

# **National Bank of Oman SAOG**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 June 2022 (UNAUDITED)**



PO Box 751 PC 112 Ruwi Sultanate of Oman.

<b>SR.NO</b>	<b>INDEX</b>	<b>PAGE NO</b>
<b>1</b>	<b>CHAIRPERSON'S REPORT</b>	<b>1</b>
<b>2</b>	<b>INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION</b>	<b>2</b>
<b>3</b>	<b>INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>3</b>
<b>4</b>	<b>INTERIM CONDENSED STATEMENT OF CASH FLOWS</b>	<b>4</b>
<b>5</b>	<b>INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY</b>	<b>5</b>
<b>6</b>	<b>NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS</b>	<b>6-33</b>

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**
**As at 30 June 2022 (unaudited)**

		<i>Audited</i>
	<b>30/06/2022</b>	<b>30/06/2021</b>
	<b>RO'000</b>	<b>RO'000</b>
	<i>Notes</i>	<i>31/12/2021</i>
		<i>RO'000</i>
<b>Assets</b>		
Cash and balances with Central Banks	3	284,083
Due from banks and other money market placements (net)	4	101,987
Loans, advances and Islamic financing assets (net)	5	3,260,848
Financial investments (net)	6	400,740
Property and equipment	7	58,261
Other assets	8	93,413
<b>Total assets</b>		<b>4,199,332</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Due to banks and other money market deposits	9	262,803
Customers' deposits and unrestricted investment accounts	10	3,040,304
Euro medium term notes	11	190,190
Other liabilities	12	129,199
Taxation	13	10,884
<b>Total liabilities</b>		<b>3,633,380</b>
<b>Equity</b>		
Share capital		162,595
Share premium		34,465
Legal reserve		54,198
Other reserves	14	4,317
Proposed cash dividend		-
Retained earnings		194,877
<b>Total equity attributable to the shareholders of the bank</b>		<b>450,452</b>
Tier 1 perpetual bond	15	115,500
<b>Total equity</b>		<b>565,952</b>
<b>Total liabilities and equity</b>		<b>4,199,332</b>

The interim condensed financial statements were authorised for issue on 27<sup>th</sup> July 2022 in accordance with a resolution of the Board of Directors.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairperson

The attached notes 1 to 34 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the period ended 30 June 2022 (unaudited)**

	Notes	Six months ended 30 June		Three months ended 30 June	
		2022	2021	2022	2021
		RO'000	RO'000	RO'000	RO'000
Interest income	17	<b>84,927</b>	81,676	<b>44,037</b>	41,367
Interest expense	18	<b>(40,766)</b>	(38,676)	<b>(20,009)</b>	(19,520)
<b>NET INTEREST INCOME</b>		<b>44,161</b>	43,000	<b>24,028</b>	21,847
Income from Islamic financing and Investment activities		<b>5,111</b>	4,815	<b>2,565</b>	2,426
Unrestricted investment account holders' share of profit		<b>(2,483)</b>	(2,781)	<b>(1,242)</b>	(1,357)
<b>NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES</b>		<b>2,628</b>	2,034	<b>1,323</b>	1,069
<b>NET INTEREST INCOME AND NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES</b>		<b>46,789</b>	45,034	<b>25,351</b>	22,916
Fee and commission income (net)	19	<b>10,657</b>	10,187	<b>5,090</b>	4,688
Other operating income	20	<b>8,554</b>	7,097	<b>2,341</b>	3,574
<b>OPERATING INCOME</b>		<b>66,000</b>	62,318	<b>32,782</b>	31,178
Staff costs	21	<b>(17,738)</b>	(19,526)	<b>(8,916)</b>	(9,061)
Other operating expenses	22	<b>(8,674)</b>	(8,926)	<b>(4,424)</b>	(4,892)
Depreciation	7	<b>(2,913)</b>	(3,144)	<b>(1,452)</b>	(1,569)
<b>TOTAL OPERATING EXPENSES</b>		<b>(29,325)</b>	(31,596)	<b>(14,792)</b>	(15,522)
<b>PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX</b>		<b>36,675</b>	30,722	<b>17,990</b>	15,656
<b>TOTAL IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)</b>	23.5	<b>(10,472)</b>	(12,241)	<b>(3,942)</b>	(5,312)
<b>PROFIT BEFORE TAX</b>		<b>26,203</b>	18,481	<b>14,048</b>	10,344
Taxation	13	<b>(4,125)</b>	(2,834)	<b>(2,213)</b>	(1,591)
<b>PROFIT FOR THE PERIOD</b>		<b>22,078</b>	15,647	<b>11,835</b>	8,753
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Equity investments at FVOCI – net change in fair value		<b>(895)</b>	3,389	<b>(3,448)</b>	3,190
Tax effect of equity investments at FVOCI – net change in fair value		<b>86</b>	(232)	<b>427</b>	(183)
<b>Items that are or maybe reclassified subsequently to profit or loss</b>					
Debt instruments at FVOCI – net change in fair value		<b>(136)</b>	151	-	68
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(945)</b>	3,308	<b>(3,021)</b>	3,075
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>21,133</b>	18,955	<b>8,814</b>	11,828
Earnings per share:					
Basic and diluted, earnings for the period attributable to equity holders	24	<b>0.011</b>	0.007	<b>0.004</b>	0.003

The attached notes 1 to 34 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**For the period ended 30 June 2022 (unaudited)**

	Notes	Six months ended	
		30 June	
		2022	2021
		RO'000	RO'000
<b>Profit before taxation</b>		<b>26,203</b>	18,481
Adjustments for:			
Depreciation	7	2,913	3,144
Provision for credit losses (net)		10,587	12,112
Release of credit losses for loans and advances to banks/Investments (net)		(115)	129
(Profit)/loss on sale of investments		(2,286)	(102)
(Profit)/loss on sale of fixed assets		(39)	(787)
Amortisation of Premium/discount (net)		(233)	(325)
Translation difference		27	0
Dividend income		(1,313)	(1,082)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>35,744</b>	31,570
Due from banks and other money market deposits		8,438	4,619
Due to banks and other money market placements		6,022	78,712
Loans and advances to customers		(182,810)	(94,287)
Other assets		(30,617)	1,816
Customer deposits		122,572	134,132
Other liabilities		23,255	(7,667)
<b>Cash (used in)/from operations activities</b>		<b>(17,396)</b>	148,895
Tax paid		(6,443)	(1,942)
<b>Net cash (used in)/from operating activities</b>		<b>(23,839)</b>	146,953
<b>Investing activities</b>			
Purchase of investments		(44,519)	(153,104)
Proceeds from sale of investments		92,577	15,624
Purchase of property and equipment	7	(1,321)	(1,686)
Proceeds from sale of property and equipment		78	934
Dividend income	20	1,313	1,082
<b>Net cash from/(used in) investing activities</b>		<b>48,128</b>	(137,150)
<b>Financing activities</b>			
Payment of dividend		(6,016)	-
Proceeds from AT1 capital		-	115,500
Redemption of AT1 capital		-	(115,500)
Payment of lease liability		(821)	(959)
Payment of tier 1 perpetual bond		(4,620)	(3,842)
<b>Net cash used in financing activities</b>		<b>(11,457)</b>	(4,801)
Increase in cash and cash equivalents		12,832	5,002
Cash and cash equivalents at the beginning of the period		265,142	101,343
<b>Cash and cash equivalents at the end of the period</b>		<b>277,974</b>	106,345
<b>Representing:</b>			
Cash and cash equivalents	3	283,583	170,923
Due from Bank (maturing within 3 months)		85,619	73,117
Due to Bank (maturing within 3 months)		(91,228)	(137,695)
		<b>277,974</b>	106,345

