

# **National Bank of Oman SAOG**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**(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 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>6-31</b>

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**
**As at 31 March 2021 (unaudited)**

		<i>Audited</i>
	<b>31/03/2021</b>	31/03/2020
	<b>RO'000</b>	RO'000
	<i>Notes</i>	<i>31/12/2020</i>
		<i>RO'000</i>
<b>Assets</b>		
Cash and balances with Central Banks	3	328,929
Due from banks and other money market placements (net)	4	107,684
Loans, advances and Islamic financing assets (net)	5	2,910,371
Financial investments	6	315,827
Property and equipment	7	62,105
Other assets	8	48,495
<b>Total assets</b>		<b>3,773,411</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Due to banks and other money market deposits	9	361,338
Customers' deposits and unrestricted investment accounts	10	2,597,871
Euro medium term notes	11	192,500
Other liabilities	12	73,761
Taxation	13	10,581
<b>Total liabilities</b>		<b>3,236,051</b>
<b>Equity</b>		
Share capital		162,595
Share premium		34,465
Legal reserve		54,198
Other reserves	14	1,797
Retained earnings		168,805
<b>Total equity attributable to the shareholders of the bank</b>		<b>421,860</b>
Tier 1 perpetual bond	15	115,500
<b>Total equity</b>		<b>537,360</b>
<b>Total liabilities and equity</b>		<b>3,773,411</b>

The interim condensed financial statements were authorised for issue on 28<sup>th</sup> April 2021 in accordance with a resolution of the Board of Directors.

Chairperson

Chief Executive Officer

The attached notes 1 to 33 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the period ended 31 March 2021 (unaudited)**

	Notes	<u>Three months ended</u>	
		<u>31 March</u>	
		2021	2020
		RO'000	RO'000
Interest income	17	40,309	40,618
Interest expense	18	(19,156)	(19,279)
<b>NET INTEREST INCOME</b>		<b>21,153</b>	<b>21,339</b>
Income from Islamic financing and Investment activities		2,389	2,176
Unrestricted investment account holders' share of profit		(1,424)	(1,162)
<b>NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES</b>		<b>965</b>	<b>1,014</b>
<b>NET INTEREST INCOME AND NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES</b>		<b>22,118</b>	<b>22,353</b>
Other operating income	19	9,022	8,389
<b>OPERATING INCOME</b>		<b>31,140</b>	<b>30,742</b>
Staff costs	20	(10,465)	(9,230)
Other operating expenses	21	(4,034)	(4,721)
Depreciation	7	(1,575)	(1,594)
<b>TOTAL OPERATING EXPENSES</b>		<b>(16,074)</b>	<b>(15,545)</b>
<b>PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX</b>		<b>15,066</b>	<b>15,197</b>
<b>TOTAL IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)</b>	22.4	<b>(6,929)</b>	<b>(3,616)</b>
<b>PROFIT BEFORE TAX</b>		<b>8,137</b>	<b>11,581</b>
Taxation	13	(1,243)	(1,803)
<b>PROFIT FOR THE PERIOD</b>		<b>6,894</b>	<b>9,778</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Equity investments at FVOCI – net change in fair value		199	(7,365)
Tax effect of equity investments at FVOCI – net change in fair value		(49)	900
<b>Items that will be reclassified subsequently to profit or loss</b>			
Debt instruments at FVOCI – net change in fair value		83	(1,198)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>233</b>	<b>(7,663)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>7,127</b>	<b>2,115</b>
Earnings per share:			
Basic and diluted, earnings for the period attributable to equity holders		0.004	0.006

The attached notes 1 to 33 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**For the period ended 31 March 2021 (unaudited)**

	Notes	Three months ended	
		31 March 2021 RO'000	2020 RO'000
<b>Profit before taxation</b>		<b>8,137</b>	11,581
Adjustments for:			
Depreciation	7	1,575	1,594
Provision for credit losses (net)		6,929	5,244
Release of credit losses for loans and advances to banks/Investments (net)		(4)	(77)
Loss on sale of trading investments		30	751
Amortization of Premium/discount		(166)	(61)
Disposal and Translation difference in Property & equipment & Tax		(8)	14
Dividend income		(884)	(1,443)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>15,609</b>	17,603
Decrease in due from and other money market deposits		22	2,893
Increase in due to and other money market placements		77,851	44,223
Increase in loans and advances to customers		(29,438)	(69,733)
Decrease /(Increase) in other assets		4,350	(7,528)
Increase in customer deposits		70,692	159,312
(Decrease)/Increase in other liabilities		(10,687)	4,912
<b>Cash from operations</b>		<b>128,399</b>	151,682
Tax paid		(279)	(6,925)
<b>Net cash from operating activities</b>		<b>128,120</b>	144,757
<b>Investing activities</b>			
Purchase of investments		(2,337)	(34,001)
Proceeds from sale of investments		5,455	82
Purchase of Property and equipment	7	(1,115)	(1,046)
Sale of Property and equipment		-	5
Dividend income	19	884	1,443
<b>Net from/(cash used in) investing activities</b>		<b>2,887</b>	(33,517)
<b>Financing activities</b>			
Payment of dividend		-	(27,316)
<b>Net cash used in financing activities</b>		<b>-</b>	(27,316)
Increase in cash and cash equivalents		131,007	83,924
Cash and cash equivalents at the beginning of the period		125,012	261,314
<b>Cash and cash equivalents at the end of the period</b>		<b>256,019</b>	345,238
<b>Representing:</b>			
Cash and balances with Central Bank	3	328,429	377,922
Due from Bank (maturing within 3 months)		89,589	109,613
Due to Bank (maturing within 3 months)		(161,999)	(142,297)
		<b>256,019</b>	345,238

The attached notes 1 to 33 form part of the interim condensed financial statements.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

