



SOHAR INTERNATIONAL BANK SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2022

Chairman's Report for the three months ended 31 March 2022

With strong financial indicators attesting to our winning journey, I'm honored to present Sohar International's results for the three months ended 31 March 2022. The bank's ongoing positive performance is a direct result of its successful agile growth strategy implementation as it continues to serve Oman and the people of Oman placing customers at the heart everything it does.

Demonstrating strong resilience, Oman's economy is currently on an upward trajectory and other economic indicators are also reflecting an optimistic outlook. In a recent report, The International Monetary Fund, in its World Economic Outlook for April 2022, projected that Oman's GDP would grow by 5.6 percent in 2022, a further 2.7 percent in 2023, and 2.5 percent in 2024. The projected GDP is a result of the goals outlined in Oman Vision 2040 to shift to a diversified economy. The country is taking efforts to encourage foreign direct investment by establishing lucrative business opportunities for investors. While this is bound to have a positive effect on the GDP, it will also give a boost to the banking sector.

To cater for this rise in demand, we continue to implement a strategic harmonization of people, technology, and innovation and uphold a superior level of excellence in all our operations to become a world-leading Omani service company that helps people, customers, and communities to grow and prosper.

FINANCIAL RESULTS

Profit for the period increased 22.1% to RO 8.52 million compared to RO 6.98 million for the same period last year. Total operating income increased 15.9% to RO 30.36 million, (31 March 2021: RO 26.19 million), driven by increases in net interest income, fees and commissions and foreign exchange.

Total operating expenses increased by 11.9% to RO 13.43 million (31 March 2021: RO 12.0 million). Increased expenses reflect the bank's continued investment in people and technology supporting the bank's strategic objectives as well as significant contributions to the community.



Net operating income before impairment provisions increased by 19.3% to RO 16.93 million compared to RO 14.19 million for the same period last year, resulting in a cost-to-income ratio of 44.2% (31 March 2021: 45.8%). Net impairment charges and other credit risk provisions for the period was RO 6.83 million compared to RO 6.0 million for the same period last year.

Total assets as at 31 March 2022 increased by 11.8% to RO 4,196 million (31 March 2021: RO 3,754 million) mainly driven by increase in loans, advances and financings and investment securities. Loans, advances and financings increased by 5.5% to RO 2,671 million (31 March 2021: RO 2,531 million) reflecting the bank's prudence in managing growth in the current economic conditions.

Customer deposits increased by 5.1% to RO 2,410 million (31 March 2021: RO 2,293 million), in line with the bank's growth in loans, advances and financings, highlighting the bank's funding strength.

Increase in shareholder's equity from RO 532.6 million to RO 585.5 million includes the highly successful rights issue in 2021 of RO 50 million.

With key financial indicators testifying to the bank's exemplary performance in the financial year ended 31 December 2021 Sohar International was awarded "Fastest growing commercial bank award- Oman 2021" by UK-based Global Economics.

SERVING CUSTOMERS

Staying true to its ethos of customer-centricity, Sohar International believes in banking that enriches the lives of customers through offering an ecosystem of value added propositions, directly or through partnerships. In this regard, the bank, including the bank's Islamic banking window – Sohar Islamic, have collaborated and signed several MoU's in the first quarter.

Specializing in identifying and funding game-changing companies in the technology-enabled sectors, the international firm - Hambro Perks, have been the latest partner in the bank's endeavors to enhance its' investment offerings. In addition, the bank has remained relentless in its efforts to improve financial awareness across our society by offering meaningful and beneficial advice on various financial instruments. With a strong portfolio of lucrative investment products, the bank has been able to attract and excite the interest of customers through continued enhancements of its wealth advisory capabilities.



Contributing towards economic diversification and creating in country value as well as job opportunities for young Omanis, Sohar International signed an agreement with Al Hadeetha Resources to finance a large scale mining project in North Al Sharqiyah. Another important project funded through Sohar Islamic, which has already commenced operations and contributing towards the national economy, is The Black Gold Drilling Mud Production Plan in

Nimr – a state of the art eco-friendly facility designed to recycle water based mud used in the drilling of oil wells.

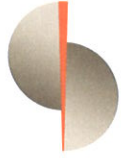
With a firm belief in creating opportunities rather than waiting for them, the bank has proactively sought out partnerships to be present in various parts of the country that have strong potential. One such example is having partnered with Madayn Oman in order to offer Sohar Islamic retail and wholesale banking services at their various branches. This is in addition to presenting financial offerings, in partnership with various directorates within the country, to various regions and ensure further financial inclusion.

Complementing the lifestyles of our customers, Sohar Islamic was the first bank to sign an MoU with Open Sooq Oman. Amongst the highlights of the MoU was providing an auto loan solution to users of the platform with ease of documentation and approvals. As most bans on travel have been lifted, the bank also sought to partner with the airline industry to provide special offers to customers and in particular the bank's cardholders.

REDEFINING WITH DIGITAL

Sohar International's already well-established investments in technology has helped the bank to execute transformation projects seamlessly. By continuously promoting a culture of innovation and applying that to our processes, products, and services, we have achieved superior business outcomes.

Having on- boarded a significant number of customers to our digital platforms, we continue to enhance such channels to complement customer lifestyles, ultimately providing an experience that is seamless. This quarter witnessed the introduction of key new features on the customer applications including security and ease of performing transactions with many more features planned for the near future. While the bank continues to grow, its commitment to cybersecurity measures and safeguarding its customers' data remains uncompromised.



The bank has also adopted a proactive approach to continuous enhancement to its core software, operating platforms, and technological capabilities. Our analytics-driven decision making complements the techno-functional skillsets of our employees and has helped us build an agile system that delivers an exceptional banking experience.

SERVING OUR COMMUNITY

Sohar International is keenly aware of its responsibilities toward society and has conducted several community engagement activities in the past quarter. The bank's new campaign - 'Take It From Us', reaffirms its commitment to raising financial awareness in the community, instilling prudent saving and investment habits amongst the youth, and introducing individuals to an array of banking products and services.

The endeavour to position the nation as a leading sports destination continues with the bank lending its support to pivotal events such as the Oman International Rally. To highlight the country's culture, the bank extended its support to the traditional Omani cultural shooting competition. In addition, the bank has successfully showcased the diversification that Oman offers to adventurers from wadi trekking to paragliding.