The attached notes 1 to 34 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

**As at 30 June 2022 (unaudited)**

*(RO'000)*

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Other reserves</i>	<i>Proposed cash dividend</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Tier 1 perpetual bond</i>	<i>Total equity</i>
Balance at 1 January 2022	162,595	34,465	54,198	5,334	6,016	177,347	439,955	115,500	555,455
<i>Total comprehensive income for the period</i>									
Net Profit for the year	-	-	-	-	-	22,078	22,078	-	22,078
Other comprehensive income for the period	-	-	-	(945)	-	-	(945)	-	(945)
Net losses on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	(72)	-	72	-	-	-
<i>Transactions with owners of the Bank</i>									
Payment of tier 1 perpetual bond	-	-	-	-	-	(4,620)	(4,620)	-	(4,620)
Dividend paid during the period	-	-	-	-	(6,016)	-	(6,016)	-	(6,016)
Balance at 30 June 2022	162,595	34,465	54,198	4,317	-	194,877	450,452	115,500	565,952
Balance at 1 January 2021	162,595	34,465	54,198	1,564	-	161,911	414,733	115,500	530,233
<i>Total comprehensive income for the period</i>									
Net profit for the period	-	-	-	-	-	15,647	15,647	-	15,647
Other comprehensive income for the period	-	-	-	3,308	-	-	3,308	-	3,308
Net losses on derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	142	-	(142)	-	-	-
<i>Transactions with owners of the Bank</i>									
Payment of tier 1 perpetual bond	-	-	-	-	-	(3,842)	(3,842)	-	(3,842)
Balance at 30 June 2021	162,595	34,465	54,198	5,014	-	173,574	429,846	115,500	545,346
Balance at 1 July 2021	162,595	34,465	54,198	5,014	-	173,574	429,846	115,500	545,346
<i>Total comprehensive income for the period</i>									
Net profit for the period	-	-	-	-	-	14,630	14,630	-	14,630
Other comprehensive income for the period	-	-	-	349	-	-	349	-	349
Net losses on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	(29)	-	29	-	-	-
<i>Transactions with owners of the Bank</i>									
Proposed Dividend	-	-	-	-	6,016	(6,016)	-	-	-
Issuance cost on tier 1 perpetual bonds	-	-	-	-	-	(250)	(250)	-	(250)
Payment of tier 1 perpetual bond	-	-	-	-	-	(4,620)	(4,620)	-	(4,620)
Balance at 31 December 2021	162,595	34,465	54,198	5,334	6,016	177,347	439,955	115,500	555,455

The attached notes 1 to 34 form part of the interim condensed financial statements.

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 June 2022 (unaudited)

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

National Bank of Oman SAOG ("NBO", "the Bank") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail, wholesale, investment and Islamic banking services within the Sultanate of Oman and through overseas branches in the United Arab Emirates and Egypt. In Oman the Bank operates under banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme, whereas in the United Arab Emirates and in Egypt the branches operate under a commercial bank licenses given by the respective Central Banks. The Bank is in the process of closing down its operations in Egypt and it is expected that the closure process will be completed during the year 2022. The Bank is head quartered at Azaiba, Governorate of Muscat, Sultanate of Oman and its registered address is PO Box 751, Ruwi, Postal Code 112, Muscat, Sultanate of Oman. The Bank's equity shares are listed on the Muscat Stock Exchange. Perpetual bonds and bonds issued under EMTN programme are listed in the Euronext Dublin.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and the relevant disclosure requirements of the Capital Market Authority ("CMA") and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended 31 December 2021 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS standards. The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the six months ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The interim condensed financial statements are prepared in Rial Omani, rounded to the nearest thousands, except as indicated. The functional currencies of the bank's operations are as follows:

Sultanate of Oman:	Rial Omani
United Arab Emirates:	UAE Dirham
Egypt:	US Dollar

The interim condensed financial statements are prepared under the historical cost convention, modified to include measurement of derivative financial instruments and certain investments, either through profit and loss account or through other comprehensive Income, at fair value.

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates (refer note 33).

The significant judgments made by management in applying Bank's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The new standards and amendments to standards that were effective for annual periods beginning from 1 January 2022 did not had any impact on these interim condensed financial statements of the Bank.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**3 CASH AND BALANCES WITH CENTRAL BANKS**

	<b>30/06/2022</b>	30/06/2021	31/12/2021
	<b>RO'000</b>	RO'000	RO'000
Cash	<b>51,460</b>	39,013	40,875
Other balances with Central Banks	<b>232,123</b>	131,910	266,495
<b>Cash and cash equivalents</b>	<b>283,583</b>	170,923	307,370
Capital deposit with Central Bank of Oman	<b>500</b>	500	500
<b>Cash and balances with Central Banks</b>	<b>284,083</b>	171,423	307,870

- (i) At 30 June 2022, cash and balances with Central Bank of Oman included balances amounting to RO 500,000 (30 June 2021 – RO 500,000, 31 December 2021 – RO 500,000) as capital deposit. This deposit cannot be withdrawn without the Central Bank of Oman's approval.
- (ii) Minimum cash reserve to be maintained with Central Bank of Oman as of 30 June 2022 is 3% of total deposits and for Central bank of UAE, is 1% of time deposits and 7% of all other deposits.
- (iii) ECL on the cash and balances with Central Banks is not material and accordingly no adjustment has been accounted by the Bank.

**4 DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS (NET)**

	<b>30/06/2022</b>	30/06/2021	31/12/2021
	<b>RO'000</b>	RO'000	RO'000
Loans and advances to banks	<b>9,455</b>	11,165	11,069
Placements with bank	<b>64,472</b>	16,747	13,667
Demand balances	<b>28,077</b>	58,750	90,035
<b>Due from banks and other money market placement</b>	<b>102,004</b>	86,662	114,771
Less: allowance for credit losses	<b>(17)</b>	(70)	(86)
<b>Net due from banks and other money market placement</b>	<b>101,987</b>	86,592	114,685

The Bank's allowance for the credit losses on due from banks and other money market placements is set out as below:

	<b>6 months ended</b>	6 months ended	12 months ended
	<b>30/06/2022</b>	30/06/2021	31/12/2021
	<b>RO'000</b>	RO'000	RO'000
Balance at beginning of period / year	<b>86</b>	87	87
Released during the period / year	<b>(69)</b>	(17)	(1)
Balance at end of period / year	<b>17</b>	70	86

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**5 LOANS, ADVANCES AND ISLAMIC FINANCING ASSETS (NET)**

	<b>30/06/2022</b>	<i>30/06/2021</i>	<i>31/12/2021</i>
	<b>RO'000</b>	<i>RO'000</i>	<i>RO'000</i>
Overdrafts	<b>74,197</b>	94,918	70,163
Personal loans	<b>1,435,435</b>	1,384,298	1,409,784
Other loans	<b>1,914,756</b>	1,659,230	1,759,942
Gross loans, advances and Islamic activities for customers	<b>3,424,388</b>	3,138,446	3,239,889
Less: allowance for credit losses	<b>(163,540)</b>	(168,410)	(151,243)
Net loans, advances and Islamic financing assets	<b>3,260,848</b>	2,970,036	3,088,646

Gross loans, advances and financing activities for customers include RO 158 million due from related parties at 30 June 2022 (30 June 2021 – RO 142 million, 31 December 2021 – RO 147 million).

The movement in the provision for impairment of loans, advances and financing activities for customers is set out below:

	<b>6 months ended 30/06/2022</b>	<i>6 months ended 30/06/2021</i>	<i>12 months ended 31/12/2021</i>
	<b>RO'000</b>	<i>RO'000</i>	<i>RO'000</i>
Balance at beginning of period / year	<b>151,243</b>	155,892	155,892
Provided during the period / year	<b>17,198</b>	17,670	36,331
Recovered/ released during the period / year	<b>(1,651)</b>	(1,681)	(2,792)
Written off during the period / year	<b>(3,250)</b>	(3,471)	(38,188)
Balance at end of period / year	<b>163,540</b>	168,410	151,243

Provided during the period/year includes contractual interest reserved for RO 4.1 million (30 June 2021 – RO 3.6 million and 31 December 2021 – RO 7.1 million).

Recovered/released during the period/year includes recovery of reserved interest at RO 0.9 million (30 June 2021 – RO 0.7 million and 31 December 2021 – RO 1.2 million).

All loans and advances require payment of interest based on agreed tenors, some at fixed rates and others at rates that re-price prior to maturity. Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the interim condensed statement of comprehensive income.