**As at 31 March 2021 (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 2021	162,595	34,465	54,198	1,564	-	161,911	414,733	115,500	530,233
Net profit for the period	-	-	-	-	-	6,894	6,894	-	6,894
Other comprehensive income for the period	-	-	-	233	-	-	233	-	233
Balance at 31 March 2021	162,595	34,465	54,198	1,797	-	168,805	421,860	115,500	537,360
Balance at 1 January 2020	162,595	34,465	54,198	(764)	27,316	158,893	436,703	115,500	552,203
Net profit for the period	-	-	-	-	-	9,778	9,778	-	9,778
Other comprehensive income for the period	-	-	-	(7,663)	-	-	(7,663)	-	(7,663)
Dividend paid during the period	-	-	-	-	(27,316)	-	(27,316)	-	(27,316)
Transfer to impairment reserve	-	-	-	258	-	(258)	-	-	-
Balance at 31 March 2020	162,595	34,465	54,198	(8,169)	-	168,413	411,502	115,500	527,002
Balance at 1 April 2020	162,595	34,465	54,198	(8,169)	-	168,413	411,502	115,500	527,002
Net profit for the period	-	-	-	-	-	8,370	8,370	-	8,370
Other comprehensive income for the period	-	-	-	4,952	-	-	4,952	-	4,952
Net losses on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	-	-	(995)	(995)	-	(995)
Transfer to retained earnings	-	-	-	(480)	-	480	-	-	-
Payment of interest on tier 1 perpetual bond	-	-	-	-	-	(9,096)	(9,096)	-	(9,096)
Transfer to impairment reserve	-	-	-	5,261	-	(5,261)	-	-	-
Balance at 31 December 2020	162,595	34,465	54,198	1,564	-	161,911	414,733	115,500	530,233

\*Transfers to legal reserve are made on an annual basis.

The attached notes 1 to 33 form part of the interim condensed financial statements.

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2021 (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 2021. The Bank is headquartered 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 has a primary listing on the Muscat Stock Exchange. Its bonds and AT1 capital instruments are listed in the Irish Stockexchange.

The Bank employed 1,510 employees as of 31 March 2021 (31 March 2020 – 1,586 employees / 31 December 2020 - 1,573).

### 2 SIGNIFICANT ACCOUNTING POLICIES

The condensed interim 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"). 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 2020.

The condensed interim 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 three months ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The condensed interim 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).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**31 March 2021 (unaudited)**
**3 CASH AND BALANCES WITH CENTRAL BANKS**

	<b>31/03/2021</b>	31/03/2020	31/12/2020
	<b>RO'000</b>	RO'000	RO'000
Cash	<b>37,640</b>	51,322	38,921
Treasury bills	<b>130,000</b>	15,000	20,000
Certificate of Deposit with Central Banks	-	6,813	3,669
Other balances with Central Banks	<b>160,789</b>	304,787	153,036
<b>Cash and cash equivalents</b>	<b>328,429</b>	377,922	215,626
Capital deposit with Central Bank of Oman	<b>500</b>	500	500
<b>Cash and balances with Central Banks</b>	<b>328,929</b>	378,422	216,126

- (i) At 31 March 2021, cash and balances with Central Bank of Oman included balances amounting to RO 500,000 (31 March 2020 - RO 500,000, 31 December 2020 – RO 500,000) as capital deposit. This deposit cannot be withdrawn without the Central Bank of Oman approval.
- (ii) Minimum cash reserve to be maintained with Central Bank of Oman as of 31 March 2021 is 3% of total deposits and for Central bank of UAE, is 1% of time deposits and 14% 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>31/03/2021</b>	31/03/2020	31/12/2020
	<b>RO'000</b>	RO'000	RO'000
Loans and advances to banks	<b>14,245</b>	27,874	14,823
Placements with bank	<b>3,850</b>	63,987	27,640
Demand balances	<b>89,665</b>	49,555	52,340
<b>Due from banks and other money market placement</b>	<b>107,760</b>	141,416	94,803
Less: allowance for credit losses	<b>(76)</b>	(425)	(87)
<b>Net due from banks and other money market placement</b>	<b>107,684</b>	140,991	94,716

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

	<b>3 months ended</b>	3 months ended	12 months ended
	<b>31/03/2021</b>	31/03/2020	31/12/2020
	<b>RO'000</b>	RO'000	RO'000
Balance at beginning of period/ year	<b>87</b>	471	471
Released during the period / year	<b>(11)</b>	(46)	(384)
Balance at end of period/ year	<b>76</b>	425	87

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**31 March 2021 (unaudited)**
**5 LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS (NET)**

	<b>31/03/2021</b>	<i>31/03/2020</i>	<i>31/12/2020</i>
	<b>RO'000</b>	<i>RO'000</i>	<i>RO'000</i>
Overdrafts	<b>91,306</b>	96,648	93,793
Personal loans	<b>1,378,966</b>	1,361,181	1,396,881
Other loans	<b>1,602,993</b>	1,529,919	1,553,080
Gross loans, advances and financing activities for customers	<b>3,073,265</b>	2,987,748	3,043,754
Less: allowance for credit losses	<b>(162,894)</b>	(121,702)	(155,892)
Net loans and advances	<b>2,910,371</b>	2,866,046	2,887,862

Gross loans, advances and financing activities for customers include RO 113 million due from related parties at 31 March 2021 (31 March 2020 – RO 137 million, 31 December 2020 – RO 121 million).

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

	<b>3 months ended</b>	<i>3 month ended</i>	<i>12 months ended</i>
	<b>31/03/2021</b>	<i>31/03/2020</i>	<i>31/12/2020</i>
	<b>RO'000</b>	<i>RO'000</i>	<i>RO'000</i>
Balance at beginning of period / year	<b>155,892</b>	118,289	118,289
Provided during the period / year	<b>9,795</b>	6,323	46,403
Recovered / released during the period / year	<b>(769)</b>	(1,220)	(3,328)
Written off during the period / year	<b>(2,024)</b>	(1,690)	(5,472)
Balance at end of period / year	<b>162,894</b>	121,702	155,892

Provided during the period/year includes contractual interest reserved for RO 1.74 million (31 March 2020 – RO 1.39 million and 31 December 2020 – RO 6.67 million).