Sohar International has always remained committed to supporting the nation's youth and has promoted several campaigns geared at enhancing career prospects such as actively participating in the Sultan Qaboos University Career and Training Fair 2022. Sohar International employees interacted with several Omani students from various local and international universities and colleges, and in the process, inspired them to remain committed to achieving their career aspirations.

In keeping with its vision to inspire a transformational change amongst the Omani community, the bank's highly-anticipated event 'Viewpoints – Sohar International Chairman's forum' concluded its ninth virtual session with guest speaker Ms. Mary Louise Gorno, the Managing Director of Ingenuity International, highlighting the importance of courageous leadership. This unique thought leadership forum has garnered immense appreciation for hosting international speakers and providing an interactive platform.

CARING FOR EMPLOYEES

Acknowledging the importance of human capital, Sohar International continues to promote a culture of growth and innovation, and places a keen interest in talent management. Such focus has resulted in the bank nominating and enabling employees complete the National Leadership Program – Etimad, that plays a significant role in enhancing leadership capabilities.



Moreover, the bank continues - through its academy – to offer valuable learnings and courses that have a direct benefit to employees and the way they conduct business, alongside other internal platforms that consistently keep staff engaged to the bank's key strategic agenda. Keeping the broad interest of its employees in mind, the bank focuses on creating a conducive work environment that instils creative thinking, fosters healthy competition, and encourages individuals to strive for leadership roles.

RECOGNITION

I would like to express my gratitude to our stakeholders who have continued to bestow upon us utmost good faith, trust, and confidence. At the same time, I would also like to applaud the efforts of all our employees who have aligned themselves with the goals of the organisation and have demonstrated superior levels of agility and dedication.

We are grateful for the strong governance, transparency, and leadership demonstrated by the Central Bank of Oman and the Capital Market Authority. It has been 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.

Mohammed Mahfoudh Al Ardhi
Chairman

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022
(RO'000)

		31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
ASSETS	Note			
Cash and balances with Central Bank	5	101,755	95,873	110,030
Due from banks	6	123,661	172,959	107,447
Investment securities	8	1,015,774	1,032,004	869,420
Loans, advances and financings (net)	7	2,670,692	2,612,208	2,531,032
Other assets	9	233,453	170,302	87,697
Investment properties		2,900	2,900	2,900
Property and equipment		47,895	47,739	45,704
TOTAL ASSETS		4,196,130	4,133,985	3,754,230
LIABILITIES				
Due to banks	10	905,320	918,863	790,094
Customer deposits	11	2,410,225	2,394,465	2,293,415
Other liabilities	12	259,472	188,687	102,470
Subordinated loans		35,645	35,392	35,645
TOTAL LIABILITIES		3,610,662	3,537,407	3,221,624
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		(2,288)	(2,181)	(1,951)
Subordinated loans reserve		28,000	28,000	21,000
Impairment reserve		5,464	5,464	5,464
Retained earnings		5,522	16,525	13,192
TOTAL SHAREHOLDERS' EQUITY		385,468	396,578	332,606
Perpetual Tier 1 capital securities	14	200,000	200,000	200,000
TOTAL EQUITY		585,468	596,578	532,606
TOTAL LIABILITIES AND EQUITY		4,196,130	4,133,985	3,754,230
CONTINGENT LIABILITIES	15.1	298,087	338,521	402,175
COMMITMENTS	15.2	533,930	519,826	523,604
		<i>Baisa</i>	<i>Baisa</i>	<i>Baisa</i>
Net assets per share		128.9	132.6	136.6

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on 28 April 2022 and signed on their behalf by:

Chairman

Board member

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2022

(Unaudited)

(RO'000)

	Notes	31 March 2022	31 March 2021
Interest income	16	37,414	35,212
Interest expense	17	(16,264)	(17,870)
Net interest income		21,150	17,342
Net income from Islamic financing and investing activities	18.2	2,233	1,586
Other operating income	19	6,980	7,264
TOTAL OPERATING INCOME		30,363	26,192
Staff costs		(7,967)	(6,932)
Other operating expenses	20	(4,533)	(4,293)
Depreciation		(934)	(776)
TOTAL OPERATING EXPENSES		(13,434)	(12,001)
NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		16,929	14,191
Loan impairment charges and other credit risk provisions (net)	21	(6,830)	(5,999)
PROFIT BEFORE TAX		10,099	8,192
Income tax expense		(1,577)	(1,211)
PROFIT FOR THE PERIOD		8,522	6,981
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Items that will not be reclassified to profit and loss			
Revaluation losses on equity instruments held at fair value through other comprehensive income (FVOCI)		(15)	(28)
Items to be reclassified subsequently to profit and loss			
Net changes in fair value on debt instruments classified FVOCI		(92)	1,514
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD, NET OF INCOME TAX		(107)	1,486
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		8,415	8,467
Profit for the period			
Conventional banking		7,439	6,806
Islamic banking		1,083	175
		8,522	6,981
Basic earnings per share for the period	22	Baisa 0.32	Baisa (0.24)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 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	-	-	-	-	-	-	-	8,522	8,522	-	8,522
Other comprehensive loss for the period	-	-	-	-	(107)	-	-	-	(107)	-	(107)
Total comprehensive income for the period	-	-	-	-	(107)	-	-	8,522	8,415	-	8,415
Dividends approved for the year 2021	-	-	-	-	-	-	-	(11,961)	(11,961)	-	(11,961)
Perpetual Tier 1 interest paid for the period	-	-	-	-	-	-	-	(7,564)	(7,564)	-	(7,564)
Balance as at 31 March 2022	295,355	18,038	34,389	988	(2,288)	28,000	5,464	5,522	385,468	200,000	585,468

Balance as at 1 January 2021	245,355	18,038	30,520	988	(3,437)	21,000	5,464	13,774	331,702	200,000	531,702
Profit for the period	-	-	-	-	-	-	-	6,981	6,981	-	6,981
Other comprehensive gain for the period	-	-	-	-	1,486	-	-	-	1,486	-	1,486
Total comprehensive income for the period	-	-	-	-	1,486	-	-	-	8,467	-	8,467
Perpetual Tier 1 interest paid for the period	-	-	-	-	-	-	-	(7,563)	(7,563)	-	(7,563)
Balance as at 31 March 2021	245,355	18,038	30,520	988	(1,951)	21,000	5,464	13,192	332,606	200,000	532,606

INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2022
(Unaudited)
(RO'000)

	31 March 2022	31 March 2021
OPERATING ACTIVITIES		
Profit before tax	10,099	8,192
Adjustments for:		
Depreciation	934	776
Loan impairment charges and other credit risk provisions (net)	6,830	5,999
Net loss/(gain) on investments	21	(2,871)
Income from Islamic investment activities	(430)	(374)
Interest on investments	(6,138)	(4,723)
Interest accrued on subordinated loans	604	604
Cash from operating activities before changes in operating assets and liabilities	11,920	7,603
Due from banks	(5,068)	150
Loans, advances and financings (net)	(64,934)	(33,325)
Investment held at fair value through profit or loss (FVTPL)	(683)	2,225
Other assets	(62,253)	(12,717)
Due to banks	184,621	9,927
Customer deposits	15,759	61,850
Other liabilities	57,756	9,282
Net cash from operating activities, net of tax	137,118	44,995
INVESTING ACTIVITIES		
Purchase of investments (net)	-	(10,854)
Proceeds from sale of investments	-	11,935
Acquisition of property and equipment	(1,090)	(2,200)
Income from Islamic investment activities	-	84
Interest received on investments	6,138	4,723
Net cash from investing activities	5,048	3,688
FINANCING ACTIVITIES		
Interest paid on subordinated loans	(353)	(353)
Interest paid on perpetual Tier 1 capital securities	(7,564)	(7,563)
Net cash used in financing activities	(7,917)	(7,916)
NET CHANGE IN CASH AND CASH EQUIVALENTS	134,249	40,767
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	593,226	255,660
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	727,475	296,427
REPRESENTING:		
Cash and balances with Central Bank (other than capital deposit)	101,253	109,528
Due from banks with original maturity (OM) of 90 days or less	123,502	104,851
Investment securities with OM of 90 days or less	563,653	538,978
Due to banks with OM of 90 days or less	(60,933)	(456,930)
	727,475	296,427

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

(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 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 886 employees as of 31 March 2022 (31 December 2021: 888, 31 March 2021: 875).

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

(RO'000)

2. Basis of preparation (continued)

2.4 Use of estimates and judgements

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

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

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

For the period ended 31 March 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 31 MARCH 2022 (RO'000)

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

3.a Interest Rate Benchmark Reforms (continued)

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.

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 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 and another 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

(RO'000)

5. Cash and balances with Central Bank

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Cash	33,140	34,551	32,128
Capital deposit with CBO	502	507	502
Balance with CBO	68,113	60,815	77,400
	<u>101,755</u>	<u>95,873</u>	<u>110,030</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 96.906 million (31 December 2021: RO 95.690 million, 31 March 2021: RO 86.477million).

6. Due from banks

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
<i>Local currency:</i>			
Money market placements	-	-	20,005
	<u>-</u>	<u>-</u>	<u>20,005</u>
<i>Foreign currency:</i>			
Money market placements	80,131	145,147	47,479
Lending to banks	154	462	2,475
Demand balances	43,376	27,351	37,520
	<u>123,661</u>	<u>172,960</u>	<u>87,474</u>
	<u>123,661</u>	<u>172,960</u>	<u>107,479</u>
Expected credit loss allowance	-	(1)	(32)
	<u>123,661</u>	<u>172,959</u>	<u>107,447</u>

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

Gross carrying amount

	31 March 2022 (Unaudited)				31 March 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	16,059	-	-	16,059	33,286
Assets derecognised or matured	(65,050)	(308)	-	(65,358)	(7,423)
At 31 March	<u>123,507</u>	<u>154</u>	<u>-</u>	<u>123,661</u>	<u>107,479</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)

6. Due from banks (continued)

ECL	31 March 2022 (Unaudited)				31 March 2021 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	-	1	-	1	32
Net (release)/charge for the year (Note 21)	-	(1)	-	(1)	-
At 31 March	-	-	-	-	32

7. Loans, advances and financings (net)

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Corporate	1,887,677	1,833,296	1,724,841
Retail	911,654	916,167	943,560
Gross loans, advances and financings	2,799,331	2,749,463	2,668,401
Expected credit loss allowance	(103,220)	(112,113)	(112,308)
Contractual interest not recognised	(25,419)	(25,142)	(25,061)
	(128,639)	(137,255)	(137,369)
	2,670,692	2,612,208	2,531,032

Gross loans, advances and financings include RO 346.051 million (31 December 2021: RO 336.012 million, 31 March 2021: RO 273.863 million) through Sohar Islamic financing activities.

Loans, advances and financings (net) comprise:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Loans	2,590,275	2,525,822	2,428,954
Overdrafts	132,409	122,478	104,755
Loans against trust receipts	56,628	69,542	87,622
Bills discounted	20,019	31,621	47,070
Gross loans, advances and financings	2,799,331	2,749,463	2,668,401
Expected credit loss allowance	(103,220)	(112,113)	(112,308)
Contractual interest not recognised	(25,419)	(25,142)	(25,061)
	(128,639)	(137,255)	(137,369)
	2,670,692	2,612,208	2,531,032

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)

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

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

31 March 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	96,638	61,628	2,541	160,807
Assets derecognised or repaid	(26,923)	(66,713)	(1,960)	(95,596)
Loans written off	-	-	(1,253)	(1,253)
Loans transferred to memoranda portfolio	-	-	(14,302)	(14,302)
Loans brought back from memoranda portfolio	-	-	212	212
Transfers to Stage 1	14,047	(13,989)	(58)	-
Transfers to Stage 2	(15,059)	16,892	(1,833)	-
Transfers to Stage 3	(724)	(6,653)	7,377	-
At 31 March	2,320,887	339,729	138,715	2,799,331
ECL	Stage 1	Stage 2	Stage 3	Total
At 1 January	5,206	34,123	72,784	112,113
Expected credit losses recognised	2,309	1,736	8,747	12,792
Recoveries from expected credit losses	(1,386)	(4,219)	(736)	(6,341)
Loans written off	-	-	(1,253)	(1,253)
Loans transferred to memorandum portfolio	-	-	(14,302)	(14,302)
Loans brought back from memorandum portfolio	-	-	212	212
Transfers to Stage 1	492	(464)	(28)	-
Transfers to Stage 2	(119)	630	(512)	-
Transfers to Stage 3	(3)	(542)	545	-
At 31 March	6,499	31,264	65,457	103,220