As of 30 June 2022, loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 180 million (30 June 2021 – RO 174 million and 31 December 2021 – RO 171 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**6 FINANCIAL INVESTMENTS (NET)**

	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>31/12/2021</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b><i>Investments measured at Fair value through profit and loss (FVTPL)</i></b>			
Quoted investments-Oman	593	537	598
Quoted investments-Foreign	409	351	375
Unquoted investments	2,704	2,430	2,589
<b>Total FVTPL</b>	<b>3,706</b>	<b>3,318</b>	<b>3,562</b>
<b><i>Investments measured at Fair value through other comprehensive income (FVOCI)</i></b>			
<b>FVOCI – Equity investments</b>			
Quoted investments-Oman	17,399	15,612	14,709
Quoted investments-Foreign	22,268	19,722	21,209
Unquoted investments	-	324	22
<b>Total FVOCI – equity instruments</b>	<b>39,667</b>	<b>35,658</b>	<b>35,940</b>
<b>FVOCI - Debt instruments</b>			
Government development bonds-Oman	-	4,065	4,038
<b>Total FVOCI – debt instruments</b>	<b>-</b>	<b>4,065</b>	<b>4,038</b>
<b>Total FVOCI</b>	<b>39,667</b>	<b>39,723</b>	<b>39,978</b>
<b><i>Investments measured at amortised cost</i></b>			
Government development bonds-Oman	236,997	272,074	258,699
Government Sukuk-Oman	17,276	16,428	16,438
Treasury Bills	75,000	135,000	107,000
Quoted investments-Oman	28,521	17,242	21,974
<b>Total – amortised cost</b>	<b>357,794</b>	<b>440,744</b>	<b>404,111</b>
<b>Total financial investments</b>	<b>401,167</b>	<b>483,785</b>	<b>447,651</b>
<b>Less: Impairment</b>	<b>(427)</b>	<b>(464)</b>	<b>(473)</b>
<b>Total financial investments</b>	<b>400,740</b>	<b>483,321</b>	<b>447,178</b>

Movement in allowances for the credit losses for debt securities at fair value through other comprehensive income and amortised cost:

	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>31/12/2021</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Balance at beginning of period / year	473	318	318
(Released) / provided during the period / year	(46)	146	155
Balance at end of period / year	427	464	473

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**6 FINANCIAL INVESTMENTS (NET) (CONTINUED)**

**Details of significant investments**

Details of investments exceeding 10% of the carrying value of the Bank's investment portfolio are as follows:

	<i>Bank's portfolio</i>	<i>Carrying value</i>
	%	RO'000
<b><u>30/06/2022</u></b>		
Government Development Bonds and Sukuk-Oman	<b>63%</b>	<b>254,273</b>
Treasury Bills	<b>19%</b>	<b>75,000</b>
<b><u>30/06/2021</u></b>		
Government Development Bonds and Sukuk -Oman	60%	292,567
Treasury Bills	28%	135,000
<b><u>31/12/2021</u></b>		
Government Development Bonds and Sukuk -Oman	62%	279,175
Treasury Bills	24%	107,000

The Bank received dividends of RO 1.31 million from its equity instruments for 30 June 2022, recorded as other operating income. (30 June 2021: RO 1.08 million)

During the year, the Bank has disposed of one of the investment in amortised cost debt securities, considering the regulatory guidelines.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**7 PROPERTY AND EQUIPMENT**

	<i>Freehold land and buildings and leasehold improvements</i>	<i>Motor vehicles, furniture and equipment</i>	<i>Capital work in progress</i>	<i>Right to use assets</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Reconciliation of carrying amount:</b>					
Balance as at 1 January 2022, net of accumulated depreciation	44,553	11,572	1,109	2,658	59,892
Additions	4	327	490	500	1,321
Disposals	-	(1)	(39)	1	(39)
Transfers	168	279	(447)	-	0
Depreciation	(620)	(1,417)	-	(876)	(2,913)
<b>Balance at 30 June 2022, net of accumulated depreciation</b>	<b>44,105</b>	<b>10,760</b>	<b>1,113</b>	<b>2,283</b>	<b>58,261</b>
At cost	60,867	47,374	1,113	4,700	114,054
Accumulated depreciation	(16,762)	(36,614)	0	(2,417)	(55,793)
<b>Net carrying value at 30 June 2022</b>	<b>44,105</b>	<b>10,760</b>	<b>1,113</b>	<b>2,283</b>	<b>58,261</b>
<b>Reconciliation of carrying amount:</b>					
Balance as at 1 January 2021, net of accumulated depreciation	45,852	12,330	1,240	3,146	62,568
Additions	15	362	900	409	1,686
Disposals	(122)	(5)	(20)	-	(147)
Transfers	22	724	(746)	-	-
Depreciation	(664)	(1,509)	-	(971)	(3,144)
<b>Balance at 30 June 2021, net of accumulated depreciation</b>	<b>45,103</b>	<b>11,902</b>	<b>1,374</b>	<b>2,584</b>	<b>60,963</b>
At cost	60,666	46,062	1,374	6,518	114,620
Accumulated depreciation	(15,563)	(34,160)	-	(3,934)	(53,657)
<b>Net carrying value at 30 June 2021</b>	<b>45,103</b>	<b>11,902</b>	<b>1,374</b>	<b>2,584</b>	<b>60,963</b>
<b>Reconciliation of carrying amount:</b>					
Balance as at 1 January 2021, net of accumulated depreciation	45,852	12,330	1,240	3,146	62,568
Additions	22	915	1,336	1,341	3,614
Disposals	(122)	(7)	(17)	-	(146)
Transfers	96	1,354	(1,450)	-	-
Depreciation	(1,295)	(3,020)	-	(1,829)	(6,144)
<b>Balance at 31 December 2021, net of accumulated depreciation</b>	<b>44,553</b>	<b>11,572</b>	<b>1,109</b>	<b>2,658</b>	<b>59,892</b>
At cost	60,695	47,081	1,109	5,488	114,373
Accumulated depreciation	(16,142)	(35,509)	-	(2,830)	(54,481)
<b>Net carrying value at 31 December 2021</b>	<b>44,553</b>	<b>11,572</b>	<b>1,109</b>	<b>2,658</b>	<b>59,892</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**8 OTHER ASSETS**

	<b>30/06/2022</b>	30/06/2021	31/12/2021
	<b>RO'000</b>	RO'000	RO'000
Interest receivable and others	<b>35,658</b>	26,942	24,608
Positive fair value of derivatives (note 31)	<b>17,017</b>	4,344	3,091
Customers' indebtedness for acceptances (note 12)	<b>40,738</b>	19,743	35,097
	<b>93,413</b>	51,029	62,796

**9 DUE TO BANKS AND OTHER MONEY MARKET DEPOSITS**

	<b>30/06/2022</b>	30/06/2021	31/12/2021
	<b>RO'000</b>	RO'000	RO'000
Borrowings	<b>249,352</b>	333,327	293,063
Other balances	<b>13,451</b>	4,568	4,666
	<b>262,803</b>	337,895	297,729

**10 CUSTOMERS' DEPOSITS AND UNRESTRICTED INVESTMENT ACCOUNTS**

	<b>30/06/2022</b>	30/06/2021	31/12/2021
	<b>RO'000</b>	RO'000	RO'000
Current accounts	<b>1,350,521</b>	1,051,488	1,301,202
Savings accounts	<b>643,795</b>	639,796	640,518
Term deposits	<b>1,045,988</b>	970,027	976,012
	<b>3,040,304</b>	2,661,311	2,917,732

**11 EURO MEDIUM TERM NOTES**

The bank has established Euro medium term notes programme for USD 1,500 million. These Bonds are listed in the Irish Stock Exchange and governed by English law. As at reporting date, the bank has an issuance for RO 192.5 million (USD 500 million) (30 June 2021 - RO 192.5 million - USD 500 million and 31 December 2021 - RO 192.5 million - USD 500 million), maturing in September 2023. The carrying amount of EMTN is stated after taking into account the amount of MTM value of the fair value hedge (Refer note 31).

**12 OTHER LIABILITIES**

	<b>30/06/2022</b>	30/06/2021	31/12/2021
	<b>RO'000</b>	RO'000	RO'000
Interest payable and other accruals	<b>66,033</b>	47,044	62,426
Lease commitment	<b>1,460</b>	1,722	1,751
Allowances for credit losses for loan commitments and Financial guarantees (refer below)	<b>2,595</b>	3,356	2,616
Negative fair value of derivatives (note 31)	<b>17,906</b>	3,746	2,075
Liabilities under acceptances (note 8)	<b>40,738</b>	19,743	35,097
Deferred tax liability (note 13)	<b>467</b>	211	511
	<b>129,199</b>	75,822	104,476

Movement in the allowance for credit losses - non-funded loans, advances and financing activities for customers:

	<b>6 months ended</b>	6 months ended	12 months ended
	<b>30/06/2022</b>	30/06/2021	31/12/2021
	<b>RO'000</b>	RO'000	RO'000
Balance at beginning of period / year	<b>2,616</b>	2,850	2,850
(Released) / provided during the period / year	<b>(21)</b>	506	(234)
Balance at end of period / year	<b>2,595</b>	3,356	2,616

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**
**30 June 2022 (unaudited)**
**13 TAXATION**

	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>31/12/2021</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Statement of comprehensive income</b>			
Current tax expense for the period/year	<b>4,083</b>	2,870	5,554
Deferred tax expense / (income)	<b>42</b>	(36)	37
	<b>4,125</b>	2,834	5,591

The Bank is liable to income tax at the following rates:

- Sultanate of Oman: 15% of taxable income
- United Arab Emirates: 20% of taxable income
- Egypt: 22.5% of taxable income

Set out below is reconciliation between incomes tax calculated on accounting profit with income tax expense for the period:

	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>31/12/2021</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Accounting profit	<b>26,203</b>	18,481	35,868
Tax at applicable rate	<b>3,930</b>	2,772	5,380
Non-deductible expenses	<b>62</b>	86	25
Tax exempt revenues	<b>(285)</b>	(146)	(377)
Others	<b>376</b>	158	526
Total	<b>4,083</b>	2,870	5,554

The Bank's liabilities for taxation in the Sultanate of Oman have been assessed and agreed up to the year ended 31 December 2013.