Recovered / released during the period/year includes recovery of reserved interest for 31 March 2021 at RO 0.4 million (31 March 2020 – RO 0.2 million and 31 December 2020 – RO 0.9 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 31 March 2021, loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 174 million (31 March 2020 – RO 141 million and 31 December 2020 – RO 169 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 March 2021 (unaudited)**

**6 FINANCIAL INVESTMENTS**

	<b>31/03/2021</b>	31/03/2020	31/12/2020
	<b>RO'000</b>	RO'000	RO'000
<b><i>Investments measured at Fair value through profit and loss (FVPL)</i></b>			
Quoted investments-Oman	<b>490</b>	4,358	474
Quoted investments-Foreign	<b>399</b>	341	398
Unquoted investments	<b>2,355</b>	2,139	2,683
<b>Total FVPL</b>	<b>3,244</b>	6,838	3,555
<b><i>Investments measured at Fair value through other comprehensive income (FVOCI)</i></b>			
<b>FVOCI – Equity investments</b>			
Quoted investments-Oman	<b>15,401</b>	12,977	14,526
Quoted investments-Foreign	<b>18,529</b>	16,971	18,218
Unquoted investments	<b>324</b>	342	324
<b>Total FVOCI – equity instruments</b>	<b>34,254</b>	30,290	33,068
<b>FVOCI - Debt instruments</b>			
Government development bonds-Oman	<b>3,998</b>	2,768	3,917
<b>Total FVOCI – debt instruments</b>	<b>3,998</b>	2,768	3,917
<b>Total FVOCI</b>	<b>38,252</b>	33,058	36,985
<b><i>Investments measured at amortised cost</i></b>			
Government development bonds-Oman	<b>236,282</b>	246,846	241,077
Government Sukuk-Oman	<b>16,422</b>	10,479	16,417
Quoted investments-Oman	<b>17,238</b>	15,673	16,077
Government development bonds-foreign	<b>4,714</b>	4,821	4,741
<b>Total – amortised cost</b>	<b>274,656</b>	277,819	278,312
<b>Total financial investments</b>	<b>316,152</b>	317,715	318,852
<b>Less: Impairment</b>	<b>(325)</b>	(476)	(318)
<b>Total financial investments</b>	<b>315,827</b>	317,239	318,534

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

	<b>31/03/2021</b>	31/03/2020	31/12/2020
	<b>RO'000</b>	RO'000	RO'000
Balance at beginning of period/ year	<b>318</b>	507	507
Provided/(Released) during the year	<b>7</b>	(31)	(189)
<b>Balance at end of year</b>	<b>325</b>	476	318

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2021 (unaudited)

### 6 FINANCIAL INVESTMENTS (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>31/03/2021</b>		
Government Development Bonds-Oman	81%	256,702
<b>31/03/2020</b>		
Government Development Bonds-Oman	82%	260,093
<b>31/12/2020</b>		
Government Development Bonds-Oman	82%	261,411

In 2021, the Bank received dividends of RO 0.88 million from its FVOCI equities (2020: RO 1.61 million for FVOCI equities), recorded as other operating income.

### 7 PROPERTY AND EQUIPMENT

	<i>Freehold land and buildings and leasehold improvements</i> RO'000	<i>Motor vehicles, furniture and equipment</i> RO'000	<i>Capital work in progress</i> RO'000	<i>Right to use assets</i> RO'000	<i>Total</i> RO'000
<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	130	732	238	1,115
Disposals	-	(5)	-	-	(5)
Transfers	-	94	(94)	-	-
Translation difference	2	-	-	-	2
Depreciation	(323)	(767)	-	(485)	(1,575)
<b>Balance at 31 March 2021, net of accumulated depreciation</b>	<b>45,546</b>	<b>11,782</b>	<b>1,878</b>	<b>2,899</b>	<b>62,105</b>
At cost	60,897	45,306	1,878	6,557	114,638
Accumulated depreciation	(15,351)	(33,524)	-	(3,658)	(52,533)
<b>Net carrying value at 31 March 2021</b>	<b>45,546</b>	<b>11,782</b>	<b>1,878</b>	<b>2,899</b>	<b>62,105</b>
<b>Reconciliation of carrying amount:</b>					
Balance as at 1 January 2020, net of accumulated depreciation	46,915	13,709	1,017	2,480	64,121
Additions	-	119	573	1,279	1,971
Disposals	-	(4)	(9)	-	(13)
Transfers	230	183	(413)	-	-
Translation difference	2	-	-	-	2
Depreciation	(353)	(777)	-	(464)	(1,594)
<b>Balance at 31 March 2020, net of accumulated depreciation</b>	<b>46,794</b>	<b>13,230</b>	<b>1,168</b>	<b>3,295</b>	<b>64,487</b>
At cost	61,076	45,069	1,168	6,197	113,510
Accumulated depreciation	(14,282)	(31,839)	-	(2,902)	(49,023)
<b>Net carrying value at 31 March 2020</b>	<b>46,794</b>	<b>13,230</b>	<b>1,168</b>	<b>3,295</b>	<b>64,487</b>
<b>Net carrying value at 31 December 2020</b>	<b>45,852</b>	<b>12,330</b>	<b>1,240</b>	<b>3,146</b>	<b>62,568</b>

From 1 January 2020, the Bank elected to change the method of accounting for building classified as property and equipment from the revaluation model to the cost model which has an impact on the other reserves and retained earnings, with no impact on the reported profits, for the corresponding quarter ended 31 March 2020. Please refer to note 2.7 of the annual financial statements for more details.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**31 March 2021 (unaudited)**
**8 OTHER ASSETS**

	<b>31/03/2021</b>	31/03/2020	31/12/2020
	<b>RO'000</b>	RO'000	RO'000
Interest receivable and others	<b>29,341</b>	22,240	25,956
Positive fair value of derivatives (note 30)	<b>3,357</b>	6,387	4,525
Customers' indebtedness for acceptances (note 12)	<b>15,797</b>	19,977	22,364
Deferred tax (note 13)	-	513	-
	<b>48,495</b>	49,117	52,845

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

	<b>31/03/2021</b>	31/03/2020	31/12/2020
	<b>RO'000</b>	RO'000	RO'000
Borrowings	<b>325,624</b>	319,757	282,217
Other balances	<b>35,714</b>	3,440	6,506
	<b>361,338</b>	323,197	288,723

Borrowings include RO 39.8 million borrowed under repurchased agreements

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

	<b>31/03/2021</b>	31/03/2020	31/12/2020
	<b>RO'000</b>	RO'000	RO'000
Current accounts	<b>962,861</b>	1,050,370	862,055
Savings accounts	<b>622,804</b>	599,494	636,437
Term deposits	<b>1,012,206</b>	1,040,966	1,028,687
	<b>2,597,871</b>	2,690,830	2,527,179

**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 period end, the Bank has an issuance for RO 192.5 million (USD 500 million). (31 March 2020 – RO 192.5 million and 31 December 2020 – RO 192.5 million).