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

(RO'000)

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

31 March 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	292,995	22,775	1,819	317,589
Assets derecognised or repaid	(262,592)	(18,225)	(558)	(281,375)
Loans written off	(12)	(1)	-	(13)
Loans brought back from memoranda portfolio	-	-	89	89
Transfers to Stage 1	9,899	(9,806)	(93)	-
Transfers to Stage 2	(21,104)	22,054	(950)	-
Transfers to Stage 3	(191)	(3,057)	3,248	-
At 31 March	2,149,732	358,028	160,641	2,668,401

ECL	Stage 1	Stage 2	Stage 3	Total
At 1 January	5,125	41,659	59,659	106,443
Expected credit losses recognised	1,336	7,407	2,861	11,604
Recoveries from expected credit losses	(1,369)	(3,567)	(881)	(5,817)
Loans written off	(12)	-	-	(12)
Loans brought back from memorandum portfolio	-	-	89	89
Transfers to Stage 1	401	(401)	-	-
Transfers to Stage 2	(370)	694	(323)	-
Transfers to Stage 3	(8)	(592)	600	-
At 31 March	5,103	45,200	62,005	112,308

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

	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Contractual interest not recognised		
Balance at beginning of year	25,142	22,171
Not recognised during the period	2,520	6,562
Written back due to recovery	(2,243)	(3,672)
Balance at end of the period	25,419	25,061

All loans, advances and financings 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 financings that are impaired. As of 31 March 2022, loans and advances on which interest was not being accrued or where interest was reserved amounted to RO 138.7 million. (31 December 2021: RO 148.0 million, 31 March 2021: RO 160.6 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)
8. Investment securities

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Equity Investments:			
Held at FVOCI	5,744	5,759	6,285
Total Equity Investments	5,744	5,759	6,285
Debt Investments			
Held at FVTPL	94,761	94,099	96,791
Held at FVOCI	573,927	589,255	546,687
Less : Expected credit loss allowance	(1,479)	(797)	(882)
FVOCI debt investments (net)	572,448	588,458	545,805
Held at amortised cost	344,775	345,635	221,160
Less : Expected credit loss allowance	(1,954)	(1,947)	(621)
Held at amortised cost (net)	342,821	343,688	220,539
Total Debt Investments	1,010,030	1,026,245	863,135
Total Investment securities	1,015,774	1,032,004	869,420

8.1 Held at FVTPL

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Unquoted equity investments - Oman			
Service sector	2,500	2,500	2,500
Quoted debt investments – Foreign			
Service sector	136	114	117
Quoted debt investments – Oman			
Government development bonds (GDB)	92,125	91,485	92,253
Sukuk trust certificates – secured	-	-	1,921
Total FVTPL investments	94,761	94,099	96,791

As at 31 March 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%, 31 March 2021: 12.66%). The Bank has an Investment Management Agreement with the Fund.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)

8 Investment securities (continued)

8.2 Held at FVOCI

	Carrying / fair value 31 March 2022 (Unaudited)	Cost 31 March 2022 (Unaudited)	Carrying / fair value 31 December 2021 (Audited)	Cost 31 December 2021 (Audited)	Carrying / fair value 31 March 2021 (Unaudited)	Cost 31 March 2021 (Unaudited)
Quoted equity investments – Oman						
Service Sector	5,744	7,013	5,759	7,013	6,285	7,828
Unquoted equity investments – Oman						
Service sector	-	34	-	34	-	34
Total Equity Investments	5,744	7,047	5,759	7,047	6,285	7,862
Quoted debt investments – Oman						
Real estate	7,214	7,854	7,138	7,854	7,709	7,854
Less : Expected credit loss allowance	(429)	-	(429)	-	(866)	-
Finance sector (Treasury bills & GDB)	212,433	212,284	227,874	227,707	184,730	184,709
Less : Expected credit loss allowance	(14)	-	(14)	-	(7)	-
Quoted debt investments – Foreign						
Finance sector (Treasury bills)	354,280	354,414	354,243	354,258	354,248	354,261
Less : Expected credit loss allowance	(1,036)	-	(354)	-	(9)	-
Total debt investments	572,448	574,552	588,458	589,819	545,805	546,824
Total investments held at FVOCI	578,192	581,599	594,217	596,866	552,090	554,686

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

ECL	31 March 2022 (Unaudited)				31 March 2021 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
Balance at 1 January 2022	368	429	-	797	880
Expected credit losses recognised	682	-	-	682	2
At 31 March 2022	1,050	429	-	1,479	882

USD Treasury bills of RO 354.2 million (31 December 2021: RO 354.3 million, 31 March 2021: 334.2 million) are assigned as collateral against the bank's borrowings of RO 354.2 million (31 December 2021: RO 354.2 million, 31 March 2021: 354.2 million)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)

8. Investment securities (continued)

8.3 Held at amortised cost

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Quoted debt investments – Oman			
Government Development Bonds	321,754	322,936	198,139
Service sector	23,021	22,699	23,021
	344,775	345,635	221,160
Expected credit loss allowance	(1,954)	(1,947)	(621)
Total Investments held at amortised cost	342,821	343,688	220,539

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:

	31 March 2022 (Unaudited)				31 March 2021 (Unaudited)
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total	
At 1 January	337,412	8,223	-	345,635	222,166
Assets released	(860)	-	-	(860)	(1,004)
At 31 March	336,552	8,223	-	344,775	221,160
ECL	Stage 1	Stage 2	Stage 3	Total	31 March 2021 (Unaudited)
At 1 January	1,554	393	-	1,947	625
Expected credit losses recognised	7	-	-	7	(4)
At 31 March	1,561	393	-	1,954	621

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)