The tax assessments of the Egypt operations in respect of the different taxes applicable are at different stages of completion with the respective tax authorities. The Bank's liability in respect of its branches in UAE has been agreed with the tax authorities up to 31 December 2020.

	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>31/12/2021</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Income tax liability</b>			
Through comprehensive income	<b>4,083</b>	2,870	5,554
Through prior years	<b>6,827</b>	7,620	7,624
Through retained earnings	<b>(26)</b>	-	(3)
	<b>10,884</b>	10,490	13,175

	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>31/12/2021</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Recognised deferred tax (liability)/asset</b>			
Deferred tax assets are attributable to the following:			
Deductible temporary differences relating to provisions	<b>(31)</b>	86	11
FVOCI investments	<b>(436)</b>	(297)	(522)
	<b>(467)</b>	(211)	(511)

	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>31/12/2021</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Movement of deferred tax (liability)/asset</b>			
Balance at the beginning of the year	<b>(511)</b>	(16)	(16)
Charge during the period/year through profit and Loss	<b>(42)</b>	36	(36)
Tax effect of movement in FVOCI investments	<b>86</b>	(231)	(459)
	<b>(467)</b>	(211)	(511)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**14 OTHER RESERVES**

	<i>FVOCI reserve RO '000</i>	<i>Impairment Reserve RO '000</i>	<i>Total RO '000</i>
At 1 January 2022	(5,246)	10,580	5,334
Net movement on FVOCI investments	(1,031)	-	(1,031)
Tax effect of investments at FVOCI – net change in fair value	86	-	86
Transfer to retained earnings	(72)	-	(72)
<b>At 30 June 2022</b>	<b>(6,263)</b>	<b>10,580</b>	<b>4,317</b>
At 30 June 2021	(5,566)	10,580	5,014
At 31 December 2021	(5,246)	10,580	5,334

- (i) The Impairment reserve represents in accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

**15 TIER 1 PERPETUAL BOND**

The bank has following Perpetual Tier 1 Capital Securities (the “Tier 1 Securities”). The Tier 1 Securities constitute direct, unconditional, subordinated and unsecured obligations of the bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 Securities do not have a fixed or final maturity date. They are redeemable by the bank at its sole discretion on any interest payment date on or after the first call date subject to the prior consent of the Central Bank of Oman.

Issuance Month/Year	Issued Amount	Coupon Rate
Apr 2021	USD 300 million (OMR 115.5 million)	Fixed interest rate of 8% with a reset after 5 years

These securities form part of Tier 1 Capital of the bank and comply with Basel-3 and Central Bank of Oman regulations (BM 1114).

**16 CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>30/06/2022 RO'000</i>	<i>30/06/2021 RO'000</i>	<i>31/12/2021 RO'000</i>
Guarantees	281,594	276,936	282,871
Documentary letters of credit	72,590	50,384	73,376
Undrawn commitment to lend	211,522	179,689	119,266
	<b>565,706</b>	<b>507,009</b>	<b>475,513</b>

- (i) The allowances for credit losses for commitments and financial guarantees amounts to RO 2.6 million (30 Jun 2021 – RO 3.4 million and December 2021 – 2.6 million) and is included under note 12.
- (ii) Guarantees include RO 12.65 million (30 June 2021 – RO 5.93 million and 31 December 2021 – 14.13 million) relating to non-performing loans.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**
**30 June 2022 (unaudited)**
**17 INTEREST INCOME**

	<b>6 months ended 30/06/2022 RO'000</b>	6 months ended 30/06/2021 RO'000	<b>3 months ended 30/06/2022 RO'000</b>	3 months ended 30/06/2021 RO'000
Interest from Loans and advances	76,857	72,923	40,145	36,799
Interest from banks	347	296	264	147
Interest from investments	7,723	8,457	3,628	4,421
	<b>84,927</b>	81,676	<b>44,037</b>	41,367

**18 INTEREST EXPENSE**

	<b>6 months ended 30/06/2022 RO'000</b>	6 months ended 30/06/2021 RO'000	<b>3 months ended 30/06/2022 RO'000</b>	3 months ended 30/06/2021 RO'000
Interest to customer deposits	31,548	28,589	15,371	14,530
Interest to banks	4,095	4,446	2,305	2,139
Interest to EMTN	5,123	5,641	2,333	2,851
	<b>40,766</b>	38,676	<b>20,009</b>	19,520

**19 FEE AND COMMISSION INCOME (NET)**

The commission and fee income shown in the statement of comprehensive income is net of commission and fee paid of RO 10.66 million for the period ended 30 June 2022 (30 June 2021 – RO 10.19 million). The disaggregation of fee and commission income is provided under note 29.

**20 OTHER OPERATING INCOME**

	<b>6 months ended 30/06/2022 RO'000</b>	6 months ended 30/06/2021 RO'000	<b>3 months ended 30/06/2022 RO'000</b>	3 months ended 30/06/2021 RO'000
Net gains from foreign exchange dealings	2,835	3,054	1,577	1,505
Gain/(Loss) on investments	2,286	102	(450)	132
Dividend income	1,313	1,082	144	198
Other income	2,120	2,859	1,070	1,739
	<b>8,554</b>	7,097	<b>2,341</b>	3,574

**21 STAFF COSTS**

	<b>6 months ended 30/06/2022 RO'000</b>	6 months ended 30/06/2021 RO'000	<b>3 months ended 30/06/2022 RO'000</b>	3 months ended 30/06/2021 RO'000
Employees' salaries	13,738	14,225	6,862	6,971
Contribution to social insurance schemes	1,370	1,279	744	632
Other staff costs	2,630	4,022	1,310	1,458
	<b>17,738</b>	19,526	<b>8,916</b>	9,061

The bank employed 1,455 employees as of 30 June 2022 (30 June 2021 – 1,482 employees / 31 December 2021 - 1,470)

**22 OTHER OPERATING EXPENSES**

	<b>6 months ended 30/06/2022 RO'000</b>	6 months ended 30/06/2021 RO'000	<b>3 months ended 30/06/2022 RO'000</b>	3 months ended 30/06/2021 RO'000
Establishment costs	2,047	1,963	1,023	1,001
Operating and administration expenses	6,403	6,672	3,289	3,724
Directors remuneration and sitting fees	224	291	112	167
	<b>8,674</b>	8,926	<b>4,424</b>	4,892

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

**23.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement:**

**Impairment charge and provision held as of 30 June 2022**

*Amounts in RO'000*

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	12,226	NA
Provisions required as per CBO norms/ held as per IFRS 9	194,207	166,579	(27,628)
Gross non-performing loan ratio (percentage)	-	5.25	NA
Net non-performing loan ratio (percentage)	-	4.73	NA

**Mapping of IFRS 9 and CBO norms as of 30 June 2022**

*Amounts in RO'000*

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Standard	Stage 1	2,688,697	36,368	5,773	30,595	2,682,924	-
	Stage 2	377,670	4,144	9,942	(5,798)	367,728	-
	Stage 3	-	-	-	-	-	-
Subtotal		3,066,367	40,512	15,715	24,797	3,050,652	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	178,082	1,825	30,287	(28,462)	147,795	-
	Stage 3	-	-	-	-	-	-
Subtotal		178,082	1,825	30,287	(28,462)	147,795	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	10,205	2,370	3,024	(497)	7,181	157
Subtotal		10,205	2,370	3,024	(497)	7,181	157
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	22,734	10,248	8,961	1,964	13,773	677
Subtotal		22,734	10,248	8,961	1,964	13,773	677
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	147,000	120,500	105,553	32,865	41,447	17,918
Subtotal		147,000	120,500	105,553	32,865	41,447	17,918
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	711,760	-	885	(885)	710,875	-
	Stage 2	107,323	-	2,154	(2,154)	105,169	-
	Stage 3	-	-	-	-	-	-
Subtotal		819,083	-	3,039	(3,039)	816,044	-
Total	Stage 1	3,400,457	36,368	6,658	29,710	3,393,799	-
	Stage 2	663,075	5,969	42,383	(36,414)	620,692	-
	Stage 3	179,939	133,118	117,538	34,332	62,401	18,752
	Total	4,243,471	175,455	166,579	27,628	4,076,892	18,752