**12 OTHER LIABILITIES**

	<b>31/03/2021</b>	31/03/2020	31/12/2020
	<b>RO'000</b>	RO'000	RO'000
Interest payable and other accruals	<b>50,394</b>	41,044	53,200
Lease liabilities for right to use assets (note 7)	<b>1,964</b>	2,298	2,139
Allowances for credit losses for loan commitments and financial guarantees (refer below)	<b>2,792</b>	6,339	2,850
Negative fair value of derivatives (note 30)	<b>2,781</b>	5,073	3,879
Liabilities under acceptances (note 8)	<b>15,797</b>	19,977	22,364
Deferred Tax Liability (note 12)	<b>33</b>	-	16
	<b>73,761</b>	74,731	84,448

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

	<b>3 months ended</b>	3 months ended	12 months ended
	<b>31/03/2021</b>	31/03/2020	31/12/2020
	<b>RO'000</b>	RO'000	RO'000
Balance at beginning of period / year	<b>2,850</b>	6,026	6,026
(Released) / Provided during the period / year	<b>(58)</b>	313	(3,176)
Balance at end of period / year	<b>2,792</b>	6,339	2,850

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**31 March 2021 (unaudited)**
**13 TAXATION**

	<b>31/03/2021</b>	<b>31/03/2020</b>	<b>31/12/2020</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>1,275</b>	1,746	3,700
Deferred tax (income)/ expenses	<b>(32)</b>	56	(40)
	<b>1,243</b>	1,802	3,660

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: 20% of taxable income

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

	<b>31/03/2021</b>	<b>31/03/2020</b>	<b>31/12/2020</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Accounting profit	<b>8,137</b>	11,581	21,808
Tax at applicable rate	<b>1,221</b>	1,737	3,271
Non-deductible expenses	<b>69</b>	113	988
Tax exempt revenues	<b>(112)</b>	(117)	(1,506)
Others	<b>97</b>	13	947
Total	<b>1,275</b>	1,746	3,700

The Bank's liabilities for taxation in the Sultanate of Oman have been assessed 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 2017.

	<b>31/03/2021</b>	<b>31/03/2020</b>	<b>31/12/2020</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Tax liability</b>			
Income tax and other taxes – Current period/year	<b>1,275</b>	1,746	3,700
Income tax and other taxes – Prior years	<b>9,306</b>	6,296	5,974
Income tax and other taxes – Retained earnings	<b>-</b>	-	(106)
	<b>10,581</b>	8,042	9,568

	<b>31/03/2021</b>	<b>31/03/2020</b>	<b>31/12/2020</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Recognised deferred tax assets / (liabilities)</b>			
Deferred tax assets are attributable to the following:			
Provisions - timing difference through comprehensive income	<b>82</b>	(45)	50
Fair value through other comprehensive income (FVOCI)	<b>(115)</b>	558	(66)
	<b>(33)</b>	513	(16)

	<b>31/03/2021</b>	<b>31/03/2020</b>	<b>31/12/2020</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Movement of deferred tax asset/ (liability)</b>			
Balance at the beginning of the year	<b>(16)</b>	(332)	(332)
Charge/(reversal) during the period/year through profit and Loss	<b>32</b>	(56)	40
Tax effect of movement in FVOCI investments	<b>(49)</b>	901	276
	<b>(33)</b>	513	(16)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 March 2021 (unaudited)**

**14 OTHER RESERVES**

	<i>FVOCI reserve RO '000</i>	<i>Impairment Reserve RO '000</i>	<i>Total RO '000</i>
At 1 January 2021	(9,016)	10,580	1,564
Net movement on FVOCI investments	282	-	282
Tax effect of investments at FVOCI – net change in fair value	(49)	-	(49)
<b>At 31 March 2021</b>	<b>(8,783)</b>	<b>10,580</b>	<b>1,797</b>
At 31 March 2020	(13,488)	5,319	(8,169)
At 31 December 2020	(9,016)	10,580	1,564

- (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, in 2015 issued Perpetual Tier 1 Capital Securities (the "Tier 1 Securities"), amounting to USD 300,000,000. (R.O 115,500,000).

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 (18 November 2020) subject to the prior consent of the Central Bank of Oman.

The Tier 1 Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.875% which is the aggregate of margin and 5-year mid-swap rate that was prevailing at the time of issuance. The mid-swap rate will be reset at end of every fifth year. The current applicable rate is 6.653 percent, payable semi-annually in arrears and treated as deduction from equity. Interest is non-cumulative and payable at the Bank's discretion.

These securities form part of Tier 1 Capital of the Bank and comply with Basel-3 and Central Bank of Oman regulations (BM1114).

**16 CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>31/03/2021 RO'000</i>	<i>31/03/2020 RO'000</i>	<i>31/12/2020 RO'000</i>
Guarantees	273,235	347,310	281,967
Documentary letters of credit	44,954	74,600	38,940
Undrawn commitment to lend	188,139	214,587	176,623
	<b>506,328</b>	<b>636,497</b>	<b>497,530</b>

- (i) The allowances for credit losses for commitments and financial guarantees amounts to RO 2.8 million (31 March 2020 – RO 6.3 million and December 2020 – 2.9 million) and is included under note 12.

- (ii) Guarantees include RO 6.32 million (31 March 2020 – RO 6.44 million and December 2020 - 6.95 million) relating to non-performing loans.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 March 2021 (unaudited)**

**17 INTEREST INCOME**

	<b>3 months ended 31/03/2021 RO'000</b>	3 months ended 31/03/2020 RO'000
Interest from Loans & advances	<b>36,124</b>	36,143
Interest from banks	<b>149</b>	1,069
Investments	<b>4,036</b>	3,406
	<b>40,309</b>	40,618

**18 INTEREST EXPENSE**

	<b>3 months ended 31/03/2021 RO'000</b>	3 months ended 31/03/2020 RO'000
Interest to customer deposits	<b>14,059</b>	13,393
Interest to banks	<b>2,307</b>	3,055
Euro medium term notes	<b>2,790</b>	2,831
	<b>19,156</b>	19,279

