June 2021	31 December 2020	30 June 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	5,892	13,774	16,207
Fair value losses	(2,156)	(3,437)	(4,164)
Total CET 1 capital	319,637	326,238	318,943
Additional Tier 1 capital			
Perpetual Tier 1 Capital Securities	200,000	200,000	200,000
Total Tier 1 capital	519,637	526,238	518,943
Tier 2 capital			
Impairment allowance on portfolio basis	17,204	24,627	28,150
Fair value gains	-	-	1
Subordinated loan	14,000	14,000	21,000
Total Tier 2 capital	31,204	38,627	49,151
Total regulatory capital	550,841	564,865	568,094
Risk weighted assets			
Credit and market risks	2,857,422	2,773,198	2,739,833
Operational risk	191,888	191,888	179,749
Total risk weighted assets	3,049,310	2,965,086	2,919,582
Capital adequacy ratio			
Total regulatory capital expressed as a percentage of total risk weighted assets	18.06%	19.05%	19.46%
Total tier I capital expressed as a percentage of total risk weighted assets	17.04%	17.75%	17.77 %
Total CET 1 capital expressed as a percentage of total risk weighted assets	10.48%	11.00%	10.92 %

In order to smoothen the higher volatility in ECL computation and its impact on regulatory capital of the banks due to Covid19, 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.

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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>
30 June 2021					
<i>Income Statement</i>					
Net interest income	9,248	26,948	-	(110)	36,085
Net income from Islamic financing and investing activities	-	-	4,082	110	4,192
Other operating income	3,448	10,159	376	(40)	13,943
Total operating income	12,696	37,107	4,458	(40)	54,220
Total operating expenses	(9,870)	(11,012)	(2,740)	40	(23,582)
Net operating Income	2,826	26,094	1,718	-	30,638
Total ECL	(1,676)	(10,835)	(257)	-	(12,768)
Segment Profit	1,149	15,260	1,461	-	17,870
Income tax expense	(197)	(2,253)	(219)	-	(2,669)
Profit for the period	952	13,007	1,242	-	15,201
<i>Balance sheet</i>					
Assets					
Cash and balances with Central Bank	-	82,692	35,716	-	118,408
Due from banks and other money market placements	-	144,342	10,050	-	154,392
Loans, advances and financing, net	774,233	1,472,796	278,800	-	2,525,829
Investment securities	-	992,030	28,509	-	1,020,539
Property, equipment and fixtures	-	-	780	45,946	46,726
Investment properties	-	-	-	2,900	2,900
Other assets	-	133,654	723	27,934	162,311
TOTAL ASSETS	774,233	2,825,514	354,578	76,780	4,031,105
Liabilities					
Due to banks and other money market borrowings	-	952,851	17,018	-	969,869
Customer deposits	487,837	1,516,562	299,602	-	2,304,001
Other liabilities	-	130,367	2,693	47,977	181,037
Subordinated loans	-	-	-	35,385	35,385
Certificates of deposit	-	509	-	-	509
TOTAL LIABILITIES	487,837	2,600,289	319,313	83,362	3,490,801
Internal funding (net)	286,396	225,225	-	(511,621)	-
TOTAL EQUITY	-	-	35,265	505,039	540,304
TOTAL LIABILITIES & EQUITY	774,233	2,825,514	354,578	76,780	4,031,105

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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>
<i>30 June 2020</i>					
<i>Income Statement</i>					
Net interest income	10,507	25,924	-	-	36,431
Net income from Islamic financing and investing activities	-	-	2,681	-	2,681
Other operating income	2,773	5,405	325	-	8,503
Total operating income	13,280	31,329	3,006	-	47,615
Total operating expenses	(9,990)	(9,051)	(2,395)	-	(21,436)
Net operating Income	3,290	22,278	611	-	26,179
Total ECL	(2,290)	(8,130)	(282)	-	(10,702)
Segment Profit	1,000	14,148	329	-	15,477
Income tax expense	(157)	(2,096)	(49)	-	(2,302)
Profit for the period	843	12,052	280	-	13,175
<i>Balance sheet</i>					
<i>Assets</i>					
Cash and balances with Central Bank	-	125,758	6,310	-	132,068
Due from banks and other money market placements	-	150,332	15,500	-	165,832
Loans, advances and financing, net	767,396	1,443,491	230,967	-	2,441,854
Investments	-	657,232	20,905	-	678,137
Property, equipment and fixtures	-	-	971	41,117	42,088
Investment properties	-	-	-	2,900	2,900
Other assets	-	85,881	1,380	33,719	120,980
TOTAL ASSETS	767,396	2,462,694	276,033	77,736	3,583,859
<i>Liabilities</i>					
Due to banks and other money market borrowings	-	651,552	2,080	-	653,632
Customer deposits	410,488	1,592,006	238,248	-	2,240,742
Other liabilities	-	80,836	3,797	36,836	121,469
Subordinated loans	-	-	-	35,836	35,386
Certificates of deposit	-	509	-	-	509
TOTAL LIABILITIES	410,488	2,324,903	244,125	72,222	3,051,738
Internal funding (net)	356,908	137,791	-	(494,699)	-
TOTAL EQUITY	-	-	31,908	500,213	532,121
TOTAL LIABILITIES & EQUITY	767,396	2,462,694	276,033	77,736	3,583,859

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.