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**23.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement (continued):**

**Impairment charge and provision held as of 30 June 2021**

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	13,671	NA
Provisions required as per CBO norms/ held as per IFRS 9	184,932	172,300	(12,632)
Gross non-performing loan ratio (percentage)	-	5.54	NA
Net non-performing loan ratio (percentage)	-	4.94	NA

**Mapping of IFRS 9 and CBO norms as of 30 June 2021**

Amounts in RO'000

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Standard	Stage 1	2,312,840	28,358	9,215	19,143	2,303,625	-
	Stage 2	178,072	5,781	9,455	(3,674)	168,617	-
	Stage 3	-	-	-	-	-	-
	Subtotal	2,490,912	34,139	18,670	15,469	2,472,242	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	473,632	4,753	29,947	(25,194)	443,685	-
	Stage 3	-	-	-	-	-	-
	Subtotal	473,632	4,753	29,947	(25,194)	443,685	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	4,373	1,083	2,742	(1,620)	1,631	39
	Subtotal	4,373	1,083	2,742	(1,620)	1,631	39
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	13,334	4,395	3,825	785	9,509	215
	Subtotal	13,334	4,395	3,825	785	9,509	215
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	156,195	120,762	113,226	27,082	42,969	19,546
	Subtotal	156,195	120,762	113,226	27,082	42,969	19,546
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	613,138	-	1,145	(1,145)	611,993	-
	Stage 2	117,698	-	2,745	(2,745)	114,953	-
	Stage 3	-	-	-	-	-	-
	Subtotal	730,836	-	3,890	(3,890)	726,946	-
Total	Stage 1	2,925,978	28,358	10,360	17,998	2,915,618	-
	Stage 2	769,402	10,534	42,147	(31,613)	727,255	-
	Stage 3	173,902	126,240	119,793	26,247	54,109	19,800
	Total	3,869,282	165,132	172,300	12,632	3,696,982	19,800

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**23.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement:**

**Restructured loans as at 30 June 2022**

*Amounts in RO'000*

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Classified as performing	Stage 1	-	-	-	-	-	-
	Stage 2	168,155	1,627	6,259	(4,632)	161,896	-
	Stage 3	-	-	-	-	-	-
Subtotal		168,155	1,627	6,259	(4,632)	161,896	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	29,421	22,735	17,651	8,527	11,770	3,443
Sub total		29,421	22,735	17,651	8,527	11,770	3,443
Total	Stage 1	-	-	-	-	-	-
	Stage 2	168,155	1,627	6,259	(4,632)	161,896	-
	Stage 3	29,421	22,735	17,651	8,527	11,770	3,443
	Total	197,576	24,362	23,910	3,895	173,666	3,443

**Restructured loans as at 30 June 2021**

*Amounts in RO'000*

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Classified as performing	Stage 1	-	-	-	-	-	-
	Stage 2	58,608	869	3,324	(2,455)	55,284	-
	Stage 3	-	-	-	-	-	-
Subtotal		58,608	869	3,324	(2,455)	55,284	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	36,415	33,165	28,532	9,017	7,883	4,384
Sub total		36,415	33,165	28,532	9,017	7,883	4,384
Total	Stage 1	-	-	-	-	-	-
	Stage 2	58,608	869	3,324	(2,455)	55,284	-
	Stage 3	36,415	33,165	28,532	9,017	7,883	4,384
	Total	95,023	34,034	31,856	6,562	63,167	4,384

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**23.3 Movement in Expected credit losses (ECL)**

<b>As at 30 June 2022</b>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO' 000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Exposure subject to ECL</b>				
- Loans and Advances to Customers	2,688,697	555,752	179,939	3,424,388
- Investment Securities (Debt)	395,392	5,775	-	401,167
- Loan Commitments and Financial Guarantees	459,924	105,782	-	565,706
- Due from Banks, Central Banks and Other Financial Assets	102,004	-	-	102,004
	<b>3,646,017</b>	<b>667,309</b>	<b>179,939</b>	<b>4,493,265</b>
<b>Opening Balance - as at 1 January 2022</b>				
- Loans and Advances to Customers	9,043	32,763	109,437	151,243
- Investment Securities (Debt)	300	173	-	473
- Loan Commitments and Financial Guarantees	908	1,708	-	2,616
- Due from Banks, Central Banks and Other Financial Assets	86	-	-	86
	<b>10,337</b>	<b>34,644</b>	<b>109,437</b>	<b>154,418</b>
<b>Net transfer between stages</b>				
- Loans and Advances to Customers	888	(2,811)	1,923	-
- Investment Securities (Debt)	(121)	121	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	<b>767</b>	<b>(2,690)</b>	<b>1,923</b>	<b>-</b>
<b>Charge for the Period (net)</b>				
- Loans and Advances to Customers	(4,158)	10,277	9,428	15,547
- Investment Securities (Debt)	127	(173)	-	(46)
- Loan Commitments and Financial Guarantees	(346)	325	-	(21)
- Due from Banks, Central Banks and Other Financial Assets	(69)	-	-	(69)
	<b>(4,446)</b>	<b>10,429</b>	<b>9,428</b>	<b>15,411</b>
<b>Write off for the period</b>				
- Loans and Advances to Customers	-	-	(3,250)	(3,250)
	-	-	(3,250)	(3,250)
<b>Closing Balance - as at 30 June 2022</b>				
- Loans and Advances to Customers	5,773	40,229	117,538	163,540
- Investment Securities (Debt)	306	121	-	427
- Loan Commitments and Financial Guarantees	562	2,033	-	2,595
- Due from Banks, Central Banks and Other Financial Assets	17	-	-	17
	<b>6,658</b>	<b>42,383</b>	<b>117,538</b>	<b>166,579</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**
**30 June 2022 (unaudited)**
**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**
**23.3 Movement in Expected credit losses (ECL) (continued)**

<b>As at 30 June 2021</b>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Exposure subject to ECL</b>				
- Loans and Advances to Customers	2,312,840	651,704	173,902	3,138,446
- Investment Securities (Debt)	478,010	5,775	-	483,785
- Loan Commitments and Financial Guarantees	389,311	117,698	-	507,009
- Due from Banks, Central Banks and Other Financial Assets	86,662	-	-	86,662
	3,266,823	775,177	173,902	4,215,902
<b>Opening Balance - as at 1 January 2021</b>				
- Loans and Advances to Customers	11,840	31,626	112,426	155,892
- Investment Securities (Debt)	318	-	-	318
- Loan Commitments and Financial Guarantees	910	1,940	-	2,850
- Due from Banks, Central Banks and Other Financial Assets	87	-	-	87
	13,155	33,566	112,426	159,147
<b>Net transfer between stages</b>				
- Loans and Advances to Customers	(60)	(1,446)	1,506	-
- Investment Securities (Debt)	(118)	118	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	(178)	(1,328)	1,506	-
<b>Charge for the Period (net)</b>				
- Loans and Advances to Customers	(2,565)	9,222	9,332	15,989
- Investment Securities (Debt)	20	126	-	146
- Loan Commitments and Financial Guarantees	(55)	561	-	506
- Due from Banks, Central Banks and Other Financial Assets	(17)	-	-	(17)
	(2,617)	9,909	9,332	16,624
<b>Write off for the period</b>				
- Loans and Advances to Customers	-	-	(3,471)	(3,471)
	-	-	(3,471)	(3,471)
<b>Closing Balance - as at 30 June 2021</b>				
- Loans and Advances to Customers	9,215	39,402	119,793	168,410
- Investment Securities (Debt)	220	244	-	464
- Loan Commitments and Financial Guarantees	855	2,501	-	3,356
- Due from Banks, Central Banks and Other Financial Assets	70	-	-	70
	10,360	42,147	119,793	172,300

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**23 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**23.4 Movement in loans**