**19 OTHER OPERATING INCOME**

	<b>3 months ended 31/03/2021 RO'000</b>	3 months ended 31/03/2020 RO'000
Net gains from foreign exchange dealings	<b>1,549</b>	2,128
Net fees and commissions	<b>5,499</b>	3,946
Loss on trading investments	<b>(30)</b>	(751)
Dividend income	<b>884</b>	1,443
Other income	<b>1,120</b>	1,623
	<b>9,022</b>	8,389

**20 STAFF COSTS**

	<b>3 months ended 31/03/2021 RO'000</b>	3 months ended 31/03/2020 RO'000
Employees' salaries	<b>7,254</b>	7,397
Contribution to social insurance schemes	<b>647</b>	608
Other staff costs	<b>2,564</b>	1,225
	<b>10,465</b>	9,230

**21 OTHER OPERATING EXPENSES**

	<b>3 months ended 31/03/2021 RO'000</b>	3 months ended 31/03/2020 RO'000
Establishment costs	<b>962</b>	1,108
Operating and administration expenses	<b>2,948</b>	3,541
Directors remuneration and sitting fees	<b>124</b>	72
	<b>4,034</b>	4,721

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**31 March 2021 (unaudited)**

**22 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

**22.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 March 2021:**

**Impairment charge and provision held as of 31 March 2021**

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	7,645	NA
Provisions required as per CBO norms/held as per IFRS 9	183,374	166,087	(17,287)
Gross non-performing loan ratio (percentage)	-	5.65	5.65
Net non-performing loan ratio (percentage)	-	5.09	5.09

**Mapping of IFRS 9 and CBO norms**

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	2,278,095	31,180	11,009	20,171	2,267,086	-
	Stage 2	511,285	5,649	11,002	(5,353)	500,283	-
	Stage 3	-	-	-	-	-	-
Subtotal		2,789,380	36,829	22,011	14,818	2,767,369	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	110,111	1,120	24,878	(23,758)	85,233	-
	Stage 3	-	-	-	-	-	-
Subtotal		110,111	1,120	24,878	(23,758)	85,233	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	9,301	2,301	2,294	103	7,007	96
Subtotal		9,301	2,301	2,294	103	7,007	96
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	11,719	4,271	3,484	1,070	8,235	283
Subtotal		11,719	4,271	3,484	1,070	8,235	283
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	152,756	120,607	110,226	28,248	42,530	17,867
Subtotal		152,756	120,607	110,226	28,248	42,530	17,867
Other items not covered under CBO circular BM977 and related instructions	Stage 1	589,292	-	1,185	(1,185)	588,107	-
	Stage 2	112,754	-	2,009	(2,009)	110,745	-
	Stage 3	-	-	-	-	-	-
Subtotal		702,046	-	3,194	(3,194)	698,852	-
Total	Stage 1	2,867,387	31,180	12,194	18,986	2,855,193	-
	Stage 2	734,150	6,769	37,889	(31,120)	696,261	-
	Stage 3	173,776	127,179	116,004	29,421	57,772	18,246
	Total	3,775,313	165,128	166,087	17,287	3,609,226	18,246

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**31 March 2021 (unaudited)**
**22 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**
**22.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 March 2020:**
**Impairment charge and provision held as of 31 March 2020**
*Amounts in RO'000*

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	3,947	NA
Provisions required as per CBO norms/held as per IFRS 9	133,619	128,942	(4,678)
Gross non-performing loan ratio (percentage)	-	4.94	4.94
Net non-performing loan ratio (percentage)	-	4.52	4.52

**Mapping of IFRS 9 and CBO norms**
*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	2,388,661	33,077	11,328	21,749	2,377,332	-
	Stage 2	386,821	3,887	10,342	(6,455)	376,478	-
	Stage 3	-	-	-	-	-	-
	Subtotal	2,775,482	36,964	21,670	15,294	2,753,810	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	71,551	770	6,193	(5,423)	65,359	-
	Stage 3	-	-	-	-	-	-
	Subtotal	71,551	770	6,193	(5,423)	65,359	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	8,832	2,166	3,579	(1,245)	5,253	168
	Subtotal	8,832	2,166	3,579	(1,245)	5,253	168
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	35,878	13,188	17,136	(3,060)	18,742	888
	Subtotal	35,878	13,188	17,136	(3,060)	18,742	888
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	96,005	67,812	73,124	6,351	22,882	11,663
	Subtotal	96,005	67,812	73,124	6,351	22,882	11,663
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	670,412	-	1,965	(1,965)	668,447	-
	Stage 2	154,162	-	5,275	(5,275)	148,887	-
	Stage 3	-	-	-	-	-	-
	Subtotal	824,574	-	7,240	(7,240)	817,334	-
Total	Stage 1	3,059,073	33,077	13,293	19,784	3,045,779	-
	Stage 2	612,534	4,657	21,810	(17,153)	590,724	-
	Stage 3	140,715	83,166	93,839	2,046	46,877	12,719
	Total	3,812,322	120,900	128,942	4,677	3,683,380	12,719

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**31 March 2021 (unaudited)**
**22 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**
**22.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 March 2021:**
**Restructured loans**
*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	47,271	700	4,273	(3,573)	42,998	-
	Stage 3	-	-	-	-	-	-
Subtotal		47,271	700	4,273	(3,573)	42,998	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	36,618	32,657	28,294	8,069	8,324	3,706
Sub total		36,618	32,657	28,294	8,069	8,324	3,706
Total	Stage 1	-	-	-	-	-	-
	Stage 2	47,271	700	4,273	(3,573)	42,998	-
	Stage 3	36,618	32,657	28,294	8,069	8,324	3,706
	Total	83,889	33,357	32,567	4,496	51,322	3,706

**22.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 31 March 2020:**
**Restructured loans**
*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	13,179	236	91	145	13,088	-
	Stage 2	36,353	524	2,906	(2,382)	33,447	-
	Stage 3	-	-	-	-	-	-
Subtotal		49,532	760	2,997	(2,237)	46,535	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	35,769	15,975	15,537	2,382	20,232	1,944
Sub total		35,769	15,975	15,537	2,382	20,232	1,944
Total	Stage 1	13,179	236	91	145	13,088	-
	Stage 2	36,353	524	2,906	(2,382)	33,447	-
	Stage 3	35,769	15,975	15,537	2,382	20,232	1,944
	Total	85,301	16,735	18,534	145	66,767	1,944