9. Other assets

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Acceptances	197,840	137,795	56,963
Prepayments	5,213	3,570	3,020
Receivables	2,852	2,191	1,423
Positive fair value of derivatives (Note 25)	3,349	4,278	3,023
Right-to-use assets	7,006	7,437	7,433
Others	17,193	15,031	15,835
	233,453	170,302	87,697

10. Due to banks

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	15,011	17,028	88,554
Demand balances	8,837	5,109	6,473
	23,848	22,137	95,027
<i>Foreign currency:</i>			
Money market borrowings	815,857	733,966	559,941
Demand balances	46,276	47,004	11
Syndicated borrowings	19,339	115,756	135,115
	881,472	896,726	695,067
Total Due to banks	905,320	918,863	790,094

Foreign currency borrowings include bank borrowings amounting to RO 354.24 million (December 2021: RO 354.24 million, March 2021: RO 354.2 million) with underlying collateral in the form of USD Treasury bills of RO 354.28 million (December 2021: RO 354.26 million, March 2021: RO 354.24 million)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)
11. Customer deposits

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Term deposits	794,011	880,737	927,437
Demand deposits	893,894	841,706	716,493
Saving deposits	366,635	324,360	291,433
Margin deposits	62,245	64,919	64,463
	<u>2,116,785</u>	<u>2,111,722</u>	<u>1,999,826</u>

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Islamic Banking			
Term deposits	160,380	137,984	151,561
Demand deposits	86,140	92,660	90,330
Saving deposits	45,518	50,742	49,049
Margin deposits	1,402	1,357	2,649
	<u>293,440</u>	<u>282,743</u>	<u>293,589</u>
Total Customer deposits	<u><u>2,410,225</u></u>	<u><u>2,394,465</u></u>	<u><u>2,293,415</u></u>

12. Other liabilities

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Acceptances	197,840	137,795	56,963
Staff entitlements	2,875	5,321	2,136
Income tax payable	11,203	9,616	9,992
Negative fair value of derivatives (Note 25)	16	79	597
Deferred tax liabilities	1,106	1,115	875
Other accruals and provisions	24,118	24,180	22,300
Dividend payable	11,961	-	-
Expected credit loss allowance on loan (Note 15.1)			
commitments and financial guarantees	3,519	3,828	2,186
Lease liability on right of use assets	6,834	6,753	6,918
Certificates of deposit	-	-	503
	<u>259,472</u>	<u>188,687</u>	<u>102,470</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 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). The issued shares of the Bank are 2,990,062,290 shares (31 December 2021: 2,990,062,290 shares, 31 March 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, 31 March 2021: RO 245.355 million).

As at 31 March 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 March 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 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 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 31 March 2022 (31 December 2021: 15.25 million, 31 March 2021: RO 7.56 million) and is recognised in the statement of changes in equity.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 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.

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Guarantees	223,004	235,442	205,460
Documentary letters of credit	75,083	103,079	196,715
	<u>298,087</u>	<u>338,521</u>	<u>402,175</u>

15.2 Commitments

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

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Capital commitments	2,698	3,311	2,826
Credit related commitments	531,232	516,515	520,778
	<u>533,930</u>	<u>519,826</u>	<u>523,604</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(Unaudited)
(RO'000)
15. Contingent liabilities and commitments (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:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Contingent liabilities	298,087	338,521	402,175
Commitments	533,930	519,826	523,604
Acceptance and others	195,142	134,615	54,137
	<u>1,027,159</u>	<u>992,962</u>	<u>979,916</u>

Outstanding exposure

	31 March 2022 (Unaudited)				31 March 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	311,837	4,448	59	316,344	250,639
Assets derecognised or repaid	(270,698)	(11,361)	(88)	(282,147)	(171,737)
Transfers to Stage 1	113	(85)	(28)	-	-
Transfers to Stage 2	(3,096)	3,096	-	-	-
Transfers to Stage 3	(10)	(38)	48	-	-
At 31 March	<u>981,339</u>	<u>43,055</u>	<u>2,765</u>	<u>1,027,159</u>	<u>979,916</u>

ECL	Stage 1	Stage 2	Stage 3	Total	31 March 2021 (Unaudited)
At 1 January	1,673	727	1,428	3,828	1,972
Expected credit losses recognised	711	11	293	1,015	699
Recoveries from expected credit losses	(502)	(95)	(727)	(1,324)	(485)
Transfers to Stage 1	1	(1)	-	-	-
Transfers to Stage 2	(13)	13	-	-	-
Transfers to Stage 3	-	(7)	7	-	-
At 31 March	<u>1,870</u>	<u>648</u>	<u>1,001</u>	<u>3,519</u>	<u>2,186</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(Unaudited)
(RO'000)
16. Interest income

	31 March 2022	31 March 2021
Due from banks	94	169
Loans, advances and financings	31,182	30,320
Investment securities	6,138	4,723
	37,414	35,212

17. Interest expense

	31 March 2022	31 March 2021
Due to banks	2,252	2,948
Customer deposits	13,408	14,318
Subordinated loans	604	604
	16,264	17,870

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

	31 March 2022	31 March 2021
Due from banks	-	21
Financing to customers	4,302	3,535
Investments	430	374
	4,732	3,930

18.2 Profit paid to depositors / money market borrowings

	31 March 2022	31 March 2021
Profit paid to depositors	2,275	2,340
Profit paid to banks	224	4
	2,499	2,344
Net income from Islamic financing and investing activities	2,233	1,586

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(Unaudited)
(RO'000)
19. Other operating income

	31 March 2022	31 March 2021
Fees and commissions	4,761	3,571
Net gains from foreign exchange	2,048	613
Dividend income	191	192
Bad debt recovery	1	17
Gain/(loss) on sale of investments	(21)	2,871
	<u>6,980</u>	<u>7,264</u>

20. Other operating expenses

	31 March 2022	31 March 2021
Operating and administration costs	3,576	3,291
Occupancy cost	867	825
Directors remuneration	75	150
Directors sitting fees	2	13
Shari'a supervisory board remuneration and sitting fees	13	14
	<u>4,533</u>	<u>4,293</u>

