



SOHAR INTERNATIONAL BANK SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

Chairman's Report for the six months ended 30 June 2022

With significant milestones achieved and new opportunities identified, I am delighted to present Sohar International's results for the six months ended 30 June 2022.

Our strength in diversifying, enhancing, and innovating our business model complements the efficient approach to optimising utilisation of resources, managing risk and delivering added value to our shareholders. Our growth strategies are purposeful and geared towards unifying the efforts of every team member to ensure that the needs of our customers are addressed. Sohar International continues to play an active role in the development of local communities and the country at large.

Sohar International has leveraged its strong corporate culture and performance management approach to deliver excellence, thriving on innovation and skill development. With commendable foresight, complementing our zeal to set new benchmarks in the industry, Sohar International continues to seek opportunities within the current macroeconomic environment while keeping pace with the wave of new industry and market developments.

FINANCIAL RESULTS

Profit for the period increased 21.5% to RO 18.47 million compared to RO 15.20 million for the same period last year. Total operating income increased 11.9% to RO 60.68 million, (30 June 2021: RO 54.22 million), driven by increases in net interest income and fees and commissions.

Total operating expenses increased 11.2% to RO 26.22 million (30 June 2021: RO 23.58 million). Increased expenses reflect continued investment in people and technology supporting the bank's strategic objectives.

Net operating income before impairment provisions increased 12.5% to RO 34.46 million compared to RO 30.64 million for the same period last year, resulting in a cost-to-income ratio of 43.2% (30 June 2021: 43.5%). Loan impairment charges and other credit risk provisions (net) for the period was RO 12.72 million compared to RO 12.77 million for the same period last year.

Total assets as at 30 June 2022 increased 8.2% to RO 4,364 million (30 June 2021: RO 4,031 million) mainly driven by increase in loans, advances and Islamic financings (net). Loans, advances and Islamic financings (net) increased 8.1% to RO 2,732 million (30 June 2021: RO 2,526 million).

Customer deposits increased 11.5% to RO 2,568 million (30 June 2021: RO 2,304 million), highlighting the bank's funding strength with the net loans-to-customer deposit ratio improving to 106.4% from 109.6% as at 30 June 2021.



Increase in shareholder's equity from RO 340.3 million to RO 396.0 million includes the highly successful rights issue in Q3 2021 of RO 50 million.

GROWTH STRATEGY

As the fastest growing bank within the Sultanate, Sohar International's agility continues to be the beacon for navigation enabling us to seek out and identify opportunities for expansion. With an increasing and more diversified balance sheet, improving profitability, growing customer base, Sohar International's organic growth has delivered strong results on the back of providing innovative financial solutions, building trust with customers, and acting as a financial partner.

Leveraging opportunities that are capital-accretive and to support its ongoing non-organic growth strategy, Sohar International continues to analyze the prospects of a merger with Bank Nizwa SAOG, announced on 23 November 2021, as well as prospects of a merger with HSBC Bank Oman SAOG announced in a more recent statement on 16 June 2022.

Sohar International's establishment of a branch operation in the Kingdom of Saudi Arabia demonstrates our increasing regional expansion in line with our strategic objective to bring further opportunities to our customer base.

SERVING CUSTOMERS

Sohar International continues to deliver on its promise of providing responsive banking services to help customers achieve their goals. Complimenting lifestyles, the bank consistently enhances and builds on its ecosystem of products and services through direct and indirect offerings. In the last quarter, the bank provided seasonal offerings to prospective clients seeking finance with highly competitive, best in market, interest and profit rates.

To support economic growth in different regions of the country and to promote financial inclusion, Sohar Islamic officially inaugurated the first Islamic branch in the Governorate of Musandam, opening its branch in the Wilayat of Khasab. Sohar Islamic also signed numerous partnership agreements and memorandums of understanding with entities aimed at enhancing Sohar Islamic's current offerings and building a wider ecosystem of products and services.

DIGITAL FIRST

Sohar International continues to invest in leading technologies, aligned with the latest developments in software and operating platforms. The bank has remained steadfast in ensuring that its digital platforms are well integrated to offer our customers an enhanced and seamless experience having introduced new features and improvements to our mobile banking applications.



These applications have since gained extensive traction and popularity with customers delivering nothing short of ultimate convenience.

In its ongoing transformation journey offering further digitalization services to wholesale banking clients, the bank has successfully rolled out a digital transactional banking platform (Digi Cash and Digitrade). The robust and secure platform provides transaction banking solutions through digital means. As part of Sohar International's efforts to enhance corporate customers' experience with digital banking alternatives, the bank has also introduced Corporate Cash Deposit Cards. These cards enable clients to securely deposit cash with instant credit to their account with around the clock service at over 30 CDM's located strategically across the country.

As the bank continues to expand its digital footprint, it has exerted special focus on fortifying its cybersecurity protocols to protect customer data and mitigate process inherent risks.

SERVING THE COMMUNITY

As an integral part of the community, Sohar International has always been proactive and at the forefront of serving the people of Oman in times of need. In response to the devastation of Cyclone Shaheen the bank committed to renovate houses of 100 families amongst many other initiatives. Sohar International is proud to have completed phase 1 renovations of 43 houses in the Wilayat of Khabourah with phase 2 plans to renovate houses in Wilayat of Suwaiq, thereby fulfilling our commitment.

The 10th virtual edition of Viewpoints – Sohar International's Chairman's Forum welcomed H.E. Reem Ebrahim Al Hashimy, UAE Minister of State for International Cooperation & Director General, EXPO 2020 Dubai, as guest speaker. H.E. Reem Ebrahim Al Hashimy shared her experiences managing EXPO 2020 Dubai enabling our audience to gain valuable knowledge and insight.

Building upon Sohar International's vision to become a knowledge platform for multiple stakeholders, our 'Take-It-From-Us' initiative continues to raise awareness amongst customers and the wider community on a multitude of banking products and financial instruments having recently concluded its third and fourth virtual episodes. With each episode highlighting key relevant financial topics as well as providing a platform to promote Oman and local SMEs, the most recent episodes covered the topics of insurance and personal loans allowing viewers to understand how such financial tools could benefit them when used appropriately.

Promoting knowledge transfer and supporting such platforms, Sohar International was involved in various social, educational and digital transformation activities within the Sultanate.



These activities included sponsorship of the third Oman Science Festival organised by the Ministry of Education, Injaz Oman, New Age of Banking Summit 2022 and OER Conference 2022. Whether the activities focused on providing the youth of our beloved nation a platform to share their knowledge and gain further experience, or highlighting key trends to professionals representing the corporate industry, Sohar International continues to play a proactive role in serving the community and supporting the social and economic development of Oman.

CARING FOR EMPLOYEES

Sohar International remains deeply invested in its employees. Through institutional channeling, we have created a conducive work environment that strikes the right balance between achieving the broader goals of the bank and nurturing a workforce that remains zealous towards achieving aspirational targets.

A key factor in the successful implementation of Sohar International's agile growth strategy has been the building of a performance-based culture that encourages continued learning and skill development through multiple mediums. Sohar International has honored employees graduating from its Program for Qualification and Development of Competencies. In addition, the Sohar Academy has provided dozens of training and learning programs to over 300 employees.