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 March 2021 (unaudited)**

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

**22.3 Movement in Expected credit losses (ECL) as at 31 March 2021**

	<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	2,278,094	621,396	173,775	3,073,265
- Investment Securities (Debt)	316,152	-	-	316,152
- Loan Commitments and Financial Guarantees	393,574	112,754	-	506,328
- Due from Banks, Central Banks and Other Financial Assets	107,760	-	-	107,760
	3,095,580	734,150	173,775	4,003,505
<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	(134)	(639)	773	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	(134)	(639)	773	-
<b>Charge for the Period (net)</b>				
- Loans and Advances to Customers	(696)	4,893	4,829	9,026
- Investment Securities (Debt)	7	-	-	7
- Loan Commitments and Financial Guarantees	(127)	69	-	(58)
- Due from Banks, Central Banks and Other Financial Assets	(11)	-	-	(11)
	(827)	4,962	4,829	8,964
<b>Write off for the period</b>				
- Loans and Advances to Customers	-	-	(2,024)	(2,024)
	-	-	(2,024)	(2,024)
<b>Closing Balance - as at 31 March 2021</b>				
- Loans and Advances to Customers	11,010	35,880	116,004	162,894
- Investment Securities (Debt)	325	-	-	325
- Loan Commitments and Financial Guarantees	783	2,009	-	2,792
- Due from Banks, Central Banks and Other Financial Assets	76	-	-	76
	12,194	37,889	116,004	166,087

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**31 March 2021 (unaudited)**
**22 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**
**22.3 Movement in Expected credit losses (ECL) as at 31 March 2020**

	<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	2,388,661	458,372	140,715	2,987,748
- Investment Securities (Debt)	317,715	-	-	317,715
- Loan Commitments and Financial Guarantees	492,179	154,162	-	646,341
- Due from Banks, Central Banks and Other Financial Assets	141,416	-	-	141,416
	3,339,971	612,534	140,715	4,093,220
<b>Opening Balance - as at 1 January 2020</b>				
- Loans and Advances to Customers	12,395	17,445	88,449	118,289
- Investment Securities (Debt)	507	-	-	507
- Loan Commitments and Financial Guarantees	1,114	4,912	-	6,026
- Due from Banks, Central Banks and Other Financial Assets	471	-	-	471
	14,487	22,357	88,449	125,293
<b>Net transfer between stages</b>				
- Loans and Advances to Customers	1,013	(1,229)	216	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	3	(3)	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	1,016	(1,232)	216	-
<b>Charge for the Period (net)</b>				
- Loans and Advances to Customers	(2,080)	320	6,863	5,103
- Investment Securities (Debt)	(31)	-	-	(31)
- Loan Commitments and Financial Guarantees	(53)	366	-	313
- Due from Banks, Central Banks and Other Financial Assets	(46)	-	-	(46)
	(2,210)	686	6,863	5,339
<b>Write off for the period</b>				
- Loans and Advances to Customers	-	-	(1,690)	(1,690)
	-	-	(1,690)	(1,690)
<b>Closing Balance - as at 31 March 2020</b>				
- Loans and Advances to Customers	11,328	16,536	93,838	121,702
- Investment Securities (Debt)	476	-	-	476
- Loan Commitments and Financial Guarantees	1,064	5,275	-	6,339
- Due from Banks, Central Banks and Other Financial Assets	425	-	-	425
	13,293	21,811	93,838	128,942

**22.4 Movement in impairment credit losses for the period ended 31 March 2021**

	<b>3 months ended 31/03/2021 RO'000</b>	<b>3 months ended 31/03/2020 RO'000</b>
<b>(Impairment)/reversal of impairment for credit losses:</b>		
Due from Banks	11	46
Loans and advances to customers	(8,053)	(4,931)
Investments	(7)	31
Financial guarantees	58	(313)
<b>Total</b>	<b>(7,991)</b>	<b>(5,167)</b>
Recoveries and releases from provision for credit losses	346	1,220
Recoveries and releases from loans and advances written off	716	331
<b>Total</b>	<b>1,062</b>	<b>1,551</b>
<b>Net Impairment losses</b>	<b>(6,929)</b>	<b>(3,616)</b>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2021 (unaudited)

### 23 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:

	3 months ended 31/03/2021 RO'000	3 months ended 31/03/2020 RO'000
Profit after tax (RO'000s)	6,894	9,778
Weighted average number of shares outstanding during the year (in '000s)	1,625,946	1,625,946
Earnings per share (RO)	0.004	0.006

Diluted earnings per share has not been presented, as the Bank has not issued any instruments, which would have an impact on earnings per share when exercised.

### 24 ASSET LIABILITY MISMATCH

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

	Assets RO'000	Equity, subordinated funds and liabilities RO'000	Mismatch RO'000
<b>Maturities as at 31 March 2021</b>			
0 - 3 month	884,626	878,578	6,048
3 - 12 month	368,157	882,690	(514,533)
1 - 5 years	857,292	1,002,025	(144,733)
More than 5 years	1,663,336	1,010,118	653,218
Total	3,773,411	3,773,411	-
<b>Maturities as at 31 March 2020</b>			
0 - 3 month	903,108	932,350	(29,422)
3 - 12 month	363,356	901,481	(537,825)
1 - 5 years	750,200	908,661	(158,461)
More than 5 years	1,799,638	1,073,810	725,708
Total	3,816,302	3,816,302	-
<b>Maturities as at 31 December 2020</b>			
0 - 3 month	768,771	813,909	(45,138)
3 - 12 month	296,043	876,050	(580,007)
1 - 5 years	888,045	974,270	(86,225)
More than 5 years	1,679,792	968,422	711,370
Total	3,632,651	3,632,651	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 March 2021 (unaudited)**

**25 RELATED PARTY TRANSACTIONS**

In the ordinary course of business, the Bank conducts transactions with certain of its directors and/or shareholders and companies over which they have significant interest. Principal shareholders comprises of all shareholders with holding more than 10% of the paid up share capital and others include directors, senior management and associate companies of principal shareholders and directors.