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

	Note	31 March 2022	31 March 2021
Impairment charges provided/(released) on:			
Loans, advances and financings (net)	7	6,451	5,787
Loan commitments and financial guarantees	12	(309)	214
Due from banks	6	(1)	-
Debt securities at amortised cost	8.3	689	(4)
Debt securities at FVOCI	8.2	-	2
Loan impairment charges and other credit risk provisions under IFRS 9 (net)		<u>6,830</u>	<u>5,999</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(Unaudited)
(RO'000)
22. Basic earnings per share

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

	31 March 2022	31 March 2021
Profit for the period	8,522	6,981
Less: Interest paid on Tier 1 capital securities	(7,564)	(7,563)
Profit for the period attributable to equity holders of the Bank after interest on Tier 1 capital securities	958	(582)
Weighted average number of shares outstanding during the period ('000)	2,990,062	2,434,507
Basic earnings per share for the period (baisa)	0.32	(0.24)

There are no instruments that are dilutive in nature, hence the basic and diluted earnings per share are same for both the years

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

(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:

31 March 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	2,240,518	30,336	6,097	24,239	2,234,421	-	-
	Stage 2	54,004	729	2,103	(1,374)	51,901	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	2,294,522	31,065	8,200	22,865	2,286,322	-	-
Special mention	Stage 1	80,369	871	402	469	79,967	-	-
	Stage 2	285,725	10,001	29,161	(19,160)	256,564	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	366,094	10,872	29,563	(18,691)	336,531	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	9,640	3,356	4,106	(750)	5,534	131	131
	Sub Total	9,640	3,356	4,106	(750)	5,534	131	131
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	15,696	8,678	7,252	1,426	8,444	444	444
	Sub Total	15,696	8,678	7,252	1,426	8,444	444	444
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	113,379	66,717	79,518	(12,801)	33,861	24,844	24,844
	Sub Total	113,379	66,717	79,518	(12,801)	33,861	24,844	24,844
Gross Loans, advances and financings (net)								
	Stage 1	2,320,887	31,207	6,499	24,708	2,314,388	-	-
	Stage 2	339,729	10,730	31,264	(20,534)	308,465	-	-
	Stage 3	138,715	78,751	90,876	(12,125)	47,839	25,419	25,419
	Sub Total	2,799,331	120,688	128,639	(7,951)	2,670,692	25,419	25,419
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	2,005,051	-	4,473	(4,473)	2,000,578	-	-
	Stage 2	61,706	3	1,478	(1,475)	60,228	-	-
	Stage 3	2,765	-	1,001	(1,001)	1,764	-	-
	Sub total	2,069,522	3	6,952	(6,949)	2,062,570	-	-
	Stage 1	4,325,938	31,207	10,972	20,235	4,314,966	-	-
	Stage 2	401,435	10,733	32,742	(22,009)	368,693	-	-
	Stage 3	141,480	78,751	91,877	(13,126)	49,603	25,419	25,419
	Total	4,868,853	120,691	135,591	(14,900)	4,733,262	25,419	25,419

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 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 financings (net)								
	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	-	-
	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

AS AT 31 MARCH 2022

(RO'000)

23. Financial Instruments (continued)

31 March 2021
(Unaudited)

CBO Classification	IFRS9	Gross carrying amount (1)	CBO Provisions (2)	IFRS9 Provisions (3)	Difference (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)	IFRS9 Reserve Interest	CBO Reserve Interest
Standard	Stage 1	2,077,371	25,583	4,803	20,780	2,072,568	-	-
	Stage 2	77,604	919	2,878	(1,959)	74,726	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		2,154,975	26,502	7,681	18,821	2,147,294	-	-
Special mention	Stage 1	72,361	758	300	458	72,061	-	-
	Stage 2	280,424	8,818	42,322	(33,504)	238,102	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		352,785	9,576	42,622	(33,046)	310,163	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	17,363	2,128	5,675	(3,547)	11,688	89	89
Sub Total		17,363	2,128	5,675	(3,547)	11,688	89	89
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	20,544	8,662	7,587	1,075	12,957	590	590
Sub Total		20,544	8,662	7,587	1,075	12,957	590	590
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	122,734	74,623	73,804	819	48,930	24,382	24,382
Sub Total		122,734	74,623	73,804	819	48,930	24,382	24,382
Gross Loans, advances and financings (net)								
	Stage 1	2,149,732	26,341	5,103	21,238	2,144,629	-	-
	Stage 2	358,028	9,737	45,200	(35,463)	312,828	-	-
	Stage 3	160,641	85,413	87,066	(1,653)	73,575	25,061	25,061
Sub Total		2,668,401	121,491	137,369	(15,878)	2,531,032	25,061	25,061
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	1,809,516	12	2,118	(2,106)	1,807,398	-	-
	Stage 2	48,811	-	1,155	(1,155)	47,656	-	-
	Stage 3	3,200	-	448	(448)	2,752	-	-
Sub total		1,861,527	12	3,721	(3,709)	1,857,806	-	-
	Stage 1	3,959,248	26,353	7,221	19,132	3,952,027	-	-
	Stage 2	406,839	9,737	46,355	(36,618)	360,484	-	-
	Stage 3	163,841	85,413	87,514	(2,101)	76,327	25,061	25,061
Total		4,529,928	121,503	141,090	(19,587)	4,388,838	25,061	25,061

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

(RO'000)

23. Financial Instruments (continued)

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

31 March 2022 (Unaudited)	As per CBO RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to statement of comprehensive income	10,710	6,830	(3,880)
Provisions	146,110	135,591	(10,519)
Gross NPL ratio (percentage)*	4.96	4.96	
Net NPL ratio (percentage)*	1.30	1.79	0.49

*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 9
Gross loans advances and financings	120,688	103,220
Due from Banks	3	-
Investment securities (amortised cost)	-	1,954
Investment securities (FVOCI)	-	1,479
Loan commitments and financial guarantees	-	3,519
Total ECL	120,691	110,172
Contractual interest not recognised	25,419	25,419
Total ECL and Contractual interest not recognised	146,110	135,591

The analysis of changes in the ECL allowance on due from banks, loans, advances and financings (net) (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	8,793	35,681	74,212	118,686
Expected credit losses recognised	3,710	1,682	9,040	14,431
Recoveries from expected credit losses	(1,888)	(4,250)	(1,463)	(7,601)
Loans written off	-	-	(1,253)	(1,253)
Loans transferred to memorandum portfolio	-	-	(14,302)	(14,302)
Loans brought back from memorandum portfolio	-	-	212	212
Transfers to Stage 1	491	(465)	(28)	-
Transfers to Stage 2	(131)	643	(512)	-
Transfers to Stage 3	(3)	(549)	552	-
At 31 March 2022	10,972	32,742	66,458	110,172

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(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.

31 March 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	76,472	732	369	363	76,103
	Stage 2	185,291	5,547	15,442	(9,895)	169,849
	Stage 3	-	-	-	-	-
Sub Total		261,763	6,279	15,811	(9,532)	245,952
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	76,472	732	369	363	76,103
	Stage 2	185,291	5,547	15,442	(9,895)	169,849
	Stage 3	-	-	-	-	-
Total		261,763	6,279	15,811	(9,532)	245,952

31 December 2021 (Audited)

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

31 March 2021 (Unaudited)

Classification:		Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000
CBO	IFRS 9	(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)
Classified as performing	Stage 1	69,768	445	296	149	69,472
	Stage 2	199,039	7,237	30,616	(23,379)	168,423
	Stage 3	-	-	-	-	-
Sub Total		268,807	7,682	30,912	(23,230)	237,895
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	69,768	445	296	149	69,472
	Stage 2	199,039	7,237	30,616	(23,379)	168,423
	Stage 3	-	-	-	-	-
Total		268,807	7,682	30,912	(23,230)	237,895

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 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:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Directors & Senior management			
Loans, advances and financings at end of period	3,567	3,505	2,495
Disbursed during the period	193	1,811	154
Repaid during the period	(130)	(394)	(93)
Deposits at end of period	1,513	1,671	1,412
Received during the period	334	1,299	362
Matured/paid during the period	(805)	(1,992)	(737)
Interest income during the period	39	120	25
Interest expense during the period	6	22	4
Directors' sitting fees and remuneration	147	198	163
Shari'a Supervisory Board members	13	55	55
Other related parties			
Loans, advances and financings at end of period	72,777	71,947	72,074
Disbursed during the period	18,097	34,911	29,876
Repaid during the period	(679)	(3,486)	(477)
Deposits at end of period	11,791	14,895	13,064
Received during the period	2,622	6,726	1,494
Matured/paid during the period	(3,767)	(5,310)	(4,868)
Interest income during the period	1,054	3,856	997
Interest expense during the period	59	247	60

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:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
key management personnel			
Loans, advances and financings at end of period	1,476	1,499	229
Deposits at end of the period	254	303	164
Interest Income during the period	12	22	3
Interest expense during the period	-	1	1
Salaries and other short term benefits	385	1,914	379
Post-employment benefits	11	34	4

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

(RO'000)

24. Related party transactions (continued)

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

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Loans, advances and financing at end of period	7,122	7,896	7,475
Disbursed during the period	6,046	7,728	7,002
Repaid during the period	(19)	(311)	(6)
Deposits at end of period	565	52	19
Received during the period	513	1	1
Matured/paid during the period	-	(90)	(126)
Interest income during the period	192	427	113
Interest expense during the period	2	1	-

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)

25. Fair value of financial instruments (continued)

At 31 March 2022 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	101,755	-	-	101,755
Due from banks	123,661	-	-	123,661
Investment securities	342,821	578,192	94,761	1,015,774
Loans, advances and financings (net)	2,670,692	-	-	2,670,692
Other assets (excluding prepayments)	228,240	-	-	228,240
	<u>3,467,169</u>	<u>578,192</u>	<u>94,761</u>	<u>4,140,122</u>
Liabilities				
Due to banks	905,320	-	-	905,320
Customer deposits	2,410,225	-	-	2,410,225
Other liabilities (excluding other accruals & provisions)	235,353	-	-	235,353
Subordinated loans	35,645	-	-	35,645
	<u>3,586,543</u>	<u>-</u>	<u>-</u>	<u>3,586,543</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 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>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)
25. Fair value of financial instruments (continued)

At 31 March 2021 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	110,030	-	-	110,030
Due from banks	107,447	-	-	107,447
Investments	220,539	552,090	96,791	869,420
Loans, advances and financings (net)	2,531,032	-	-	2,531,032
Other assets (excluding prepayments)	84,677			
	<u>3,053,725</u>	<u>552,090</u>	<u>96,791</u>	<u>3,702,606</u>
Liabilities				
Due to banks	790,094	-	-	790,094
Customer deposits	2,293,415	-	-	2,293,415
Other liabilities (excluding other accruals & provisions)	80,170	-	-	80,170
Subordinated loans	35,645	-	-	35,645
	<u>3,199,324</u>	<u>-</u>	<u>-</u>	<u>3,199,324</u>

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

31 March 2022 (Unaudited)	Investment securities	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	5,069	-	-	5,069
Level 2	664,709	3,349	(16)	668,042
Level 3	3,175	-		3,175
	<u>672,953</u>	<u>3,349</u>	<u>(16)</u>	<u>676,286</u>

31 December 2021 (Audited)	Investments	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	5,084	-	-	5,084
Level 2	680,057	4,278	(79)	684,256
Level 3	3,175	-	-	3,175
	<u>688,316</u>	<u>4,278</u>	<u>(79)</u>	<u>692,515</u>

31 March 2021 (Unaudited)	Investment securities	Positive FV of Derivatives	Negative FV of derivatives	Total
Level 1	5,610	-	-	5,610
Level 2	640,096	3,023	(597)	642,522
Level 3	3,175	-	-	3,175
	<u>648,881</u>	<u>3,023</u>	<u>(597)</u>	<u>651,307</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

(RO'000)

26. Derivatives

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

As at 31 March 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	38	16	1,127,291	705,252	398,638	23,401
Forward foreign exchange sales contracts	3,311	-	1,129,560	708,931	397,298	23,331

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

(RO'000)

27. Exposure to liquidity risk

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

	31 March 2022	31 December 2021	31 March 2021
LCR	168.34%	271.64%	178.20%
LCR (average for the quarter)	183.28%	196.57%	157.15%
NSFR	115.77%	113.21%	116.78%
Leverage ratio	13.30%	13.65%	13.50%

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.

31 March 2022 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	905,320	1,006,273	154,098	494,859	357,316
Customer deposits	2,410,225	2,478,769	1,493,923	551,448	433,398
Other liabilities	259,472	259,472	259,472	-	-
Subordinated loans	35,645	38,668	325	1,956	36,387
Total	3,610,662	3,783,182	1,907,818	1,048,263	827,101

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	183,544	2,035	3,108
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

31 March 2021 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks	790,094	935,223	326,194	171,174	437,855
Customer deposits	2,293,415	2,392,487	1,439,316	449,184	503,986
Other liabilities	102,470	102,479	101,973	506	-
Subordinated loans	35,645	41,389	349	2,101	38,939
Total	3,221,624	3,471,578	1,867,832	622,965	980,780

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)
28. Capital management

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

	31 March 2022	31 December 2021	31 March 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	6,211
Fair value losses	(2,311)	(2,181)	(1,951)
Total CET 1 capital	371,461	379,154	320,161
Additional Tier 1 capital			
Perpetual Tier 1 Capital Securities	200,000	200,000	200,000
Total Tier 1 capital	571,461	579,154	520,161
Tier 2 capital			
Impairment allowance on portfolio basis	10,971	17,537	17,375
Fair value gains	10	-	-
Subordinated loan	7,000	7,000	14,000
Total Tier 2 capital	17,981	24,537	31,375
Total regulatory capital	589,442	603,691	551,536
Risk weighted assets			
Credit and market risks	3,056,690	2,967,799	2,786,864
Operational risk	199,723	199,723	191,888
Total risk weighted assets	3,256,413	3,167,522	2,978,752
Capital adequacy ratio			
Total regulatory capital expressed as a percentage of total risk weighted assets	18.10%	19.06 %	18.52%
Total tier I capital expressed as a percentage of total risk weighted assets	17.55%	18.28 %	17.46%
Total CET 1 capital expressed as a percentage of total risk weighted assets	11.41%	11.97 %	10.75%

* Retained earnings for the year 2021 is stated after deducting proposed dividend of RO 11.96 million. Dividend approved by shareholders at the Annual General Meeting on 31 March 2022 for the year ended 31 December 2021 was RO 11.96 million.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022

(RO'000)

29.1 Segmental information (continued)

	Retail banking	Wholesale banking	Islamic banking	Head Office	Total
31 March 2022					
PROFIT AND LOSS					
Net interest income	5,494	15,656	-	-	21,150
Net income from Islamic financing and investing activities	-	-	2,233	-	2,233
Other operating income	1,858	4,864	258	-	6,980
Total operating income	7,352	20,520	2,491	-	30,363
Total operating expenses	(6,005)	(6,132)	(1,297)	-	(13,434)
Net operating income before impairment provisions	1,347	14,388	1,194	-	16,929
Loan impairment charges and other credit risk provisions, net	(322)	(6,588)	80	-	(6,830)
Segment Profit	1,025	7,800	1,274	-	10,099
Income tax expense	(152)	(1,234)	(191)	-	(1,577)
PROFIT FOR THE PERIOD	873	6,566	1,083	-	8,522
FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	-	84,553	17,202	-	101,755
Due from banks	-	121,436	2,225	-	123,661
Investment securities	-	986,922	28,852	-	1,015,774
Loans, advances and financings (net)	746,763	1,580,322	343,607	-	2,670,692
Other assets	-	201,154	2,258	30,041	233,453
Investment properties	-	-	-	2,900	2,900
Property and equipment	-	-	669	47,226	47,895
TOTAL ASSETS	746,763	2,974,387	394,813	80,167	4,196,130
Liabilities					
Due to banks	-	846,972	58,348	-	905,320
Customer deposits	628,210	1,488,575	293,440	-	2,410,225
Other liabilities	-	197,856	2,840	58,776	259,472
Subordinated loans	-	-	-	35,645	35,645
TOTAL LIABILITIES	628,210	2,533,403	354,628	94,421	3,610,662
Internal funding (net)	118,553	440,984	-	(559,537)	-
TOTAL EQUITY	-	-	40,185	545,283	585,468
TOTAL LIABILITIES & EQUITY	746,763	2,974,387	394,813	80,167	4,196,130

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2022
(RO'000)
29.1 Segmental information (continued)

	Retail banking	Wholesale banking	Islamic banking	Head Office	Total
31 March 2021					
PROFIT AND LOSS					
Net interest income	4,533	12,863	-	(54)	17,342
Net income from Islamic financing and investing activities	-	-	1,532	54	1,586
Other operating income	1,653	5,426	185	-	7,264
Total operating income	6,186	18,289	1,717	-	26,192
Total operating expenses	(4,902)	(5,813)	(1,286)	-	(12,001)
Net operating income before impairment provisions	1,284	12,476	431	-	14,191
Loan impairment charges and other credit risk provisions, net	(618)	(5,156)	(225)	-	(5,999)
Segment Profit	666	7,320	206	-	8,192
Income tax expense	(154)	(1,026)	(31)	-	(1,211)
PROFIT FOR THE PERIOD	512	6,294	175	-	6,981
FINANCIAL POSITION					
Assets					
Cash and balances with Central Bank	-	96,847	13,183	-	110,030
Due from banks	-	86,776	20,671	-	107,447
Investment securities	-	845,635	23,785	-	869,420
Loans, advances and financings (net)	791,306	1,469,001	270,725	-	2,531,032
Other assets	-	59,986	752	26,959	87,697
Investment properties	-	-	-	2,900	2,900
Property and equipment	-	-	830	44,874	45,704
TOTAL ASSETS	791,306	2,558,245	329,946	74,733	3,754,230
Liabilities					
Due to banks	-	790,083	11	-	790,094
Customer deposits	458,108	1,541,718	293,589	-	2,293,415
Other liabilities	-	58,063	2,103	42,304	102,470
Subordinated loans	-	-	-	35,645	35,645
TOTAL LIABILITIES	458,108	2,389,864	295,703	77,949	3,221,624
Internal funding (net)	333,198	168,381	-	(501,579)	-
TOTAL EQUITY	-	-	34,243	498,363	532,606
TOTAL LIABILITIES & EQUITY	791,306	2,558,245	329,946	74,733	3,754,230

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.