In promoting Omani talent and providing a stepping-stone for career development, Sohar International offered 200 qualified Omanis a 2-year training and development program. With on the job training at the cornerstone of this initiative, these candidates will gain valuable experience working alongside the bank's senior managers as well as experience working across other organizations within the country.

AWARDS

Sohar International continues to win awards across multiple categories, most recently the 'Fastest Growing Large Bank' and 'Excellence in Digital Transformation'. Sohar International was also proud to receive the 'Wells Fargo Special Recognition Award' for achieving a straight-through processing rate of over 99 percent for payments.

On the Corporate Social Responsibility (CSR) front, Sohar International's 'Take-It-From-Us' initiative earned us the 'Leading CSR Campaign of the Year' award at the OERLive Digital Transformation Conference and Awards 2022. Meanwhile, in recognition of the bank's continued philanthropic efforts for the past two years, the Ministry of Social Development also conferred upon Sohar International a coveted CSR award.



RECOGNITION

I would like to express my gratitude to our stakeholders who have continued to bestow upon us utmost good faith, trust, and confidence. I would also like to applaud the commendable efforts of all our employees who have demonstrated exceptional dynamism in tackling challenges and adapting to transformational change.

We are grateful for the strong governance, transparency, and leadership demonstrated by the Central Bank of Oman and the Capital Market Authority, instrumental in helping us achieve significant milestones.

Finally, on behalf of the Board of Directors and our loyal employees, I extend my heartfelt gratitude to His Majesty Sultan Haitham Bin Tarik for his visionary leadership that has positioned Oman on a path to achieving greater socio-economic progress while also giving a notable impetus to the banking sector in Oman.

Mohamed Mahfoodh Al Ardhi
Chairman

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022
(RO'000)

		30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
ASSETS	Note			
Cash and balances with Central Bank	5	112,200	95,873	118,408
Due from banks	6	166,224	172,959	154,392
Investment securities	8	1,048,960	1,032,004	1,020,539
Loans, advances and Islamic financings (net)	7	2,731,519	2,612,208	2,525,829
Other assets	9	253,434	170,302	162,311
Investment properties		2,900	2,900	2,900
Property and equipment		48,316	47,739	46,726
TOTAL ASSETS		4,363,553	4,133,985	4,031,105
LIABILITIES				
Due to banks	10	883,669	918,863	969,869
Customer deposits	11	2,567,980	2,394,465	2,304,001
Other liabilities	12	280,511	188,687	181,546
Subordinated loans		35,385	35,392	35,385
TOTAL LIABILITIES		3,767,545	3,537,407	3,490,801
SHAREHOLDERS' EQUITY				
Share capital	13	295,355	295,355	245,355
Share premium		18,038	18,038	18,038
Legal reserve		34,389	34,389	30,520
General reserve		988	988	988
Fair value reserve		(1,692)	(2,181)	(2,156)
Subordinated loans reserve		28,000	28,000	21,000
Impairment reserve		5,464	5,464	5,464
Retained earnings		15,466	16,525	21,095
TOTAL SHAREHOLDERS' EQUITY		396,008	396,578	340,304
Perpetual tier 1 capital securities	14	200,000	200,000	200,000
TOTAL EQUITY		596,008	596,578	540,304
TOTAL LIABILITIES AND EQUITY		4,363,553	4,133,985	4,031,105
CONTINGENT LIABILITIES	15.1	297,577	338,521	278,857
COMMITMENTS	15.2	561,495	519,826	448,861
		<i>Baisa</i>	<i>Baisa</i>	<i>Baisa</i>
Net assets per share		132.4	132.6	139.8

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on 30 July 2022 and signed on their behalf by



 Chairman



 Board member

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(Unaudited)
(RO'000)

	Notes	Six months ended		Three months ended	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
Interest income	16	76,260	71,991	38,846	36,779
Interest expense	17	(32,916)	(35,906)	(16,652)	(18,036)
Net interest income		43,344	36,085	22,194	18,743
Net income from Islamic financing and investing activities	18	4,459	4,192	2,226	2,606
Other operating income	19	12,874	13,943	5,894	6,679
TOTAL OPERATING INCOME		60,677	54,220	30,314	28,028
Staff costs		(15,746)	(14,274)	(7,779)	(7,342)
Other operating expenses	20	(8,590)	(7,834)	(4,057)	(3,541)
Depreciation		(1,886)	(1,474)	(952)	(698)
TOTAL OPERATING EXPENSES		(26,222)	(23,582)	(12,788)	(11,581)
NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		34,455	30,638	17,526	16,447
Loan impairment charges and other credit risk provisions (net)	21	(12,721)	(12,768)	(5,891)	(6,769)
PROFIT BEFORE TAX		21,734	17,870	11,635	9,678
Income tax expense		(3,269)	(2,669)	(1,692)	(1,458)
PROFIT FOR THE PERIOD		18,465	15,201	9,943	8,220
OTHER COMPREHENSIVE INCOME / (EXPENSE)					
Items that will not be reclassified to profit and loss					
Revaluation gains/(losses) on equity instruments held at fair value through other comprehensive income (FVOCI)		10	(505)	25	(477)
Items to be reclassified subsequently to profit and loss					
Net changes in fair value on debt instruments classified FVOCI		479	1,469	571	(45)
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD, NET OF INCOME TAX		489	964	596	(522)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		18,954	16,165	10,539	7,698
Profit for the period					
Conventional banking		15,929	13,959	8,490	7,153
Islamic banking		2,536	1,242	1,453	1,067
		18,465	15,201	9,943	8,220
Basic earnings per share for the period	22	Baisa 3.65	Baisa 3.14	Baisa 3.33	Baisa 3.38

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

(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 2022	295,355	18,038	34,389	988	(2,181)	28,000	5,464	16,525	396,578	200,000	596,578
Profit for the period	-	-	-	-	-	-	-	18,465	18,465	-	18,465
Other comprehensive gains for the period	-	-	-	-	489	-	-	-	489	-	489
Total comprehensive income for the period	-	-	-	-	489	-	-	18,465	18,954	-	18,954
Dividends paid for the year 2021	-	-	-	-	-	-	-	(11,961)	(11,961)	-	(11,961)
Perpetual Tier 1 interest paid for the period	-	-	-	-	-	-	-	(7,563)	(7,563)	-	(7,563)
Balance as at 30 June 2022	295,355	18,038	34,389	988	(1,692)	28,000	5,464	15,466	396,008	200,000	596,008

	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

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(Unaudited)
(RO'000)

	30 June 2022	30 June 2021
OPERATING ACTIVITIES		
Profit before tax	21,734	17,870
Adjustments for:		
Depreciation	1,886	1,474
Loan impairment charges and other credit risk provisions (net)	12,721	12,768
Net loss/(gain) on investments	41	(3,280)
Income from Islamic investment activities	(863)	(795)
Interest on investments	(12,929)	(10,370)
Interest accrued on subordinated loans	1,215	1,215
Cash from operating activities before changes in operating assets and liabilities	23,805	18,882
Due from banks	(5,077)	(7,165)
Loans, advances and Islamic financings (net)	(134,322)	(34,109)
Investment held at fair value through profit or loss (FVTPL)	24	5,292
Other assets	(83,206)	(87,743)
Due to banks	88,846	(5,351)
Customer deposits	173,515	72,434
Other liabilities	91,525	91,134
Net cash from operating activities, net of tax	155,110	53,374
Income tax paid	(2,419)	(3,902)
	152,691	49,472
INVESTING ACTIVITIES		
Purchase of investments (net)	(14,456)	(135,709)
Proceeds from sale of investments	-	16,162
Acquisition of property and equipment	(2,466)	(3,921)
Income from Islamic investment activities	471	750
Interest received on investments	12,929	10,370
Net cash from investing activities	(3,522)	(112,348)
FINANCING ACTIVITIES		
Dividends paid	(11,961)	-
Interest paid on subordinated loans	(1,223)	(1,229)
Interest paid on perpetual Tier 1 capital securities	(7,563)	(7,563)
Net cash used in financing activities	(20,747)	(8,792)
NET CHANGE IN CASH AND CASH EQUIVALENTS	128,422	(71,668)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	593,226	255,660
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	721,648	183,992
REPRESENTING:		
Cash and balances with Central Bank (other than capital deposit)	111,697	117,904
Due from banks with original maturity (OM) of 90 days or less	166,057	144,471
Investment securities with OM of 90 days or less	578,950	573,600
Due to banks with OM of 90 days or less	(135,056)	(651,983)
	721,648	183,992

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 JUNE 2022

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 commercial banking branches and nine 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 888 employees as of 30 June 2022 (31 December 2021: 888, 30 June 2021: 893).

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 2021.

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 2021.

2.2 Basis of measurement

These 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.

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 provisions 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 provisions required for impaired loans and receivables as well as provisions 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 JUNE 2022

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

For the period ended 30 June 2022, 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 2022.

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 has no significant impact on the Bank's accounting as currently the Bank has limited exposure to hedge accounting relationships.

The Bank has modest volumes of derivative and non-derivative financial instruments, mostly within its Banking Book, that are not included in hedge accounting relationships. 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 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's transition arrangements to alternative benchmark rates have been established. The Bank's current IBOR linked contracts do not generally include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. However, the Bank is in process of updating its legal documentation as appropriate and in line with industry best practice.

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.

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. The Bank is engaging with the customer to ensure availability of suitable options in this regard. Initial communications will focus on raising awareness and engagement will increase with detailed discussions with all clients for the required changes in the contracts, if any. 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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2022****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. The impact of such an uncertain economic environment is judgmental and the Bank will continue to assess its ECL provisions 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.

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

CBO Circular BSD/CB&FLC/2021/002 dated March 18, 2021 temporarily suspended the requirement of IFRS 9 Significant increase in Credit Risk (SICR) and two-track approach for loan loss provisioning for FY 2021, CBO circular BSD/CB & FLC/2022/001 further extended this suspension until financial year ending 31 December 2022. This relaxation mitigates the effects of stage downgrades of customer accounts most impacted by qualitative and specific quantitative factors relating to credit deterioration.

Recent circular SD/CB & FLC/2022/004 has extended the window for Restructuring / Re-scheduling the credit facilities of affected borrowers until 30 September 2022.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2022
(RO'000)
5. Cash and balances with Central Bank

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Cash	39,292	34,551	33,462
Capital deposit with CBO	503	507	504
Balance with CBO	72,405	60,815	84,442
	<u>112,200</u>	<u>95,873</u>	<u>118,408</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 98.70 million (31 December 2021: RO 95.69 million, 30 June 2021: RO 93.92 million).

6. Due from banks

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
<i>Local currency:</i>			
Money market placements	6,001	-	8,004
	<u>6,001</u>	<u>-</u>	<u>8,004</u>
<i>Foreign currency:</i>			
Money market placements	138,225	145,147	110,569
Lending to banks	156	462	2,167
Demand balances	21,842	27,351	33,676
	<u>160,223</u>	<u>172,960</u>	<u>146,412</u>
	<u>166,224</u>	<u>172,960</u>	<u>154,416</u>
ECL provision	-	(1)	(24)
	<u>166,224</u>	<u>172,959</u>	<u>154,392</u>

The analysis of changes in the gross carrying amount and corresponding ECL provision on due from banks is as follows:

Gross carrying amount

	30 June 2022 (Unaudited)			30 June 2021 (Unaudited)	
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	172,498	462	-	172,960	81,616
New assets originated or purchased	26,087	-	-	26,087	87,746
Assets derecognised or matured	(32,515)	(308)	-	(32,823)	(14,946)
	<u>166,070</u>	<u>154</u>	<u>-</u>	<u>166,224</u>	<u>154,416</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2022
(RO'000)
6. Due from banks (continued)

ECL provision	30 June 2022 (Unaudited)				30 June 2021 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	-	1	-	1	32
Net impairment charge/(release) (Note 21)	-	(1)	-	(1)	(8)
At 30 June	-	-	-	-	24

7. Loans, advances and Islamic financings (net)

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Corporate	1,946,638	1,833,296	1,739,883
Retail	925,860	916,167	932,169
Gross loans, advances and Islamic financings	2,872,498	2,749,463	2,672,052
ECL provision	(111,978)	(112,113)	(118,342)
Contractual interest/profit not recognised	(29,001)	(25,142)	(27,881)
	(140,979)	(137,255)	(146,223)
	2,731,519	2,612,208	2,525,829

Gross loans, advances and Islamic financings include RO 369.905 million (31 December 2021: RO 336.012 million, 30 June 2021: RO 281.995 million) through Sohars Islamic financing activities.

Loans, advances and Islamic financings (net) comprise:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Loans	2,645,941	2,525,822	2,421,478
Overdrafts	147,331	122,478	120,603
Loans against trust receipts	60,441	69,542	83,583
Bills discounted	18,785	31,621	46,388
Gross loans, advances and Islamic financings	2,872,498	2,749,463	2,672,052
ECL provision	(111,978)	(112,113)	(118,342)
Contractual interest/profit not recognised	(29,001)	(25,142)	(27,881)
	(140,979)	(137,255)	(146,223)
	2,731,519	2,612,208	2,525,829

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2022
(RO'000)
7. Loans, advances and Islamic financings (net) (continued)

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

30 June 2022
(Unaudited)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
At 1 January	2,252,908	348,564	147,991	2,749,463
New assets originated or purchased	329,754	13,895	4,319	347,968
Assets derecognised or repaid	(175,056)	(32,767)	(1,913)	(209,736)
Loans written off	-	-	(1,393)	(1,393)
Loans transferred to memoranda portfolio	-	-	(14,189)	(14,189)
Loans transferred from memoranda portfolio	-	-	385	385
Transfers to Stage 1	20,573	(19,979)	(594)	-
Transfers to Stage 2	(10,863)	12,177	(1,314)	-
Transfers to Stage 3	(2,459)	(11,972)	14,431	-
At 30 June	2,414,857	309,919	147,723	2,872,498
ECL provision	Stage 1	Stage 2	Stage 3	Total
At 1 January	5,206	34,123	72,784	112,113
Impairment charge	1,130	5,376	15,003	21,509
Impairment release	(1,781)	(1,482)	(3,184)	(6,447)
Loans written off	-	-	(1,393)	(1,393)
Loans transferred to memorandum portfolio	-	-	(14,189)	(14,189)
Loans transferred from memorandum portfolio	-	-	385	385
Transfers to Stage 1	715	(551)	(164)	-
Transfers to Stage 2	(94)	537	(443)	-
Transfers to Stage 3	(15)	(837)	852	-
At 30 June	5,161	37,166	69,651	111,978
Net impairment charge / (release)	Stage 1	Stage 2	Stage 3	Total
Impairment charge	1,130	5,376	15,003	21,509
Impairment release	(1,781)	(1,482)	(3,184)	(6,447)
Net impairment charge / (release) (Note 21)	(651)	3,894	11,819	15,062

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 2022

(RO'000)

7. Loans, advances and Islamic financings (net) (continued)

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 transferred 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	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June	2,159,277	344,846	167,929	2,672,052
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ECL provision	Stage 1	Stage 2	Stage 3	Total
At 1 January	5,125	41,659	59,659	106,443
Impairment charge	2,577	4,889	14,133	21,599
Impairment release	(2,481)	(4,429)	(2,913)	(9,823)
Loans written off	(33)	-	-	(33)
Loans transferred 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	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June	5,473	41,234	71,635	118,342
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net impairment charge / (release)	Stage 1	Stage 2	Stage 3	Total
Impairment charge	2,577	4,889	14,133	21,599
Impairment release	(2,481)	(4,429)	(2,913)	(9,823)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net impairment charge / (released) (Note 21)	96	460	11,220	11,776
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Contractual interest/profit not recognised		
Balance at beginning of year	25,142	22,171
Not recognised during the period	5,864	9,969
Written back due to recovery	(2,005)	(4,259)
	<u> </u>	<u> </u>
Balance at end of the period	<u>29,001</u>	<u>27,881</u>

All loans, advances and Islamic financings require payment of interest/profit, some at fixed rates and others at rates that reprice prior to maturity. Interest/profit reserve account (Reserve interest) is maintained to comply with rules, regulations and guidelines issued by CBO on loans, advances and Islamic financings that are impaired. As of 30 June 2022, loans, advances and Islamic financings on which interest/profit was not being accrued or where interest/profit was reserved amounted to RO 147.7 million. (31 December 2021: RO 148.0 million, 30 June 2021: RO 167.93 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
**AS AT 30 JUNE 2022
(RO'000)**
8. Investment securities

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Equity Investments:			
Held at FVOCI	5,093	5,084	5,518
Total Equity Investments	5,093	5,084	5,518
Debt Investments			
Held at FVTPL	94,710	94,774	94,808
Held at FVOCI	589,923	589,255	584,191
Less : ECL provision	(428)	(797)	(890)
FVOCI debt investments (net)	589,495	588,458	583,301
Held at amortised cost	360,103	345,635	338,786
Less : ECL provision	(441)	(1,947)	(1,874)
Held at amortised cost (net)	359,662	343,688	336,912
Total Debt Investments	1,043,867	1,026,920	1,012,021
Total Investment securities	1,048,960	1,032,004	1,020,539

8.1 Held at FVTPL

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Unquoted equity investments - Oman			
Service sector	3,176	3,176	3,176
Quoted debt investments – Foreign			
Service sector	136	114	120
Quoted debt investments – Oman			
Government development bonds (GDB)	91,398	91,484	91,512
Total FVTPL investments	94,710	94,774	94,808

As at 30 June 2022, 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 2021: 12.66%, 30 June 2021: 12.66%). The Bank has an Investment Management Agreement with the Fund.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2022
(RO'000)
8 Investment securities (continued)
8.2 Held at FVOCI

	Carrying / fair value 30 June 2022 (Unaudited)	Cost 30 June 2022 (Unaudited)	Carrying / fair value 31December 2021 (Audited)	Cost 31December 2021 (Audited)	Carrying / fair value 30 June 2021 (Unaudited)	Cost 30 June 2021 (Unaudited)
Quoted equity investments – Oman						
Service Sector	5,093	6,338	5,084	6,338	5,518	6,616
Unquoted equity investments – Oman						
Service sector	-	34	-	34	-	34
Total Equity Investments	5,093	6,372	5,084	6,372	5,518	6,650
Quoted debt investments – Oman						
Real estate	7,953	7,854	7,138	7,854	7,577	7,854
Less : ECL provision	(428)	-	(429)	-	(866)	-
Finance sector (Treasury bills & GDB)	357,569	358,061	227,874	227,707	192,862	192,866
Less : ECL provision	-	-	(14)	-	(14)	-
Quoted debt investments – Foreign						
Finance sector (Treasury bills)	224,401	224,057	354,243	354,258	383,752	383,756
Less : ECL provision	-	-	(354)	-	(10)	-
Total debt investments	589,495	589,972	588,458	589,819	583,301	584,476
Total investments held at FVOCI	594,588	596,344	593,542	596,191	588,819	591,126

USD Treasury bills of RO 354.5 million (31 December 2021: RO 354.3 million, 30 June 2021: 383.8 million) are assigned as collateral against the bank's borrowings of RO 354.2 million (31 December 2021: RO 354.2 million, 30 June 2021: 354.2 million).

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

	30 June 2022 (Unaudited)				30 June 2021 (Unaudited)
ECL provision	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	368	429	-	797	880
Net impairment charge / (release) (Note 21)	(368)	(1)	-	(369)	10
At 30 June	-	428	-	428	890

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 2022

(RO'000)

8. Investment securities (continued)

8.3 Held at amortised cost

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Quoted debt investments – Oman			
Government development bonds	322,986	322,936	316,642
Service sector	23,147	22,699	22,144
Sukuk certificates	13,970	-	-
	<u>360,103</u>	<u>345,635</u>	<u>338,786</u>
ECL provision	(441)	(1,947)	(1,874)
	<u>(441)</u>	<u>(1,947)</u>	<u>(1,874)</u>
Total investments held at amortised cost	<u><u>359,662</u></u>	<u><u>343,688</u></u>	<u><u>336,912</u></u>

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

	30 June 2022 (Unaudited)				30 June 2021 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
Gross carrying amount					
At 1 January	337,022	8,613	-	345,635	222,166
Assets released	14,468	-	-	14,468	116,619
	<u>351,490</u>	<u>8,613</u>	<u>-</u>	<u>360,103</u>	<u>338,786</u>
ECL provision					
At 1 January	1,554	393	-	1,947	625
Net impairment charge / (release) (Note 21)	(1,473)	(33)	-	(1,506)	1,249
	<u>81</u>	<u>360</u>	<u>-</u>	<u>441</u>	<u>1,874</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 2022
(RO'000)

9. Other assets

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Acceptances	222,347	137,795	129,965
Prepayments	4,201	3,570	3,074
Receivables	1,493	2,191	1,356
Positive fair value of derivatives (Note 25)	2,367	4,278	3,828
Right-to-use assets	6,710	7,437	6,885
Others	16,316	15,031	17,203
	<u>253,434</u>	<u>170,302</u>	<u>162,311</u>

10. Due to banks

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	13,027	17,028	115,223
Demand balances	9,984	5,109	6,962
	<u>23,011</u>	<u>22,137</u>	<u>122,185</u>
<i>Foreign currency:</i>			
Money market borrowings	790,512	733,966	456,064
Demand balances	50,773	47,004	256,671
Syndicated borrowings	19,373	115,756	134,949
	<u>860,658</u>	<u>896,726</u>	<u>847,684</u>
Total Due to banks	<u>883,669</u>	<u>918,863</u>	<u>969,869</u>

Foreign currency borrowings include bank borrowings amounting to RO 354.20 million (December 2021: RO 354.24 million, June 2021: RO 354.2 million) with underlying collateral in the form of USD Treasury bills of RO 354.55 million (December 2021: RO 354.26 million, June 2021: RO 354.24 million)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2022
(RO'000)
11. Customer deposits

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Term deposits	787,021	880,737	881,635
Demand deposits	923,383	841,706	749,698
Saving deposits	415,435	324,360	308,995
Margin deposits	64,842	64,919	64,071
	<u>2,190,681</u>	<u>2,111,722</u>	<u>2,004,399</u>
Islamic Banking			
	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Term deposits	156,481	137,984	152,802
Demand deposits	169,803	92,660	92,147
Saving deposits	49,896	50,742	52,347
Margin deposits	1,119	1,357	2,306
	<u>377,299</u>	<u>282,743</u>	<u>299,602</u>
Total Customer deposits	<u>2,567,980</u>	<u>2,394,465</u>	<u>2,304,001</u>

12. Other liabilities

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30-Jun 2021 (Unaudited)
Acceptances	222,347	137,795	129,965
Staff entitlements	3,900	5,321	2,782
Income tax payable	10,474	9,616	7,538
Negative fair value of derivatives (Note 25)	18	79	402
Deferred tax liabilities	1,108	1,115	886
Other accruals and provisions	32,674	24,180	31,983
ECL provision on loan commitments and financial guarantees (Note 15.1)	3,362	3,828	1,713
Lease liability on right of use assets	6,628	6,753	6,277
	<u>280,511</u>	<u>188,687</u>	<u>181,546</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 JUNE 2022 (RO'000)

13. Share capital

The authorised share capital of the Bank is 4,000,000,000 shares (31 December 2021: 4,000,000,000, 30 June 2021: 4,000,000,000). The issued shares of the Bank are 2,990,062,290 shares (31 December 2021: 2,990,062,290 shares, 30 June 2021: 2,434,506,735 shares). The paid up share capital of the Bank is RO 295.355 million (31 December 2021: RO 295.355 million, 30 June 2021: RO 245.355 million).

As at 30 June 2022, 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>
The Royal Court of Affairs	489,971,007	16.39
Oman Investment & Finance Co. SAOG	461,205,072	15.42

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. The 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. The 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 every six months thereafter, again subject to the prior consent of the regulatory authorities. The Bank at its sole discretion may elect not to pay the interest. This is not considered as an event of default. If the Bank does not pay the interest, on a scheduled 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 7.56 million was paid as interest during the period ended 30 June 2022 (31 December 2021: 15.25 million, 30 June 2021: RO 7.56 million) and is recognised in the statement of changes in equity.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2022
(RO'000)
15. Contingent liabilities and commitments
15.1 Contingent liabilities

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Guarantees	212,252	235,442	204,178
Documentary letters of credit	85,325	103,079	74,679
	<u>297,577</u>	<u>338,521</u>	<u>278,857</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 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Capital commitments	1,932	3,311	2,301
Credit related commitments	559,563	516,515	446,560
	<u>561,495</u>	<u>519,826</u>	<u>448,861</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 2022

(RO'000)

15. Contingent liabilities and commitments (continued)

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)	
Contingent liabilities	297,577	338,521	278,857	
Commitments	561,495	519,826	448,861	
Acceptance and others	220,415	134,615	252,198	
	<u>1,079,487</u>	<u>992,962</u>	<u>979,916</u>	

Outstanding exposure	30 June 2022 (Unaudited)				30 June 2021 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
At 1 January	943,193	46,995	2,774	992,962	901,014
New assets originated or purchased	387,708	3,411	85	391,204	250,639
Assets derecognised or repaid	(288,171)	(16,357)	(151)	(304,679)	(171,737)
Transfers to Stage 1	11,877	(11,786)	(91)	-	-
Transfers to Stage 2	(6,644)	6,656	(12)	-	-
Transfers to Stage 3	(133)	(57)	190	-	-
At 30 June	<u>1,047,830</u>	<u>28,862</u>	<u>2,795</u>	<u>1,079,487</u>	<u>979,916</u>

ECL provision	30 June 2022 (Unaudited)				30 June 2021 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
At 1 January	1,673	727	1,428	3,827	1,972
Impairment charge	408	60	162	630	1,105
Impairment release	(718)	(365)	(12)	(1,095)	(1,364)
Transfers to Stage 1	36	(36)	-	-	-
Transfers to Stage 2	(22)	23	(1)	-	-
Transfers to Stage 3	-	(7)	7	-	-
At 30 June	<u>1,377</u>	<u>401</u>	<u>1,584</u>	<u>3,362</u>	<u>1,713</u>

ECL provision	30 June 2022 (Unaudited)				30 June 2021 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
Impairment charge	408	60	162	630	1,105
Impairment release	(718)	(365)	(12)	(1,095)	(1,364)
At 30 June	<u>(310)</u>	<u>(305)</u>	<u>150</u>	<u>(465)</u>	<u>(259)</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2022
(Unaudited)
(RO'000)
16. Interest income

	Six months ended		Three months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Due from banks	336	333	242	164
Loans and advances	62,995	61,288	31,813	30,968
Investment securities	12,929	10,370	6,791	5,647
	<u>76,260</u>	<u>71,991</u>	<u>38,846</u>	<u>36,779</u>

17. Interest expense

	Six months ended		Three months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Due to banks	4,985	5,541	2,733	2,593
Customer deposits	26,716	29,150	13,308	14,832
Subordinated loans	1,215	1,215	611	611
	<u>32,916</u>	<u>35,906</u>	<u>16,652</u>	<u>18,036</u>

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

	Six months ended		Three months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Due from banks	1	21	1	-
Financings	8,783	8,081	4,481	4,546
Investment securities	863	795	433	421
	<u>9,647</u>	<u>8,897</u>	<u>4,915</u>	<u>4,967</u>

18.2 Profit paid

	Six months ended		Three months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Customer deposits	4,629	4,693	2,354	2,353
Due to banks	559	12	335	8
	<u>5,188</u>	<u>4,705</u>	<u>2,689</u>	<u>2,361</u>
Net income from Islamic financing and investing activities	<u>4,459</u>	<u>4,192</u>	<u>2,226</u>	<u>2,606</u>

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

	Six months ended		Three months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Fees and commissions	9,920	7,944	5,159	4,373
Net gains from foreign exchange	2,801	2,499	753	1,886
Dividend income	192	211	1	(8)
Bad debt recovery	2	9	1	19
Gain/(loss) on sale of investments	(41)	3,280	(20)	409
	<u>12,874</u>	<u>13,943</u>	<u>5,894</u>	<u>6,679</u>

20. Other operating expenses

	Six months ended		Three months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Operating and administration costs	6,365	5,904	2,789	2,613
Occupancy cost	1,752	1,728	885	903
Directors remuneration	450	150	375	-
Directors sitting fees	6	24	4	11
Shari'a supervisory board remuneration and sitting fees	17	28	4	14
	<u>8,590</u>	<u>7,834</u>	<u>4,057</u>	<u>3,541</u>

21. Loan impairment charges and other credit risk provisions (net)

	Note	Six months ended		Three months ended	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
Net impairment charge / (release) on:					
Loans, advances and Islamic financings (net)	7	15,062	11,776	8,611	5,988
Contingent liabilities and commitments	15	(465)	(259)	(156)	(473)
Due from banks	6	(1)	(8)	-	(3)
Investment securities held at amortised cost	8.3	(1,506)	1,249	(2,195)	1,250
Investment securities held at FVOCI	8.2	(369)	10	(369)	7
Loan impairment charges and other credit risk provisions (net)		<u>12,721</u>	<u>12,768</u>	<u>(5,891)</u>	<u>6,769</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(Unaudited)
(RO'000)
22. Basic earnings per share

Basic earnings per share is calculated by dividing profit for the period less interest on perpetual Tier 1 capital securities by the weighted average number of shares outstanding during the period.

	Six months ended		Three months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Profit for the period	18,465	15,201	9,943	8,220
Less: Interest paid on perpetual Tier 1 capital securities	(7,563)	(7,563)	-	-
	<u>10,902</u>	<u>7,638</u>	<u>9,943</u>	<u>8,220</u>
Weighted average number of shares outstanding during the period ('000)	2,990,062	2,434,507	2,990,062	2,434,507
Basic earnings per share for the period (baisa)	<u>3.65</u>	<u>3.14</u>	<u>3.33</u>	<u>3.38</u>

There are no instruments that are dilutive in nature and hence the basic and diluted earnings per share are same for each period.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(RO'000)**
23. Financial Instruments

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

**30 June 2022
(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	2,299,350	26,740	4,537	22,203	2,294,813	-	-
	Stage 2	34,021	428	1,769	(1,341)	32,252	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	2,333,371	27,168	6,306	20,862	2,327,065	-	-
Special mention	Stage 1	115,506	989	624	365	114,882	-	-
	Stage 2	275,898	13,208	35,397	(22,189)	240,501	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	391,404	14,197	36,021	(21,824)	355,383	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	7,812	1,901	4,453	(2,552)	3,359	125	125
	Sub Total	7,812	1,901	4,453	(2,552)	3,359	125	125
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	8,023	3,608	3,341	267	4,682	345	345
	Sub Total	8,023	3,608	3,341	267	4,682	345	345
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	131,888	84,377	90,858	(6,481)	41,030	28,531	28,531
	Sub Total	131,888	84,377	90,858	(6,481)	41,030	28,531	28,531
Gross Loans, advances and Islamic financings (net)	Stage 1	2,414,856	27,729	5,161	22,568	2,409,695	-	-
	Stage 2	309,919	13,636	37,166	(23,530)	272,753	-	-
	Stage 3	147,723	89,886	98,652	(8,766)	49,071	29,001	29,001
	Sub Total	2,872,498	131,251	140,979	(9,728)	2,731,519	29,001	29,001
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	2,144,730	1	1,457	(1,456)	2,143,273	-	-
	Stage 2	47,784	-	1,190	(1,190)	46,594	-	-
	Stage 3	2,795	-	1,584	(1,584)	1,211	-	-
Sub total	2,195,309	1	4,231	(4,230)	2,191,078	-	-	
	Stage 1	4,559,586	27,730	6,618	21,112	4,552,968	-	-
	Stage 2	357,703	13,636	38,356	(24,720)	319,347	-	-
	Stage 3	150,518	89,886	100,236	(10,350)	50,282	29,001	29,001
	Total	5,067,807	131,252	145,210	(13,958)	4,922,597	29,001	29,001

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 JUNE 2022
(RO'000)**
23. Financial Instruments (continued)

 31 December 2021
(Audited)

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	2,176,534	31,065	4,832	26,233	2,171,702	-	-
	Stage 2	64,740	928	2,699	(1,771)	62,041	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		2,241,274	31,993	7,531	24,462	2,233,743	-	-
Special mention	Stage 1	76,374	844	374	470	76,000	-	-
	Stage 2	283,824	7,065	31,424	(24,359)	252,400	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		360,198	7,909	31,798	(23,889)	328,400	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	4,856	1,247	1,626	(379)	3,230	109	109
Sub Total		4,856	1,247	1,626	(379)	3,230	109	109
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	23,559	11,406	11,045	361	12,514	1,744	1,744
Sub Total		23,559	11,406	11,045	361	12,514	1,744	1,744
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	119,576	72,766	85,255	(12,489)	34,321	23,289	23,289
Sub Total		119,576	72,766	85,255	(12,489)	34,321	23,289	23,289
Gross Loans, advances and Islamic financings (net)								
Sub Total	Stage 1	2,252,908	31,909	5,206	26,703	2,247,702	-	-
	Stage 2	348,564	7,993	34,123	(26,130)	314,441	-	-
	Stage 3	147,991	85,419	97,926	(12,507)	50,065	25,142	25,142
Sub Total		2,749,463	125,321	137,255	(11,934)	2,612,208	25,142	25,142
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	2,032,190	3	3,587	(3,584)	2,028,603	-	-
	Stage 2	65,848	-	1,558	(1,558)	64,290	-	-
	Stage 3	2,774	-	1,428	(1,428)	1,346	-	-
Sub Total		2,100,812	3	6,573	(6,570)	2,094,239	-	-
Sub Total	Stage 1	4,285,098	31,912	8,793	23,119	4,276,305	-	-
	Stage 2	414,412	7,993	35,681	(27,688)	378,731	-	-
	Stage 3	150,765	85,419	99,354	(13,935)	51,411	25,142	25,142
Total		4,850,275	125,324	143,828	(18,504)	4,706,447	25,142	25,142

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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 (RO'000)**
23. Financial Instruments (continued)

 30 June 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	2,074,368	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	(493)	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	(4,103)	37,052	25,637	25,637
Gross Loans, advances and Islamic financings (net)	Stage 1	2,159,277	25,208	5,473	19,735	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	(17,763)	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	-	-
Sub total		1,939,226	19	4,503	(4,484)	1,934,723	-	-
	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

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

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(RO'000)

23. Financial Instruments (continued)

CBO circular BM 1149 requires excess of CBO provisions (calculated as the aggregate provision on portfolio & specific basis computed under CBO methodology) over IFRS 9 ECL provisions computed under IFRS9 to be transferred to an Impairment Reserve, a non-distributable reserve ineligible for regulatory capital, as an after tax appropriation from retained earnings. The Bank generally transfers this amount at the end of each financial year.

CBO circular BSD/CB & FLC/2022/001 suspended this requirement until 31 December 2022. Impairment reserve as at 30 June 2022 is RO 5.46 million (31 December 2021: RO 5.46 million 30 June 2021: RO 5.46 million).

30 June 2022 (Unaudited)	CBO RO'000	IFRS 9 RO'000	Difference RO'000
Loan impairment charges and other credit risk provisions (net)	21,126	12,721	(8,405)
Total ECL provisions and contractual interest/profit not recognised	160,253	145,210	(15,043)
Gross NPL ratio	5.14%	5.14%	-
Net NPL ratio	1.06%	1.80%	0.74%

(NPL ratios denominator is funded non-performing loans, advances and Islamic financings)

The reconciliation of ECL provision for all financial assets is as below:

	CBO	IFRS 9
Gross loans advances and Islamic financings	131,251	111,978
Due from Banks	1	-
Investment securities (amortised cost)	-	441
Investment securities (FVOCI)	-	428
Loan commitments and financial guarantees	-	3,362
Total ECL	131,252	116,209
Contractual interest/profit not recognised	29,001	29,001
Total ECL provisions and contractual interest/profit not recognised	160,253	145,210

The analysis of changes in the ECL provision on Due from banks, Loans, advances and Islamic financings (net) (excluding contractual interest/profit not recognised), Investment securities and Loan commitments and financial guarantees is as follows:

ECL provision	Stage 1	Stage 2	Stage 3	Total
At 1 January	8,793	35,681	74,212	118,686
Impairment charge	2,259	5,435	15,165	22,859
Impairment release	(5,054)	(1,889)	(3,196)	(10,138)
Loans written off	-	-	(1,393)	(1,393)
Loans transferred to memorandum portfolio	-	-	(14,189)	(14,189)
Loans transferred from memorandum portfolio	-	-	385	385
Transfers to Stage 1	751	(587)	(164)	-
Transfers to Stage 2	(116)	560	(444)	-
Transfers to Stage 3	(15)	(844)	859	-
At 30 June	6,618	38,356	71,235	116,209

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

30 June 2022 (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
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	95,758	2,355	474	1,881	95,284
	Stage 2	176,803	4,002	15,003	(11,001)	161,800
	Stage 3	-	-	-	-	-
Sub Total		272,561	6,357	15,477	(9,120)	257,084
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	95,758	2,355	474	1,881	95,284
	Stage 2	176,803	4,002	15,003	(11,001)	161,800
	Stage 3	-	-	-	-	-
Total		272,561	6,357	15,477	(9,120)	257,084

31 December 2021 (Audited)

CBO	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	75,445	727	371	356	75,074
	Stage 2	193,791	5,485	15,379	(9,894)	178,412
	Stage 3	-	-	-	-	-
Sub Total		269,236	6,212	15,750	(9,538)	253,486
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	75,445	727	371	356	75,074
	Stage 2	193,791	5,485	15,379	(9,894)	178,412
	Stage 3	-	-	-	-	-
Total		269,236	6,212	15,750	(9,538)	253,486

30 June 2021 (Unaudited)

CBO	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
		(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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 2022

(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 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Directors & senior management			
Loans, advances and Islamic financings at end of period	3,503	3,505	2,296
Disbursed during the period	287	1,811	184
Repaid during the period	(245)	(394)	(223)
Deposits at end of period	1,302	1,671	1,581
Received during the period	1,162	1,299	755
Matured/paid during the period	(1,217)	(1,992)	(973)
Interest income during the period	65	120	49
Interest expense during the period	8	22	10
Directors' sitting fees and remuneration	526	198	174
Shari'a Supervisory Board members	13	55	28
Other related parties			
Loans, advances and Islamic financings at end of period	67,738	71,947	64,672
Disbursed during the period	12,603	34,911	23,165
Repaid during the period	(1,108)	(3,486)	(1,163)
Deposits at end of period	9,258	14,895	11,474
Received during the period	2,754	6,726	3,344
Matured/paid during the period	(6,237)	(5,310)	(7,716)
Interest income during the period	1,807	3,856	1,934
Interest expense during the period	116	247	119

Key management compensation:

Key management comprises of 7 (2021:7) 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 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Key management personnel			
Loans, advances and Islamic financings at end of period	1,452	1,499	222
Deposits at end of the period	439	303	392
Interest Income during the period	23	22	5
Interest expense during the period	1	1	1
Salaries and other short term benefits	767	1,914	748
Post-employment benefits	32	34	22

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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 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2021 (Unaudited)
Loans, advances and Islamic financing at end of period	6,208	7,896	7,361
Disbursed during the period	6,013	7,728	6,882
Repaid during the period	-	(311)	-
Deposits at end of period	228	52	147
Received during the period	176	1	82
Matured/paid during the period	-	(90)	(77)
Interest income during the period	189	427	214
Interest expense during the period	1	1	-

As at 30 June 2022, no loans to related parties are classified under stage 3 (31 December 2021: nil, 30 June 2021; nil)

25. Fair value of financial instruments

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

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

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

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

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

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

At 30 June 2022 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	112,200	-	-	112,200
Due from banks	166,224	-	-	166,224
Investment securities	359,662	595,264	94,034	1,048,960
Loans, advances and Islamic financings (net)	2,731,519	-	-	2,731,519
Other assets (excluding prepayments)	249,233	-	-	249,233
	<u>3,618,838</u>	<u>595,264</u>	<u>94,034</u>	<u>4,308,136</u>
Liabilities				
Due to banks	883,669	-	-	883,669
Customer deposits	2,567,980	-	-	2,567,980
Other liabilities (excluding other accruals & provisions)	247,837	-	-	247,837
Subordinated loans	35,385	-	-	35,385
	<u>3,734,871</u>	<u>-</u>	<u>-</u>	<u>3,734,871</u>

At 31 December 2021 (Audited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	95,873	-	-	95,873
Due from banks	172,959	-	-	172,959
Investment securities	343,688	594,217	94,099	1,032,004
Loans, advances and Islamic financings (net)	2,612,208	-	-	2,612,208
Other assets (excluding prepayments)	166,732	-	-	166,732
	<u>3,391,460</u>	<u>594,217</u>	<u>94,099</u>	<u>4,079,776</u>
Liabilities				
Due to banks	918,863	-	-	918,863
Customer deposits	2,394,465	-	-	2,394,465
Other liabilities (excluding other accruals & provisions)	164,507	-	-	164,507
Subordinated loans	35,392	-	-	35,392
	<u>3,513,227</u>	<u>-</u>	<u>-</u>	<u>3,513,227</u>

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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	154,392	-	-	154,392
Investment securities	336,912	589,494	94,133	1,020,539
Loans, advances and Islamic financings (net)	2,525,829	-	-	2,525,829
Other assets (excluding prepayments)	159,237	-	-	159,237
	<u>3,294,778</u>	<u>589,494</u>	<u>94,133</u>	<u>3,978,405</u>
Liabilities				
Due to banks	969,869	-	-	969,869
Customer deposits	2,304,001	-	-	2,304,001
Other liabilities (excluding other accruals & provisions)	149,563	-	-	149,563
Subordinated loans	35,385	-	-	35,385
	<u>3,458,818</u>	<u>-</u>	<u>-</u>	<u>3,458,818</u>

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

30 June 2022 (Unaudited)	Investment securities	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	5,093	-	-	5,093
Level 2	681,029	2,367	(18)	683,378
Level 3	3,176	-	-	3,176
	<u>689,298</u>	<u>2,367</u>	<u>(18)</u>	<u>691,647</u>

31 December 2021 (Audited)	Investments securities	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	5,084	-	-	5,084
Level 2	680,056	4,278	(79)	684,255
Level 3	3,176	-	-	3,176
	<u>688,316</u>	<u>4,278</u>	<u>(79)</u>	<u>692,515</u>

30 June 2021 (Unaudited)	Investment securities	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	5,518	-	-	5,518
Level 2	674,933	3,828	(402)	678,359
Level 3	3,176	-	-	3,176
	<u>683,627</u>	<u>3,828</u>	<u>(402)</u>	<u>687,053</u>

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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 2022 (Unaudited)	Positive FV	Negative FV	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	49	18	940,063	823,121	116,942	-
Forward foreign exchange sales contracts	2,318	-	947,206	831,681	115,526	-

As at 31 December 2021 (Audited)	Positive FV	Negative FV	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	20	68	882,431	743,102	139,329	-
Forward foreign exchange sales contracts	4,258	11	880,233	744,165	136,069	-

As at 30 June 2021 (Unaudited)	Positive FV	Negative FV	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

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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 2022	31 December 2021	30 June 2021
LCR	208.9%	271.6%	117.3%
LCR (average for the quarter)	180.8%	196.6%	124.0%
NSFR	120.0%	113.2%	120.5%
Leverage ratio	12.8%	13.7%	12.6%

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

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

30 June 2022 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	883,669	883,711	103,093	426,404	354,214
Customer deposits	2,567,980	2,635,892	1,610,464	498,563	526,865
Other liabilities	280,511	280,511	280,511	-	-
Subordinated loans	35,385	37,720	351	29,643	7,726
Total	3,767,545	3,837,834	1,994,419	954,610	888,805

31 December 2021 (Audited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	918,863	1,023,051	468,507	2,752	551,792
Customer deposits	2,394,465	2,468,811	1,422,861	574,783	471,167
Other liabilities	188,687	188,687	188,687	-	-
Subordinated loans	35,392	38,668	325	1,956	36,387
Total	3,537,407	3,719,217	2,080,380	579,491	1,059,346

30 June 2021 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	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	176,223	176,226	175,720	506	-
Subordinated loans	35,385	41,389	349	2,101	38,939
Total	3,485,478	3,727,256	2,133,318	529,621	1,064,317

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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 2022	31 December 2021	30 June 2021
CET 1 capital			
Ordinary share capital	295,355	295,355	245,355
Share premium	18,038	18,038	18,038
Legal reserve	34,389	34,389	30,520
General reserve	988	988	988
Subordinated loan reserve	28,000	28,000	21,000
Retained earnings	(2,998)	4,565	5,892
Fair value losses	(1,715)	(2,181)	(2,156)
Total CET 1 capital	372,057	379,154	319,637
Additional Tier 1 capital			
Perpetual Tier 1 Capital Securities	200,000	200,000	200,000
Total Tier 1 capital	572,057	579,154	519,637
Tier 2 capital			
Impairment provision on portfolio basis	6,618	17,537	17,204
Fair value gains	10	-	-
Subordinated loan	-	7,000	14,000
Total Tier 2 capital	6,628	24,537	31,204
Total regulatory capital	578,685	603,691	550,841
Risk weighted assets			
Credit and market risks	3,128,609	2,967,799	2,857,422
Operational risk	199,723	199,723	191,888
Total risk weighted assets	3,328,332	3,167,522	3,049,310
Capital adequacy ratio			
Total regulatory capital expressed as a percentage of total risk weighted assets	17.39%	19.06 %	18.06%
Total tier I capital expressed as a percentage of total risk weighted assets	17.19%	18.28 %	17.04%
Total CET 1 capital expressed as a percentage of total risk weighted assets	11.18%	11.97 %	10.48%

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.

Total CET 1 capital excludes impairment reserve, interim profits for the period and an adjustment to fair value for unrealised gains. Proposed dividends (if any) are deducted from retained earnings.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 JUNE 2022 (RO'000)

29. Segmental information

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

Retail banking:

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

Wholesale banking:

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

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 2022 or 2021.

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29.1 Segmental information (continued)

	Retail banking	Wholesale banking	Islamic banking	Head Office	Total
30 June 2022					
PROFIT AND LOSS					
Net interest income	10,534	32,810	-	-	43,344
Net income from Islamic financing and investing activities	-	-	4,459	-	4,459
Other operating income	4,054	7,937	883	-	12,874
Total operating income	14,588	40,747	5,342	-	60,677
Total operating expenses	(11,317)	(12,460)	(2,445)	-	(26,222)
Net operating income before impairment provisions	3,271	28,287	2,897	-	34,455
Loan impairment charges and other credit risk provisions (net)	(253)	(12,554)	86	-	(12,721)
Segment Profit	3,018	15,733	2,983	-	21,734
Income tax expense	(504)	(2,318)	(447)	-	(3,269)
PROFIT FOR THE PERIOD	2,514	13,415	2,536	-	18,465
FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	-	73,362	38,838	-	112,200
Due from banks	-	137,944	28,280	-	166,224
Investment securities	-	1,019,577	29,383	-	1,048,960
Loans, advances and Islamic financings (net)	756,638	1,607,468	367,413	-	2,731,519
Other assets	-	224,666	1,381	27,387	253,434
Investment properties	-	-	-	2,900	2,900
Property and equipment	-	-	729	47,587	48,316
TOTAL ASSETS	756,638	3,063,017	466,024	77,874	4,363,553
Liabilities					
Due to banks	-	839,720	43,949	-	883,669
Customer deposits	768,226	1,422,455	377,299	-	2,567,980
Other liabilities	-	222,359	2,568	55,584	280,511
Subordinated loans	-	-	-	35,385	35,385
TOTAL LIABILITIES	768,226	2,484,534	423,816	90,969	3,767,545
Internal funding (net)	(11,588)	578,483	-	(566,895)	-
TOTAL EQUITY	-	-	42,208	553,800	596,008
TOTAL LIABILITIES & EQUITY	756,638	3,063,017	466,024	77,874	4,363,553

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29.1 Segmental information (continued)

	Retail banking	Wholesale banking	Islamic banking	Head Office	Total
30 June 2021					
PROFIT AND LOSS					
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 before impairment provisions	2,826	26,094	1,718	-	30,638
Loan impairment charges and other credit risk provisions, net	(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
FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	-	82,692	35,716	-	118,408
Due from banks	-	144,342	10,050	-	154,392
Investment securities	-	992,030	28,509	-	1,020,539
Loans, advances and Islamic financings (net)	774,233	1,472,796	278,800	-	2,525,829
Other assets	-	133,654	723	27,934	162,311
Investment properties	-	-	-	2,900	2,900
Property and equipment	-	-	780	45,946	46,726
TOTAL ASSETS	774,233	2,825,514	354,578	76,780	4,031,105
Liabilities					
Due to banks	-	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	181,546
Subordinated loans	-	-	-	35,385	35,385
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

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.