	<b>31/03/2021</b>			<b>31/12/2020</b>		
	<i>Principal shareholder</i>	<i>Others</i>	<i>Total</i>	<i>Principal shareholder</i>	<i>Others</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Loans and advances	-	<b>128,276</b>	<b>128,276</b>	-	121,307	121,307
Customers' deposits	<b>25,045</b>	<b>49,901</b>	<b>74,946</b>	25,117	55,375	80,492
Due from banks	<b>1,528</b>	-	<b>1,528</b>	218	-	218
Due to banks	<b>120</b>	-	<b>120</b>	201	-	201
Letters of credit, guarantees and acceptances	<b>1,070</b>	<b>11,413</b>	<b>12,483</b>	1,063	13,074	14,137
Standby revolving credit facility	-	-	-	154,000	-	154,000
Investments	<b>2,220</b>	-	<b>2,220</b>	2,272	-	2,272

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

	<b>31/03/2021</b>			<b>31/03/2020</b>		
	<i>Principal shareholder</i>	<i>Others</i>	<i>Total</i>	<i>Principal shareholder</i>	<i>Others</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Interest income	-	<b>1,530</b>	<b>1,530</b>	15	1,800	1,815
Commission income	-	<b>22</b>	<b>22</b>	-	58	58
Interest expense	<b>271</b>	<b>395</b>	<b>666</b>	1292	424	1,716
Other expenses	-	<b>118</b>	<b>118</b>	-	114	114

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2021 (unaudited)

### 26 SHAREHOLDERS

As of 31 March 2021, the shareholders of the Bank who own 10% or more of the Bank's shares:

	<i>Number of shares '000</i>	<i>% Holding</i>
The Commercial Bank of Qatar	<b>567,452</b>	<b>34.90%</b>
Suhail Bahwan Group (Holdings) LLC	<b>239,734</b>	<b>14.74%</b>
Civil Service Employees Pension Fund	<b>192,691</b>	<b>11.85%</b>

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

### 27 CAPITAL ADEQUACY

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

	<i>31/03/2021</i>	<i>31/03/2020</i>	<i>31/12/2020</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>Capital base</b>			
Common equity Tier 1	<b>402,629</b>	393,764	402,817
Additional Tier 1 - capital	<b>115,500</b>	115,500	115,500
Tier 2 capital	<b>29,955</b>	23,070	33,939
Total capital base	<b>548,084</b>	532,334	552,256
<b>Risk weighted assets</b>			
Credit risk	<b>3,096,742</b>	3,037,843	3,072,484
Operational risk	<b>233,953</b>	243,431	233,953
Market risk	<b>65,537</b>	95,312	52,171
Total risk weighted assets	<b>3,396,232</b>	3,376,586	3,358,608
Common Equity Tier 1 Ratio	<b>11.9%</b>	11.7%	12.0%
Tier 1 Ratio	<b>15.3%</b>	15.1%	15.4%
Risk asset ratio (Basel II norms)	<b>16.1%</b>	15.8%	16.4%

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2021 (unaudited)

### 28 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 customers 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.
- Commercial Banking covers the mid-tier corporate and SME customers offering the entire spectrum of products to suit their business needs.
- International operations include UAE and Egypt operations.
- Islamic Banking offers products as per Sharia 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 central functions are managed on a group basis and are not allocated to operating segments.

Segment information by business line is as follows:

	<b>Retail Banking</b>	<b>Wholesale Banking</b>	<b>Commercial Banking</b>	<b>International Banking</b>	<b>Islamic Banking</b>	<b>Funding center</b>	<b>Total</b>
<b>31 March 2021</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Operating income	15,033	17,786	1,257	733	1,073	(4,742)	31,140
Net profit/(loss)	2,666	10,696	(484)	(217)	187	(5,954)	6,894
Total assets	1,305,119	1,656,499	42,846	108,763	193,840	466,344	3,773,411
<b>31 March 2020</b>							
Operating income	15,166	14,342	1,220	866	1,142	(1,992)	30,742
Net profit/(loss)	3,052	10,908	877	(1,660)	278	(3,676)	9,778
Total assets	1,281,450	1,631,845	89,049	129,809	173,780	510,370	3,816,302

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 March 2021 (unaudited)**

**28 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 31 March 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>
Interest income and Income from Islamic financing and Investment activities	21,584	528	6	22,118
Other operating income	8,823	205	(6)	9,022
<b>Operating income</b>	<b>30,407</b>	<b>733</b>	<b>-</b>	<b>31,140</b>
Operating expenses	(15,453)	(616)	(5)	(16,074)
<b>Operating profit</b>	<b>14,954</b>	<b>117</b>	<b>(5)</b>	<b>15,066</b>
Impairment losses (net) and taxation	(8,208)	36	-	(8,172)
<b>Segment profit for the period</b>	<b>6,746</b>	<b>153</b>	<b>(5)</b>	<b>6,894</b>

**Other information**

<b>Segment assets</b>	<b>3,664,648</b>	<b>87,453</b>	<b>21,310</b>	<b>3,773,411</b>
<b>Segment capital expenses</b>	<b>866</b>	<b>11</b>	<b>-</b>	<b>877</b>

<b>For the period ended 31 March 2020</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>
Interest income and Income from Islamic financing and Investment activities	21,732	535	86	22,353
Other operating income	7,753	622	14	8,389
Operating income	29,485	1,157	100	30,742
Operating expenses	(14,702)	(757)	(86)	(15,545)
Operating profit	14,783	400	14	15,197
Impairment losses (net) and taxation	(4,132)	(1,281)	(6)	(5,419)
<b>Segment profit for the period</b>	<b>10,651</b>	<b>(881)</b>	<b>8</b>	<b>9,778</b>

**Other information**

<b>Segment assets</b>	<b>3,686,493</b>	<b>110,780</b>	<b>19,029</b>	<b>3,816,302</b>
<b>Segment capital expenses</b>	<b>662</b>	<b>30</b>	<b>-</b>	<b>692</b>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2021 (unaudited)

### 29 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>
<b>31 March 2021</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Investment measured at FVTPL</b>			
Quoted equities	890	-	890
Unquoted equities	-	2,352	2,352
<b>Total</b>	<b>890</b>	<b>2,352</b>	<b>3,244</b>
<b>Investment measured at FVOCI</b>			
Quoted equities	37,928	-	37,928
Unquoted equities	-	324	324
<b>Total</b>	<b>37,928</b>	<b>324</b>	<b>38,252</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>38,818</b>	<b>2,676</b>	<b>41,496</b>