<b>As at 30 June 2022</b>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
<b>Exposure subject to ECL</b>				
Opening Balance - as at 1 January 2022	2,482,125	586,363	171,401	3,239,889
Transfer to stage 1	12,804	(12,804)	-	-
Transfer to stage 2	(7,460)	7,704	(244)	-
Transfer to stage 3	(39)	(2,746)	2,785	-
New loans and advances	457,643	122,803	9,384	589,830
Recovery of loans and advances	(256,376)	(145,568)	(137)	(402,081)
Write off for the period	-	-	(3,250)	(3,250)
Closing Balance - as at 30 June 2022	2,688,697	555,752	179,939	3,424,388

<b>As at 30 June 2021</b>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
<b>Exposure subject to ECL</b>				
Opening Balance - as at 1 January 2021	2,253,382	621,396	168,976	3,043,754
Transfer to stage 1	6,136	(6,136)	-	-
Transfer to stage 2	(23,701)	23,701	-	-
Transfer to stage 3	(4)	(6,457)	6,461	-
New loans and advances	205,417	130,707	2,013	338,137
Recovery of loans and advances	(128,390)	(111,507)	(77)	(239,974)
Write off for the period	-	-	(3,471)	(3,471)
Closing Balance - as at 30 June 2021	2,312,840	651,704	173,902	3,138,446

**23.5 Impairment credit losses on financial assets**

	<b>6 months ended</b>	6 months ended	<b>3 months ended</b>	3 months ended
	<b>30/06/2022</b>	30/06/2021	<b>30/06/2022</b>	30/06/2021
	<b>RO'000</b>	RO'000	<b>RO'000</b>	RO'000
<b>(Impairment)/reversal of impairment for credit losses:</b>				
Due from Banks	69	17	9	6
Loans and advances to customers	(13,125)	(14,028)	(5,457)	(5,975)
Investments	46	(146)	74	(139)
Financial guarantees	21	(506)	(35)	(564)
<b>Total</b>	<b>(12,989)</b>	(14,663)	<b>(5,409)</b>	(6,672)
<b>Recoveries and releases from:</b>				
Provision for credit losses	763	992	407	646
Loans and advances written off	1,754	1,430	1,060	714
<b>Total</b>	<b>2,517</b>	2,422	<b>1,467</b>	1,360
<b>Net Impairment losses</b>	<b>(10,472)</b>	(12,241)	<b>(3,942)</b>	(5,312)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**24 BASIC AND DILUTED EARNINGS PER SHARE**

Earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	<b>6 months ended 30/06/2022 RO'000</b>	6 months ended 30/06/2021 RO'000	<b>3 months ended 30/06/2022 RO'000</b>	3 months ended 30/06/2021 RO'000
Profit after tax (RO'000s)	<b>22,078</b>	15,647	<b>11,835</b>	8,753
Less: Interest on tier 1 perpetual bond	<b>(4,620)</b>	(3,842)	<b>(4,620)</b>	(3,842)
Profit attributable to shareholders	<b>17,458</b>	11,805	<b>7,215</b>	4,911
Weighted average number of shares outstanding during the year (in '000s)	<b>1,625,946</b>	1,625,946	<b>1,625,946</b>	1,625,946
Earnings per share (RO)	<b>0.011</b>	0.007	<b>0.004</b>	0.003

No figure for diluted earnings per share has been presented, as the Bank has not issued any instruments, which would have an impact on earnings per share when exercised.

**25 ASSET LIABILITY MISMATCH**

The asset liability mismatch is based on CBO circular BM 955 and given as follows:

	<b>Assets RO'000</b>	<b>Equity and liabilities RO'000</b>	<b>Mismatch RO'000</b>
<b><i>Maturities as at 30 June 2022</i></b>			
0 - 3 month	<b>949,268</b>	<b>903,969</b>	<b>45,299</b>
3 - 12 month	<b>390,312</b>	<b>1,087,516</b>	<b>(697,204)</b>
1 - 5 years	<b>981,843</b>	<b>1,085,365</b>	<b>(103,522)</b>
More than 5 years	<b>1,877,909</b>	<b>1,122,482</b>	<b>755,427</b>
Total	<b>4,199,332</b>	<b>4,199,332</b>	<b>-</b>
<b><i>Maturities as at 30 June 2021</i></b>			
0 - 3 month	825,720	862,752	(37,032)
3 - 12 month	336,860	1,004,092	(667,232)
1 - 5 years	915,948	917,414	(1,466)
More than 5 years	1,744,836	1,039,106	705,730
Total	3,823,364	3,823,364	-
<b><i>Maturities as at 31 December 2021</i></b>			
0 - 3 month	1,003,384	976,426	26,958
3 - 12 month	301,745	987,923	(686,178)
1 - 5 years	955,930	1,003,163	(47,233)
More than 5 years	1,820,008	1,113,555	706,453
Total	4,081,067	4,081,067	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**26 RELATED PARTY TRANSACTIONS**

In the ordinary course of business, the Bank conducts transactions with certain of its directors, shareholders, senior management and companies over which they have significant interest. Principal shareholders comprises of all shareholders with holding more than 10% of the paidup share capital and others include directors, senior management and associate companies of principal shareholders and directors. The Bank engages in transactions with related parties only on arm's length terms and in accordance with relevant laws and regulations. Terms of these transactions are approved by the Bank's Board and Management.

	<b>30/06/2022</b>			<b>31/12/2021</b>		
	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Loans and advances	-	158,308	158,308	-	147,445	147,445
Customers' deposits	122,226	92,068	214,294	106,081	61,386	167,467
Due from banks	746	-	746	603	-	603
Due to banks	146	-	146	260	-	260
Letters of credit, guarantees and acceptances	704	16,485	17,189	618	16,930	17,548
Investments	2,997	593	3,590	2,453	598	3,051

The statement of comprehensive income includes the following amounts in relation to transactions with related parties:

	<b>30/06/2022</b>			<b>30/06/2021</b>		
	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Interest income	-	3,829	3,829	2	3,155	3,157
Commission income	2	185	187	1	230	231
Interest expense	2,333	1,031	3,364	494	637	1,131
Other expenses	-	413	413	-	146	146

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**27 SHAREHOLDERS**

The shareholders of the Bank who own 10% or more of the Bank's shares:

	<b>30/06/2022</b>	30/06/2021	31/12/2021
<b>Number of shares held ('000)</b>			
The Commercial Bank of Qatar	<b>567,453</b>	567,452	567,453
Suhail Salim Abdullah Al Mukhaini Bahwan	<b>239,805</b>	-	-
Suhail Bahwan Group (Holdings) L.L.C	-	239,734	239,734
Civil Service Employee Pension Fund	<b>186,009</b>	185,487	184,652
<b>% of shareholding</b>			
The Commercial Bank of Qatar	<b>34.90%</b>	34.90%	34.90%
Suhail Salim Abdullah Al Mukhaini Bahwan	<b>14.75%</b>	-	-
Suhail Bahwan Group (Holdings) L.L.C	-	14.74%	14.74%
Civil Service Employee Pension Fund	<b>11.44%</b>	11.41%	11.36%

The percentage shareholding is calculated based on the total shares of the Bank outstanding at the reporting date.

**28 CAPITAL ADEQUACY**

The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

	<b>30/06/2022</b>	30/06/2021	31/12/2021
	<b>RO'000</b>	RO'000	RO'000
<b>Capital base</b>			
Common equity Tier 1	<b>414,684</b>	400,773	419,995
Additional Tier 1 - capital	<b>115,500</b>	115,500	115,500
Tier 2 capital	<b>20,239</b>	31,910	26,387
Total capital base	<b>550,423</b>	548,183	561,882
<b>Risk weighted assets</b>			
Credit risk	<b>3,271,053</b>	3,126,126	3,232,312
Operational risk	<b>230,414</b>	233,953	230,414
Market risk	<b>87,284</b>	83,797	95,617
Total risk weighted assets	<b>3,588,751</b>	3,443,876	3,558,343
Common Equity Tier 1 Ratio	<b>11.6%</b>	11.6%	11.8%
Tier 1 Ratio	<b>14.8%</b>	15.0%	15.0%
Risk asset ratio (Basel II norms)	<b>15.3%</b>	15.9%	15.8%

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**29 SEGMENT REPORTING**

For management purposes, the Bank is organised into four operating segments based on business units and are as follows:

- Retail Banking offers various products and facilities to individual retail and high net-worth customers to meet everyday banking needs. This includes asset products like personal loans, housing loan, credit cards and term loans and liability products like savings account, current account and term deposits.
- Wholesale Banking delivers a variety of products and services to Corporate, Government and Financial Institutions, that include lending, accepting deposits, trade finance, treasury and foreign exchange. It also includes investment Banking which offers investment products such as asset management, corporate advisory and brokerage services to retail customers and institutional clients.
- International operations include UAE and Egypt operations.
- Islamic Banking offers various products as per Shari'a principles.
- Funding Center – The Funding center is responsible for balancing and managing the liquidity of funds within the Bank. It acts as repository of funds by allocating funds transfer pricing to various business units for performance management purposes. The department also handles the Bank's investments in securities, asset/liability management and cash instruments.

Management monitors the operating results of these segments separately for the purpose of making decisions about resource allocation and performance assessment. The costs incurred by the support functions are allocated to operating segments for performance measurement purposes.

Segment information by business line is as follows:

	<b>Retail Banking RO'000</b>	<b>Wholesale Banking RO'000</b>	<b>International Banking RO'000</b>	<b>Islamic Banking RO'000</b>	<b>Funding center RO'000</b>	<b>Total RO'000</b>
<b>30 June 2022</b>						
<i>Operating income</i>	<b>29,905</b>	<b>41,764</b>	<b>1,719</b>	<b>3,138</b>	<b>(10,526)</b>	<b>66,000</b>
<i>Net profit/(loss)</i>	<b>9,352</b>	<b>25,099</b>	<b>(2,890)</b>	<b>244</b>	<b>(9,727)</b>	<b>22,078</b>
<i>Total assets</i>	<b>1,335,457</b>	<b>2,040,810</b>	<b>113,077</b>	<b>209,946</b>	<b>500,042</b>	<b>4,199,332</b>
<b>30 June 2021</b>						
<i>Operating income</i>	29,479	38,294	2,308	2,246	(10,009)	62,318
<i>Net profit/(loss)</i>	7,582	15,864	277	357	(8,433)	15,647
<i>Total assets</i>	1,315,439	1,794,177	124,369	179,828	409,551	3,823,364

**Disaggregated revenues**

IFRS15 requires the disclosure of disaggregated revenue from contracts with customers for major products / service lines. The below table provides disaggregation of commission and fee income (net) into revenues within Bank's reportable segments. Contract revenue is further segregated based on the products and services:

<b>30 June 2022</b>	<b>Retail RO'000</b>	<b>Wholesale RO'000</b>	<b>International RO'000</b>	<b>Islamic RO'000</b>	<b>Total RO'000</b>
Transactional	<b>4,399</b>	-	<b>1</b>	<b>30</b>	<b>4,430</b>
Trade Income	<b>26</b>	<b>1,614</b>	<b>138</b>	<b>97</b>	<b>1,875</b>
Account Services	<b>60</b>	<b>494</b>	<b>(26)</b>	<b>14</b>	<b>542</b>
Underwriting & Syndication	<b>417</b>	<b>2,289</b>	<b>105</b>	<b>206</b>	<b>3,017</b>
Investment banking	-	<b>793</b>	-	-	<b>793</b>
<b>Total</b>	<b>4,902</b>	<b>5,190</b>	<b>218</b>	<b>347</b>	<b>10,657</b>
<b>30 June 2021</b>					
Transactional	4,057	-	1	25	4,083
Trade Income	18	1,391	73	38	1,520
Account Services	68	479	1	10	558
Underwriting & Syndication	295	2,795	154	49	3,293
Investment banking	-	733	-	-	733
<b>Total</b>	<b>4,438</b>	<b>5,398</b>	<b>229</b>	<b>122</b>	<b>10,187</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**
**30 June 2022 (unaudited)**
**29 SEGMENT REPORTING (continued)**

For management purposes the Bank also reports the segment information of its operations by the following geographical locations:

- i) Oman
- ii) United Arab Emirates (UAE)
- iii) Egypt

Transactions between the above segments are conducted at estimated market rates on an arm's length basis. Segment information by geography is as follows:

<b>For the period ended 30 June 2022</b>	<i>Oman</i> <i>RO'000</i>	<i>UAE</i> <i>RO'000</i>	<i>Egypt</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Net interest income and income from Islamic financing and Investment activities	45,466	1,323	-	46,789
Fees, Commission and other operating income	18,815	606	(210)	19,211
<b>Operating income/(loss)</b>	<b>64,281</b>	<b>1,929</b>	<b>(210)</b>	<b>66,000</b>
Operating expenses	(27,988)	(1,325)	(12)	(29,325)
<b>Operating profit/(loss)</b>	<b>36,293</b>	<b>604</b>	<b>(222)</b>	<b>36,675</b>
Impairment losses (net) and taxation	(12,112)	(2,485)	-	(14,597)
<b>Segment profit/(loss) for the period</b>	<b>24,181</b>	<b>(1,881)</b>	<b>(222)</b>	<b>22,078</b>
<b>Other information</b>				
<b>Segment assets</b>	<b>4,086,255</b>	<b>111,530</b>	<b>1,547</b>	<b>4,199,332</b>
<b>Segment capital expenses</b>	<b>803</b>	<b>18</b>	<b>-</b>	<b>821</b>

<b>For the period ended 30 June 2021</b>	<i>Oman</i> <i>RO'000</i>	<i>UAE</i> <i>RO'000</i>	<i>Egypt</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Net interest income and income from Islamic financing and Investment activities	43,916	1,112	6	45,034
Fees, Commission and other operating income	16,094	428	762	17,284
<b>Operating income/(loss)</b>	<b>60,010</b>	<b>1,540</b>	<b>768</b>	<b>62,318</b>
Operating expenses	(30,343)	(1,312)	59	(31,596)
<b>Operating profit/(loss)</b>	<b>29,667</b>	<b>228</b>	<b>827</b>	<b>30,722</b>
Impairment losses (net) and taxation	(15,115)	40	-	(15,075)
<b>Segment profit/(loss) for the period</b>	<b>14,552</b>	<b>268</b>	<b>827</b>	<b>15,647</b>
<b>Other information</b>				
<b>Segment assets</b>	<b>3,698,995</b>	<b>102,044</b>	<b>22,325</b>	<b>3,823,364</b>
<b>Segment capital expenses</b>	<b>1,265</b>	<b>12</b>	<b>-</b>	<b>1,277</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**30 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Valuation models

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table shows an analysis of financial instruments other than derivatives instruments recorded at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>30 June 2022</b>			
<b>Investment measured at FVTPL</b>			
Quoted equities	1,002	-	1,002
Unquoted equities	-	2,704	2,704
<b>Total</b>	<b>1,002</b>	<b>2,704</b>	<b>3,706</b>
<b>Investment measured at FVOCI</b>			
Quoted equities	39,666	-	39,666
<b>Total</b>	<b>39,666</b>	<b>-</b>	<b>39,666</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>40,668</b>	<b>2,704</b>	<b>43,372</b>

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>30 June 2021</b>			
<b>Investment measured at FVTPL</b>			
Quoted equities	888	-	888
Unquoted equities	-	2,430	2,430
<b>Total</b>	<b>888</b>	<b>2,430</b>	<b>3,318</b>
<b>Investment measured at FVOCI</b>			
Quoted equities	35,334	-	35,334
Quoted debt	4,065	-	4,065
Unquoted equities	-	324	324
<b>Total</b>	<b>39,399</b>	<b>324</b>	<b>39,723</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>40,287</b>	<b>2,754</b>	<b>43,041</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**30 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

<b>31 December 2021</b>	<i>Level 1</i> <i>RO'000</i>	<i>Level 2</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
<b>Investment measured at FVTPL</b>			
Quoted equities	973	-	973
Unquoted equities	-	2,589	2,589
<b>Total</b>	<b>973</b>	<b>2,589</b>	<b>3,562</b>
<b>Investment measured at FVOCI</b>			
Quoted equities	35,918	-	35,918
Quoted debt	4,038	-	4,038
Unquoted equities	-	22	22
<b>Total</b>	<b>39,956</b>	<b>22</b>	<b>39,978</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>40,929</b>	<b>2,611</b>	<b>43,540</b>

The Bank's primary medium and long-term financial liabilities are the borrowed funds and subordinated liabilities. The fair values of these financial liabilities not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities

Derivative financial instrument at level 2 are valued based on counter party valuation, quoted forward rates and yield curves (see note 31).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

**30 June 2022 (unaudited)**

**31 DERIVATIVES**

	<i>Positive fair value (Note 8) RO'000</i>	<i>Negative fair value (Note 12) RO'000</i>	<i>Notional amount total RO'000</i>	<i>Notional amounts by term to maturity</i>		
				<i>Within 3 months RO'000</i>	<i>3 – 12 months RO'000</i>	<i>Above 1 Year RO'000</i>
<b>30 June 2022</b>						
Fair Value hedge	-	(2,310)	192,500	-	-	192,500
Interest rate swaps	15,118	(15,118)	465,874	9,005	30,804	426,065
Forward foreign exchange purchase contracts	353	(381)	405,588	164,611	223,890	17,087
Forward foreign exchange sales contracts	1,546	(97)	405,588	214,065	154,552	36,971
<b>Total</b>	<b>17,017</b>	<b>(17,906)</b>	<b>1,469,550</b>	<b>387,681</b>	<b>409,246</b>	<b>672,623</b>
<b>30 June 2021</b>						
Interest rate swaps	3,682	(3,682)	429,435	16,726	38,835	373,874
Forward purchase contracts	23	(60)	138,793	84,322	7,859	46,612
Forward sales contracts	639	(4)	138,793	84,161	7,864	46,768
<b>Total</b>	<b>4,344</b>	<b>(3,746)</b>	<b>707,021</b>	<b>185,209</b>	<b>54,558</b>	<b>467,254</b>
<b>31 December 2021</b>						
Interest rate swaps	2,049	(2,049)	462,212	7,829	22,550	431,833
Forward purchase contracts	8	(16)	254,848	54,015	200,833	-
Forward sales contracts	1,034	(10)	254,848	54,001	199,840	1,007
<b>Total</b>	<b>3,091</b>	<b>(2,075)</b>	<b>971,908</b>	<b>115,845</b>	<b>423,223</b>	<b>432,840</b>

Derivatives are valued at level 2 based on quoted forward rates.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**32 LIQUIDITY COVERAGE RATIO**

The Liquidity coverage ratio (LCR) is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The LCR is computed as per CBO requirement under the circular BM1127 (BASEL III: Framework on Liquidity coverage ratio and LCR disclosure standards). It is applicable from January 1, 2015 with a minimum ratio of 60% and increasing by 10% every year thereafter till it reaches a minimum required level of 100% on 1 January, 2020.

	June 2022		June 2021	
	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000
<b>High quality liquid assets</b>				
<b>Total High Quality Liquid Assets (HQLA)</b>	-	666,555	-	675,341
<b>Cash outflows</b>				
Stable deposits	463,187	13,896	646,928	32,346
Less stable deposits	335,690	33,569	132,567	13,257
<b>Retail deposits and deposits from small business customers</b>	798,877	47,465	779,495	45,603
<b>Unsecured wholesale funding, of which:</b>				
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,444,652	552,121	1,165,383	448,838
<b>Additional requirements, of which:</b>				
Credit and liquidity facilities	20,529	2,053	36,703	3,670
Other contractual funding obligations	28,655	1,433	-	1,775
Other contingent funding obligations	505,764	122,435	402,871	78,130
<b>Total cash outflows</b>	2,798,477	725,507	-	578,016
<b>Cash inflows</b>				
Inflows from fully performing exposures	285,858	177,735	254,274	161,672
Other cash inflows	108,577	108,577	17,483	76,249
<b>Total cash inflows</b>	394,435	286,312	271,757	237,921
<b>Total high quality liquid assets</b>	-	666,555	-	675,341
<b>Total net cash outflows</b>	-	439,195	-	340,095
<b>Liquidity coverage ratio (%)</b>	-	151.77	-	198.57

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**33 ESTIMATES AND JUDGMENTS**

**Outbreak of Coronavirus (COVID-19)**

The World Health Organization officially declared COVID-19 as a global pandemic on 11 March 2020. From the latter half of Q1-2020, the economic environment and business landscape of the Bank have witnessed rapid changes as a result of the unprecedented outbreak of Coronavirus pandemic coupled with the significant depression in the global crude oil prices. Tightening of market conditions, lockdowns, restrictions on trade and movement of people have caused significant disruptions to businesses and economic activities globally and across industries & sectors.

**Government measures**

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. The Central Banks in Oman and in the UAE had instituted a host of measures to protect the stability of country's economy. These measures include deferral of loan installments for the affected borrowers (particularly the corporates and SMEs), deferment and waiver of interest/profit for affected Omani nationals employed in private sector, waiver of certain fees, providing capital relief and increasing the lending ratio etc. Some of these measures have been extended until 30 September 2022.

**Impact of COVID-19 on the Bank**

The assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are based on reasonable and supportable information that is available without undue cost or effort. In assessing forecast conditions, consideration has been given both to the effects of COVID-19 and the significant government support measures being undertaken. Relief measures, such as payment holidays, will not automatically lead to loans being measured on the basis of lifetime losses and considerable judgment has been exercised to measure ECLs at this time. When it is not possible to reflect such information in the models, management overlays or adjustments has been considered. This is also broadly consistent with guidelines issued by other regulators within the GCC.

The central Bank of Oman has issued further IFRS 9 related guidances. These are summarized below:

- Measures related to deferment of loan repayment by a borrower may not on its own, trigger the counting of 30 "days past due" (DPD) or more backstop used to determine significant increase in credit risk (SICR) or the 90 days past due backstop used to determine default. However, Banks should continue to assess the obligor's likelihood of payment of amount due after the deferment period, and in case of SICR or credit impairment and if the same is not of a temporary nature, the risks should be recognized.
- The deferment of repayment by borrowers may indicate short term liquidity or cash flow problems and hence the deferment of loan repayment may not be a sole deciding factor for SICR or impairment until and unless Banks have sighted other supportable evidences of credit quality deterioration.
- Similarly, any covenant breach having particular relevance to Covid-19 e.g. delay in submission of audited financial accounts or any other breach, may be considered differently than normal breaches related to consistent borrower specific risk factors leading to borrowers default. This sort of breach may not necessarily and automatically trigger SICR resulting in moving accounts to Stage-2.
- Banks must develop estimates based on the best available supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions consideration should be given both to the effects of Covid-19 coupled with oil prices and policy measures taken to stabilize the economy.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**33 ESTIMATES AND JUDGMENTS (continued)**

**Impact of COVID-19 on the Bank (continued)**

- For the all affected borrowers who have availed deferrals, Banks must proactively offer forbearance solutions that includes aligning their repayments to the future cash flows of the borrowers. This sort of measures may be considered differently in terms of classification and provisioning. For all the affected borrowers, whose deferral period ended by 31 December 2021, the revised terms to be finalised on or before 30 September 2022.

The bank has made appropriate impairment provisions taking note of the above guidelines.

- Nevertheless, any changes made to ECL estimates will be subject to very high levels of uncertainty, as reasonable and supportable forward-looking information may not be currently available to substantiate those changes. As such, the macro-economic forecasts applied in the ECL models couldn't be recalibrated upfront with pre-mature effects of Covid-19 and support measures. Besides the individual and collective LGD's may also get impacted due to Covid-19 effect on market prices of collateral and guarantees. For this reason, Banks are expected to use post model adjustments and management overlays by applying multiple macroeconomic scenarios with careful application of probability weights to each of such scenarios while computing ECL on portfolio basis as prudence.
- The CBO has recently issued guidelines to allow restructuring of credit facilities to borrowers impacted by Covid 19 and who had availed deferrals to be implemented by September 30, 2022. The bank is in discussion with such borrowers to assess and support such a restructuring.

The IFRS 9 Steering Committee of the Bank is primarily responsible for overseeing the Bank's adequacy on ECL. It closely monitors the impact of COVID-19 by an ongoing review of the portfolio including a review of all individually significant exposures in the directly impacted industries and sectors.

Bank's retail portfolio largely comprises of nationals employed in government sector and hence this segment is expected to largely remain insulated from job cuts and salary reductions. Retail lending to private sector employees which forms a small proportion of Banks total retail portfolio is expected to witness some impact in the short to medium term due to the pandemic and hence could lead to potential credit stress. The Bank is fully committed to help its customers through this turbulent period as directed by the CBO. The Bank continued to support its customers and partners through well-executed business continuity plans, in addition to adopting health and safety measures announced by the Supreme Committee entrusted with finding mechanisms for dealing with developments resulting from the COVID-19 pandemic. The Bank continually reviews its precautionary and administrative measures in response to changes on the ground.

**Recalibration of IFRS 9 model**

Pursuant to a IFRS 9 model validation and recommendations by an independent agency, the bank decided to recalibrate its IFRS 9 models which took into consideration updated portfolio composition and default experience of its wholesale and corporate portfolios. The recalibration also considered refreshed macro-economic forecast, which resulted in an updated assessment of impairment provisions. The recalibrated model used by the bank after further review by the independent agency, which carried out the validation.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**30 June 2022 (unaudited)**

**34 COMPARATIVE AMOUNTS**

Certain of the corresponding figures for 2021 have been reclassified in order to conform with the presentation for the current year.