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
<b>31 March 2020</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Investment measured at FVTPL</b>			
Quoted equities	4,699	-	4,699
Unquoted equities	-	2,139	2,139
<b>Total</b>	<b>4,699</b>	<b>2,139</b>	<b>6,838</b>
<b>Investment measured at FVOCI</b>			
Quoted equities	32,716	-	32,716
Unquoted equities	-	342	342
<b>Total</b>	<b>32,716</b>	<b>342</b>	<b>33,058</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>37,415</b>	<b>2,481</b>	<b>39,896</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 March 2021 (unaudited)**

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

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
<b>31 December 2020</b>			
<b>Investment measured at FVTPL</b>			
Quoted equities	872	-	872
Unquoted equities	-	2,683	2,683
<b>Total</b>	<b>872</b>	<b>2,683</b>	<b>3,555</b>
<b>Investment measured at FVOCI</b>			
Quoted equities	36,661	-	36,661
Unquoted equities	-	324	324
<b>Total</b>	<b>36,661</b>	<b>324</b>	<b>36,985</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>37,533</b>	<b>3,007</b>	<b>40,540</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 30).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 March 2021 (unaudited)**

**30 DERIVATIVES**

	<i>Positive fair value (Note 8) RO'000</i>	<i>Negative fair value (Note 10) RO'000</i>	<i>Notional amount total RO'000</i>	<i>Notional amounts by term to maturity</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>
<i>31 March 2021</i>						
Interest rate swaps	2,654	(2,654)	174,104	16,229	66,778	91,097
Forward foreign exchange purchase contracts	15	(122)	156,587	84,861	33,740	37,986
Forward foreign exchange sales contracts	688	(5)	156,587	84,502	33,421	38,664
<b>Total</b>	<b>3,357</b>	<b>(2,781)</b>	<b>487,278</b>	<b>185,592</b>	<b>133,939</b>	<b>167,747</b>
<i>31 March 2020</i>						
Interest rate swaps	4,133	(4,133)	190,341	12,341	43,028	134,972
Forward purchase contracts	9	(697)	200,322	98,002	30,509	71,811
Forward sales contracts	2,245	(243)	200,322	96,182	30,155	73,985
<b>Total</b>	<b>6,387</b>	<b>(5,073)</b>	<b>590,985</b>	<b>206,525</b>	<b>103,692</b>	<b>280,768</b>
<i>31 December 2020</i>						
Interest rate swaps	3,871	(3,871)	178,163	13,082	39,389	125,692
Forward purchase contracts	85	-	89,882	50,874	36,390	2,618
Forward sales contracts	569	(8)	89,882	50,604	36,043	3,235
<b>Total</b>	<b>4,525</b>	<b>(3,879)</b>	<b>357,927</b>	<b>114,560</b>	<b>111,822</b>	<b>131,545</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**31 March 2021 (unaudited)**

**31 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, 2019.

	March 2021		March 2020	
	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>	-	<b>545,389</b>	-	537,627
<b>Cash outflows</b>				
Stable deposits	<b>642,885</b>	<b>32,144</b>	615,950	30,798
Less stable deposits	<b>126,764</b>	<b>12,676</b>	120,416	12,042
<b>Retail deposits and deposits from small business customers</b>	<b>769,649</b>	<b>44,820</b>	736,366	42,840
Unsecured wholesale funding, of which:				
Operational deposits (all counterparties) and deposits in networks of cooperative banks	<b>1,098,255</b>	<b>481,350</b>	958,557	349,944
Additional requirements, of which				
Credit and liquidity facilities	<b>61,257</b>	<b>6,126</b>	91,405	9,141
Other contingent funding obligations	<b>421,996</b>	<b>100,748</b>	447,042	33,568
<b>Total cash outflows</b>		<b>634,983</b>		435,493
<b>Cash inflows</b>				
Inflows from fully performing exposures	<b>206,927</b>	<b>135,341</b>	314,691	244,973
Other cash inflows	<b>24,251</b>	<b>96,851</b>	11,512	11,512
<b>Total cash inflows</b>	<b>231,178</b>	<b>232,192</b>	326,203	256,485
<b>Total high quality liquid assets</b>		<b>545,389</b>		537,307
<b>Total net cash outflows</b>		<b>402,791</b>		179,008
<b>Liquidity coverage ratio (%)</b>		<b>135.40</b>		300.16

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2021 (unaudited)

### 32 SUBSEQUENT EVENTS

On 1st April 2021, the Bank has successfully concluded the issuance of USD 300 million additional tier 1 Basel III compliant capital securities. The capital securities will carry an initial coupon rate determined by reference to U.S. treasuries with a maturity of five years plus a margin of 7.144% and are listed on Euronext Dublin.

On 15th April 2021, the Bank announced its intention to redeem USD 300 million perpetual tier 1 capital securities on 18<sup>th</sup> May 2021, which were issued in 2015.

### 33 ESTIMATES AND JUDGMENTS

#### IMPACT OF COVID-19

##### 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. Many GCC economies have already commenced the vaccination drive. 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 instalments 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 2021.

##### 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.

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## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2021 (unaudited)

### 33 ESTIMATES AND JUDGMENTS (continued)

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. The impacts of COVID-19 on the bank is as follows;

- Impact on SICR: The exercise of the deferment option by a customer, in its own, is not considered by the Bank as triggering SICR.
- Impact on ECL: The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. As a consequence, the existing models generated results that are either overly conservative or overly optimistic depending on the specific portfolio/segment. As a result, post-model adjustments have been made. The Bank expects that post-model adjustments will be applied for the foreseeable future.
- Management overlays: Based on regulatory and IASB's guidance, as a measure of prudence, wherever necessary, the Bank has applied management judgment overlays, while computing its ECL with an intention to collectively cover the impact of COVID 19.
- Accounting for modification loss: In case of retail customers, the Bank plans to add the simple interest accrued during the deferral period to the total outstanding and has either extend the original maturity period of the loan or increase the instalments. As retail loans have shorter tenor behaviourally, modification loss does not have material impact on the carrying value. With regard to corporate loans the Bank had extended deferrals only for the principal repayments. A vast majority of customers were servicing the interest accruing on the loans. In rare circumstances, where the deferrals were for the entire instalments the corresponding modification loss has not resulted in any significant impact to the carrying value.
- Impact on the Capital Adequacy: Besides, the Bank has also applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL.