بنك عُمان العربي
OMAN ARAB BANK

OMAN ARAB BANK SAOG

Consolidated financial statements
For the year ended 31 December 2021

KPMG LLC
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Independent auditors' report

To the Shareholders of Oman Arab Bank SAOG

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Oman Arab Bank SAOG (the Bank) and its subsidiary, (together referred to as the Group) which comprise the consolidated and separate statement of financial position as at 31 December 2021, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters (continued)

Expected credit loss allowance (ECL) against loans, advances and financing

See Note 3.2, 4.1, 5.1, 5.1.4 and 9 to the consolidated and separate financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the consolidated gross loans and advances of the Group were RO 2,894 million against which an expected credit loss ("ECL") allowance of RO 141 million [Bank: RO 2,065 million against which ECL allowance of RO 104 million] was maintained. We considered this as a key audit matter, as the determination of ECL involves significant management judgement and this has a material impact on the consolidated and separate financial statements of the Group. Furthermore, the COVID-19 pandemic continues to pose challenges to business, thus increasing the levels of judgement and uncertainty needed to determine the ECL under the requirements of *IFRS 9 – Financial instruments* ("IFRS 9"). The key areas of judgement include: 1) Categorisation of loans, advances and financing into Stages 1, 2 and 3 based on the identification of: a) exposures with a significant increase in credit risk ("SICR") since their origination; and b) individually impaired / defaulted exposures. The Group has applied additional judgements to identify and estimate the likelihood of borrowers that might have experienced SICR notwithstanding the government support programs based on the relevant Central Bank of Oman ("CBO") circulars that resulted in deferrals of instalments to certain counterparties. The deferrals of payments were not deemed to have triggered SICR by themselves in isolation of other factors. 2) Assumptions used in the ECL model	– We obtained our understanding of management's assessment of impairment of loans, advances and financing including the Group's internal rating model, impairment allowance policy and the ECL modelling methodology including the enhancements made in light of the effects of COVID-19 pandemic; – We compared the Group's ECL allowance policy and ECL estimation methodology with the requirements of IFRS 9; – We assessed the design and implementation, and tested the operating effectiveness of the key controls (including IT general and application controls) over: • the IT systems and applications underpinning the ECL model; • the modelling process, including governance over the monitoring of the model including approval of key assumptions and management overlays; • the classification of loans, advances and financing into Stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures; and • the data inputs into the ECL model. – For a sample of customers, we assessed: • the internal ratings determined by management based on the Group's internal rating model, and considered these assigned ratings in the light of external market conditions and available industry information, in particular with reference to the continued impacts of the COVID-19 pandemic, and also assessed that these were consistent with the ratings used as inputs in the ECL model; • management's computations for ECL. – We assessed the appropriateness of the Group's criteria for the determination of SICR and default, the identification of individually impaired exposures; and the resultant staging classifications. Furthermore, for a sample of exposures, we assessed the appropriateness of the corresponding staging classification of loans, advances and financing facilities with a specific focus on customers operating in sectors most affected by the COVID-19

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Key Audit Matters (continued)

Expected credit loss allowance (ECL) against loans, advances and financing

See Note 3.2, 4.1, 5.1, 5.1.4 and 9 to the consolidated and separate financial statements.

The key audit matter	How the matter was addressed in our audit
for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including but not limited to assessment of financial condition of counterparty, expected future cash flows; and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probabilities weightages. 3) The need to apply management overlays using expert credit judgement to reflect all relevant risk factors especially relating to the ongoing COVID-19 pandemic that might not be captured by the ECL model. The application of these judgements and estimates, particularly in context of the COVID-19 pandemic, continues to result in heightened estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2021.	pandemic, particularly those that continue to be eligible for deferral of instalments under government support programs based on the relevant Central Central of Oman ("CBO") circulars setting out the definition criteria as at 31 December 2021; – We assessed the governance process established by the Group and the qualitative factors considered by the Group when applying any overlays or making any adjustments to the outputs from the ECL model, due to data or model limitations or otherwise; – We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions in cognisance of the uncertainty and volatility in economic scenarios due to the effects of COVID 19 pandemic; – We tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2021; – Where relevant, we involved our financial risk management specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in management overlays; and – We assessed the adequacy of disclosures in the consolidated and separate financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and our auditors' report thereon:

- Chairman's Report;
- Management Discussion and Analysis Report;
- Corporate Governance Report; and
- Basel II Pillar III and Basel III Report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or

Other Information (continued)

our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the

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Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, we report that separate financial statements of the Bank as at and for the year ended 31 December 2021, comply, in all material respects, with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 2019.

Ravikanth Petluri
13 March 2022

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Oman Arab Bank SAOG

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	Consolidated 31-Dec-21 RO'000	Consolidated 31-Dec-20 RO'000	Parent Company 31-Dec-21 RO'000	Parent Company 31-Dec-20 RO'000
ASSETS					
Cash and balances with the Central Bank of Oman	7	188,904	220,975	105,954	173,652
Due from banks	8	50,972	72,838	54,480	71,051
Loans, advances and financing to customers	9	2,753,434	2,645,359	1,961,011	1,936,806
Investment securities	10	302,496	240,218	240,031	176,700
Investment in subsidiary	11	-	-	107,144	107,144
Property and equipment	12	43,303	46,605	40,337	42,479
Intangible assets	13	7,210	6,505	-	-
Other assets	14	89,340	69,888	59,358	49,228
Total assets		3,435,659	3,302,388	2,568,315	2,557,060
LIABILITIES					
Due to banks	15	13,359	14,421	13,359	10,571
Deposits from customers	16	2,810,412	2,755,310	1,965,197	2,030,762
Other liabilities	17	84,498	76,847	66,064	59,908
Subordinated loans	18	-	20,000	-	20,000
Taxation	19	3,051	4,233	3,051	4,233
Total liabilities		2,911,320	2,870,811	2,047,671	2,125,474
EQUITY					
Share capital	20	166,941	166,941	166,941	166,941
Share premium	21	36,565	36,565	36,565	36,565
Legal reserve	26	46,921	46,178	46,482	46,178
General reserve	22	25,560	25,560	25,560	25,560
Subordinated loans reserve	23	-	20,000	-	20,000
Special reserve	24	3,837	3,837	3,837	3,837
Fair value reserve		(1,081)	(1,793)	(1,017)	(2,062)
Impairment reserve	9	9,130	9,130	9,130	9,130
Retained earnings		67,663	52,606	64,343	52,884
Total equity attributable to the equity holders of the Bank		355,536	359,024	351,841	359,033
Perpetual Tier 1 capital bonds	25	168,803	72,553	168,803	72,553
Total equity		524,339	431,577	520,644	431,586
Total equity and liabilities		3,435,659	3,302,388	2,568,315	2,557,060
Net assets value per share (RO)	39	0.213	0.215	0.211	0.215
Contingent liabilities and commitments	40	451,183	470,678	344,920	402,692

The financial statements were authorised on 13 March 2022 for issue in accordance with a resolution of the Board of Directors.

Chairman **Director** **Acting Chief Executive Officer**

The accompanying notes 1 to 46 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Consolidated 2021 RO'000	Consolidated 2020 RO'000	Parent Company 2021 RO'000	Parent Company 2020 RO'000
Interest income	*28*	**119,058**	118,867	**119,058**	118,867
Interest expense	*29*	**(50,731)**	(47,963)	**(50,731)**	(47,952)
Net interest income		**68,327**	70,904	**68,327**	70,915
Net income from Islamic financing	*30*	**21,217**	10,103	**-**	993
Net fee and commission income	*31*	**17,232**	15,496	**13,369**	14,275
Net income / (loss) from investment securities	*32*	**3,338**	(134)	**3,338**	-
Other operating income	*33*	**11,511**	5,555	**9,938**	5,220
Total income		**121,625**	101,924	**94,972**	91,403
Operating expenses	*34*	**(78,471)**	(65,408)	**(59,827)**	(55,299)
Net allowances for credit losses	*9*	**(35,153)**	(18,567)	**(31,118)**	(18,011)
Profit before tax		**8,001**	17,949	**4,027**	18,093
Income tax expense	*19*	**(920)**	(3,778)	**(983)**	(3,778)
Net Profit for the year		**7,081**	14,171	**3,044**	14,315
Other comprehensive (loss) / income:					
Items that will not be reclassified to profit or loss in the subsequent years:					
Equity investment at FVOCI – net change in fair value		**197**	(119)	**197**	(134)
Items that are or may be reclassified to profit or loss in the subsequent years:					
Debt investment at FVOCI – net change in fair value		**(571)**	120	**(238)**	-
Debt investment at FVOCI – reclassified to profit or loss		-	(134)	-	-
Other comprehensive loss for the year		**(374)**	(133)	**(41)**	(134)
Total comprehensive income for the year		**6,707**	14,038	**3,003**	14,181
Earnings per share:					
Basic and diluted (RO)	35	**(0.002)**	0.006	**(0.004)**	0.006

The accompanying notes 1 to 46 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Consolidated	*Notes*	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	General reserve RO'000	Subordinated loan reserve RO'000	Special reserve RO'000	Fair value reserve RO'000	Impairment reserve RO'000	Retained earnings RO'000	Sub total RO'000	Perpetual Tier 1 capital bonds RO'000	Total RO'000
Balance at 1 January 2021		**166,941**	**36,565**	**46,178**	**25,560**	**20,000**	**3,837**	**(1,793)**	**9,130**	**52,606**	**359,024**	**72,553**	**431,577**
Total comprehensive income													
Net Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,081**	**7,081**	**-**	**7,081**
Other comprehensive income													
Unrealised loss on FVOCI investments		**-**	**-**	**-**	**-**	**-**	**-**	**(374)**	**-**	**-**	**(374)**	**-**	**(374)**
Realised loss on FVOCI investments		**-**	**-**	**-**	**-**	**-**	**-**	**1,086**	**-**	**(1,086)**	**-**	**-**	**-**
Transaction with equity holders of the Bank													
Interest distribution of Perpetual Tier 1 capital bonds	*25*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,187)**	**(9,187)**	**-**	**(9,187)**
Transfer to legal reserve	*26*	**-**	**-**	**743**	**-**	**-**	**-**	**-**	**-**	**(743)**	**-**	**-**	**-**
Additional Tier 1 capital bonds	*25*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**96,250**	**96,250**
Issuance cost on Perpetual Tier 1 capital bonds	*25*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,008)**	**(1,008)**	**-**	**(1,008)**
Transfer to retained earnings	*23*	**-**	**-**	**-**	**-**	**(20,000)**	**-**	**-**	**-**	**20,000**	**-**	**-**	**-**
At 31 December 2021		**166,941**	**36,565**	**46,921**	**25,560**	**-**	**3,837**	**(1,081)**	**9,130**	**67,663**	**355,536**	**168,803**	**524,339**

The accompanying notes 1 to 46 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

Parent Company	*Notes*	**Share capital RO'000**	**Share premium RO'000**	**Legal reserve RO'000**	**General reserve RO'000**	**Subordinated loan reserve RO'000**	**Special reserve RO'000**	**Fair value reserve RO'000**	**Impairment reserve RO'000**	**Retained earnings RO'000**	**Sub total RO'000**	**Perpetual Tier 1 capital bonds RO'000**	**Total RO'000**
Balance at 1 January 2021		**166,941**	**36,565**	**46,178**	**25,560**	**20,000**	**3,837**	**(2,062)**	**9,130**	**52,884**	**359,033**	**72,553**	**431,586**
Total comprehensive income													
Net Profit for the year		-	-	-	-	-	-	-	-	**3,044**	**3,044**	-	**3,044**
Other comprehensive income													
Unrealised loss on FVOCI investments		-	-	-	-	-	-	**(41)**	-	-	**(41)**		**(41)**
Realised loss on FVOCI investments		-	-	-	-	-	-	**1,086**	-	**(1,086)**	-	-	-
Transaction with equity holders of the Bank													
Interest distribution of Perpetual Tier 1 capital bonds	*25*	-	-	-	-	-	-	-	-	**(9,187)**	**(9,187)**	-	**(9,187)**
Transfer to legal reserve	*26*	-	-	**304**	-	-	-	-	-	**(304)**	-	-	-
Additional Tier 1 capital bonds	*25*	-	-	-	-	-	-	-	-	-	-	**96,250**	**96,250**
Issuance cost on Perpetual Tier 1 capital bonds	*25*	-	-	-	-	-	-	-	-	**(1,008)**	**(1,008)**	-	**(1,008)**
Transfer to retained earnings	*23*	-	-	-	-	**(20,000)**	-	-	-	**20,000**	-	-	-
At 31 December 2021		**166,941**	**36,565**	**46,482**	**25,560**	**-**	**3,837**	**(1,017)**	**9,130**	**64,343**	**351,841**	**168,803**	**520,644**

The accompanying notes 1 to 46 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

Consolidated	*Notes*	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	General reserve RO'000	Subordinated loan reserve RO'000	Special reserve RO'000	Fair value reserve RO'000	Impairment reserve RO'000	Retained earnings RO'000	Sub total RO'000	Perpetual Tier 1 capital bonds RO'000	Total RO'000
Balance at 1 January 2020		134,620	-	44,746	25,560	16,000	3,915	(1,951)	9,130	64,270	296,290	72,553	368,843
Total comprehensive income													
Net Profit for the year		-	-	-	-	-	-	-	-	14,171	14,171	-	14,171
Other comprehensive income													
Unrealised gain on FVOCI investments		-	-	-	-	-	-	1	-	-	1	-	1
Realised loss on FVOCI investments		-	-	-	-	-	-	157	-	(157)	-	-	-
Transaction with equity holders of the Bank													
Dividends paid	*27*	-	-	-	-	-	-	-	-	(14,808)	(14,808)	-	(14,808)
Issue of share capital	*20*	32,321	-	-	-	-	-	-	-	-	32,321	-	32,321
Issue of share premium	*21*	-	36,565	-	-	-	-	-	-	-	36,565	-	36,565
Interest distribution of Perpetual Tier 1 capital bonds	*25*	-	-	-	-	-	-	-	-	(5,516)	(5,516)	-	(5,516)
Transfer to legal reserve	*26*	-	-	1,432	-	-	-	-	-	(1,432)	-	-	-
Transfer from subordinated loans reserve	*23*	-	-	-	-	4,000	-	-	-	(4,000)	-	-	-
Transfer to retained earnings		-	-	-	-	-	(78)	-	-	78	-	-	-
At 31 December 2020		166,941	36,565	46,178	25,560	20,000	3,837	(1,793)	9,130	52,606	359,024	72,553	431,577

The accompanying notes 1 to 46 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

Parent Company	Notes	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	General reserve RO'000	Subordinated loan reserve RO'000	Special reserve RO'000	Fair value reserve RO'000	Impairment reserve RO'000	Retained earnings RO'000	Sub total RO'000	Perpetual Tier 1 capital bonds RO'000	Total RO'000
Balance at 1 January 2020		134,620	-	44,746	25,560	16,000	3,915	(1,951)	9,130	64,270	296,290	72,553	368,843
Total comprehensive income													
Net Profit for the year		-	-	-	-	-	-	-	-	14,315	14,315	-	14,315
Other comprehensive income													
Unrealised gain on FVOCI investments		-	-	-	-	-	-	(134)	-	-	(134)	-	(134)
Realised loss on FVOCI investments		-	-	-	-	-	-	23	-	(23)	-	-	-
Transaction with equity holders of the Bank													
Dividends paid	*27*	-	-	-	-	-	-	-		(14,808)	(14,808)	-	(14,808)
Issue of share capital	*20*	32,321	-	-	-	-	-	-	-	-	32,321	-	32,321
Issue of share premium	*21*	-	36,565	-	-	-	-	-	-	-	36,565	-	36,565
Interest distribution of Perpetual Tier 1 capital bonds	*25*	-	-	-	-	-	-	-	-	(5,516)	(5,516)	-	(5,516)
Transfer to legal reserve	*26*	-	-	1,432	-	-	-	-	-	(1,432)	-	-	-
Transfer from subordinated loans reserve	*23*	-	-	-	-	4,000	-	-	-	(4,000)	-	-	-
Transfer to retained earnings		-		-	-	-	(78)	-	-	78	-	-	-
At 31 December 2020		166,941	36,565	46,178	25,560	20,000	3,837	(2,062)	9,130	52,884	359,033	72,553	431,586

The accompanying notes 1 to 46 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

		Consolidated		Parent Company	
	Notes	**31-Dec-21 RO'000**	31-Dec-20 RO'000	**31-Dec-21 RO'000**	31-Dec-20 RO'000
Operating activities					
Profit before tax		**8,001**	17,949	**4,027**	18,093
Adjustments:					
Depreciation and amortization	34	**10,202**	6,880	**8,475**	6,136
Amortization	34	**465**	-	**-**	-
Impairment for credit losses		**35,153**	18,567	**31,118**	18,011
Income from investments at amortized cost	28 & 30	**(13,949)**	(10,280)	**(10,892)**	(8,967)
Dividend income	32	**(149)**	(71)	**(149)**	(71)
Loss on sale of property and equipment		**-**	39	**-**	39
Profit on sale of amortised cost investments	32	**(3,120)**	134	**(3,120)**	-
Bargain purchase gain	33	**(1,170)**	-	**-**	-
Interest on subordinated loan	29	**452**	1,103	**452**	1,103
Changes in fair value of financial assets at fair value through profit or loss	32	**(69)**	71	**(69)**	71
Operating profit before working capital changes		**35,816**	34,392	**29,842**	34,415
Loans, advances and financing to customers		**(144,126)**	(91,721)	**(54,147)**	(80,466)
Due from banks		**3,096**	7,000	**3,096**	7,000
Other assets		**(17,186)**	(5,328)	**(10,130)**	(1,823)
Deposits from customers		**55,102**	184,512	**(65,565)**	162,857
Other liabilities		**7,403**	(11,650)	**6,433**	(11,305)
Cash (used in) / generated from operations		**(59,895)**	117,205	**(90,471)**	110,678
Tax paid		**(2,405)**	(5,923)	**(2,405)**	(5,923)
Net cash (used in) / generated from operating activities		**(62,300)**	111,282	**(92,876)**	104,755
Investing activities					
Purchase of investments		**(103,070)**	(49,823)	**(103,070)**	(23,468)
Proceeds from sale of investments		**42,709**	16,819	**41,592**	8,388
Income from investments at amortized cost		**13,949**	10,280	**10,892**	8,967
Purchase of property and equipment		**(6,785)**	(9,528)	**(6,218)**	(9,074)
Proceeds from sale of property and equipment		**-**	2	**-**	2
Dividend Income		**149**	71	**149**	71
Investment made in the subsidiary		**-**	-	**-**	(19,500)
Net cash used in investing activities		**(53,048)**	(32,179)	**(56,655)**	(34,614)
Financing activities					
Proceeds from perpetual Tier 1 capital bonds		**96,250**	-	**96,250**	-
Subordinated loan repayment		**(20,000)**	-	**(20,000)**	-
Interest on subordinated loan		**(452)**	(1,103)	**(452)**	(1,103)
Interest on Perpetual Tier 1 capital bonds		**(9,187)**	(5,516)	**(9,187)**	(5,516)
Additional Tier 1 cost		**(1,008)**	-	**(1,008)**	-
Dividends paid		**-**	(14,808)	**-**	(14,808)
Net cash from / (used in) financing activities		**65,603**	(21,427)	**65,603**	(21,427)
Net (decrease) / increase in cash and cash equivalents		**(49,745)**	57,676	**(83,928)**	48,714
Cash and cash equivalents at the beginning of year		**265,311**	178,501	**220,576**	178,501
Cash and cash equivalents from acquisition of Alizz and disposal of Al Yusr		**-**	29,134	**-**	(6,639)
Cash and cash equivalents at the end of the year	37	**215,566**	265,311	**136,648**	220,576

The accompanying notes 1 to 46 form part of these financial statements.

1. Legal status and principal activities

Oman Arab Bank SAOG (the Parent Company) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock company (SAOC). On 6 July 2020, Oman Arab Bank SAOC acquired Al Izz Islamic Bank SAOC (AIB) and become an open joint stock company (SAOG) and was listed on the Muscat Stock Exchange (MSX). The Parent Company is principally engaged in commercial and investment banking activities through a network of branches in the Sultanate of Oman. The registered head office of the bank is North Al Ghoubra, P.O. Box 2240, Al-Udhayabah, Postal Code 130, Muscat, Sultanate of Oman. The Parent Company was a subsidiary of Oman International Development and Investment Company SAOG up to 29 June 2020. On 30 June 2020, Oman Arab Bank SAOG became a subsidiary of Arab Bank PLC, an entity listed in Jordan, and holds 49% shareholding in the Parent Company.

The consolidated financial statements for the year ended 31 December 2021 comprises of the results of the Parent Company and Al Izz Islamic Bank (AIB) (the Subsidiary). Comparative consolidated financial statements includes 6 months results of AIB i.e. from 1 July to 31 December 2020 as date of control transferred being 30 June 2020 and 6 months results of Al Yusr (previously Islamic window of the Parent Company). The details of the subsidiary are provided in note 11.

The Subsidiary prepares its own separate set of financial statements in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Sharia Rules and Principles as determined by the Sharia Supervisory Board (the “SSB”) and other applicable requirements of the CBO. The Subsidiary’s financial statements are then converted into International Financial Reporting Standards (IFRS) compliant financial statements and included in these consolidated financial statements.

The Parent Company and the Subsidiary together are referred to as ‘the Group’ or ‘the Bank’.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB), the requirements of the Commercial Companies Law of 2019, the disclosure requirements of the Capital Market Authority (CMA) of the Sultanate of Oman and the applicable regulations of the Central Bank of Oman (CBO).

The CMA requires that all Public Joint Stock Companies disclose the financials of the Parent Company in a separate column in the consolidated financial statements (via circular E/2/2007 from 21 January 2007).

The Bank presents its statement of financial position in descending order of liquidity, as this presentation is more appropriate to the Group’s operations.

2. Basis of preparation (continued)

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial instruments at fair value through profit or loss (FVTPL) and financial instruments at fair value through other comprehensive income (FVOCI) which have been measured at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Rial Omani ("RO"), which is the Bank's functional (currency of primary economic environment in which the Bank operates), rounded to the nearest thousand unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Information about significant areas of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

2.5 New and amended standards and interpretations to IFRS relevant to the Bank

For the year ended 31 December 2021, the Bank has adopted all of new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2021. The following amendments to existing standards and framework have been applied by the Bank in preparation of these financial statements.

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Effective from 1 January 2021, the Bank has implemented Interest Rate Benchmark Reform - Phase 2 amendments which address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial instruments, financial liabilities and lease liabilities and hedge accounting.

The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. In addition it provides certain exceptions to hedge accounting requirements.

2.5 New and amended standards and interpretations to IFRS relevant to the Bank (continued)

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (continued)

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Bank has established a project to manage the transition for any of its contracts that could be affected. The project is being led by senior representatives from functions across the Bank including the client facing teams, Legal, Finance, Operations, Risk Management and Technology.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Financial risk to the Group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- Operational risk arising from changes to the Group's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the Group's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs.

The Bank monitors the progress of transition from IBORs by maintaining a database of the contracts that have yet to transition to an alternative benchmark rate. In March 2021, the Financial Conduct Authority (FCA), as the regulator of ICE (the authorised administrator of LIBOR), announced that after 31 December 2021 LIBOR settings for sterling, euro and the one-week and two-month US dollar settings will either cease to be provided or no longer be representative. The remaining US dollar settings will either cease to be provided or no longer be representative after 30 June 2023.

Other amendments and interpretations apply for the first time in 2021, but do not have an impact on the Bank's financial statements.

2.6 Standards issued but not yet effective

The number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; the Bank as not early adopted the new and amended standards in preparing these financial statements. These standards are not expected to have a significant impact on the Bank's financial statements

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the years presented in these financial statements. The significant accounting policies adopted in preparation of these financial statements are as follows:

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of Oman Arab Bank SAOG ("Parent Company") and its subsidiary as at 31 December 2021. The Group owns 100% of the equity in AIB and has control of the subsidiary. IFRS 10 introduces a control model that focuses on whether the Bank has power over the investee, exposure or rights to variable returns from its investment with the investee and the ability to use its power to affect those returns.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date when control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation (continued)

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.2 Financial assets and liabilities

Recognition and initial measurement

The Bank initially recognises loans, advances and financing activities for customers, deposits, debt securities issued and subordinated liabilities on the date on which they originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the settlement date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to or received from the counterparty. Regular way purchases or sales of financial assets are those that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial assets and liabilities (continued)

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, Fair Value through Other Comprehensive Income (“FVOCI”) or Fair Value through profit or loss (“FVTPL”).
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest (“SPPI”).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior years, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial assets and liabilities (continued)

Business model assessment (continued)

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest ('SPPI')

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular year of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. yearly reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at yearly reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Debt securities measured at FVOCI

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- Expected credit loss (ECL) and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial assets and liabilities (continued)

Debt securities measured at FVOCI (continued)
Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Bank changes its business model for managing financial assets.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Derecognition
Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

De-recognition due to substantial modification of terms and conditions
The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (“POCI”).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:
• Change in currency of the loan
• Introduction of an equity feature
• Change in counterparty
• If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial assets and liabilities (continued)

De-recognition other than for substantial modification

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:
- The Group has transferred its contractual rights to receive cash flows from the financial asset

Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the year between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial assets and liabilities (continued)

***De-recognition other than for substantial modification* (continued)**

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Modifications of financial assets and financial liabilities
If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the profit and loss statement. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

Impairment
The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments. The Bank measures loss allowances at an amount equal to lifetime ECL, except for other financial instruments on which credit risk has not increased significantly since their initial recognition which they are measured as 12-month ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- unutilized loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial assets and liabilities (continued)

Overview of the ECL principles
The Bank records the allowance for expected credit losses for all financing exposure and other debt financial assets not held at FVPL, together with financing commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12-month ECL).

The 12 month ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12 month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its financing exposure into Stage 1, Stage 2, and Stage 3, as described below:

Stage 1
When financing are first recognised, the Bank recognises an allowance based on 12 month ECLs. Stage 1 financing exposure also include facilities where the credit risk has improved and the financing exposure has been reclassified from Stage 2. The Bank also, in limited circumstances and with proper justifications and specific approval from the Chief Risk Officer, does not treat certain events as significant increases in credit risk to continue classifying a financing exposure under Stage 1 (this is in line with CBO circular BM 1149). The Bank considers following types of debts as 'low credit risk (LCR)':

- All Oman Government sovereign exposures
- All local currency exposures to or guaranteed by the Government of Oman or CBO

It is assumed that the credit risk has not increased significantly for those debt securities which carry low credit risk.

Stage 2
When a financing exposure has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 financing exposure also include facilities, where the credit risk has improved and the financing exposure has been reclassified from Stage 3.

Stage 3
Financing exposure considered credit-impaired. The bank records an allowance for the LTECLs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial assets and liabilities (continued)

At initial recognition of a financial asset, the Bank recognises a loss allowance equal to 12-month expected credit losses. After initial recognition, the three stages under the proposals would be applied as follows:

Stage 1
Credit risk has not increased significantly since initial recognition – recognise 12-month expected credit losses.

Stage 2
Credit risk has increased significantly since initial recognition – recognise lifetime expected losses with revenue being calculated based on the gross amount of the asset.

Stage 3
There is objective evidence of impairment as at the reporting date to recognise lifetime expected losses, with revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit is subsequently recognised based on a credit-adjusted effective interest rate (EIR). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

When estimating Lifetime ECLs for unutilised loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weightages. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an unutilised commitment, loan commitments and letters of credit, the ECLs are calculated and presented together with the loan.

The calculation of ECLs
The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD – The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year, if the facility has not been previously derecognised and is still in the portfolio.
- EAD – The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments.
- LGD – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of EAD.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial assets and liabilities (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial assets and liabilities (continued)

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as follows:
- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;

where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision;

Experienced credit judgement
The Bank's ECL allowance methodology requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting years.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

3.3 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition. These include: cash and non-restricted balances with the CBO, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, amounts due to other banks and short-term government securities. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.4 Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions.

3.5 Property and equipment

Property and equipment are initially recorded at cost and are subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on the assets except land is calculated using the straight-line basis to allocate their cost over the estimated useful lives, as follows:

	Years
Building	25
Leasehold improvements	Shorter of lease year or 5-10
Equipment, furniture and fixtures	5-10
Computer equipment and Software	5
Motor vehicles	5

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property and equipment (continued)

The assets' residual values and useful lives are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down to their recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the profit or loss when the expense is incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the profit or loss as an expense as incurred.

3.6 Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

3.7 Revenue recognition

Fees and commissions

Fees and commissions income relating to underwriting and financing activities is recognised as the related service is performed. Fees and commission income and expense that are integral to the effective profit rate on a financial asset or financial liability are included in the measurement of the effective profit rate.

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Type of service
Retail and corporate banking services

Nature and timing of satisfaction of performance obligations, including significant payment terms
The Group provides banking services to retail and corporate customers including trade finance, account management, foreign currency transactions, credit cards and servicing fees (e.g. documentation and processing fee).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Revenue recognition (continued)

Fees and commissions (continued)

Nature and timing of satisfaction of performance obligations, including significant payment terms (continued)
Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis.

Transaction-based fees for interchange, foreign currency transactions are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.

Revenue recognition under IFRS 15
Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place. The premium received on trade finance activities is recognised in the consolidated statement of profit or loss on a straight-line basis over the life of the guarantees and letters of credit.

3.8 Collateral pending sale

The Bank occasionally acquires real estate in settlement of certain loans and advances. Real estate is stated at the lower of the net realisable value of the related loans and advances before de-recognition and the current fair value of such assets. Gains or losses on disposal and unrealised losses on revaluation are recognised in the statement of profit or loss.

3.9 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

3.10 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the profit or loss over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the year of the facility to which it relates.

3.11 Investment in subsidiary

In Parent Company financial statements, investment in subsidiary is stated at cost, less any impairment in the value of the investments. Dividend income from subsidiary is accounted in the year in which entitlement is established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Perpetual bonds

Perpetual Tier 1 Capital Securities of the Bank are recognised under equity and the corresponding distribution on those instruments are accounted as a debit to retained earnings. 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. The Tier 1 securities do not have a fixed redemption or final maturity date and is redeemable by the Bank at its sole discretion on the first call date or thereafter on any interest payment date.

3.13 Employee terminal benefits

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees at the reporting date, having regard to the requirements of the Oman Labour Law.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 and its subsequent amendments are recognised as an expense in the statement of profit or loss as incurred.

The obligation is calculated using the projected unit credit method and is discounted to its present value.

3.14 Voluntary end of service benefits

Voluntary end of service benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if it is probable that the offer made by the Bank will be accepted, and the number of acceptances can be estimated reliably.

3.15 Deposits from customers

Deposits from banks and customers and subordinated liabilities are the Bank's sources of funding. All money market and customer deposits are carried at amortised cost using EIR.

3.16 Taxation

Income tax expense comprises current and deferred tax. Taxation is provided in accordance with Omani fiscal regulations.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Deferred tax assets/liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

The carrying amount of deferred income tax assets / liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Fair value measurement principles

A number of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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

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

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

At each reporting date, the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the Valuation computation to contracts and other relevant documents. The Bank also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Fair value measurement principles (continued)

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.18 Interest income and expense

Interest income and expense is recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter year) to the gross carrying amount or the amortised cost of the financial asset or liability. The calculation of effective interest rate includes transaction costs and fees paid / received that are an integral part of effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principle repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Interest income and expense presented in the statement of comprehensive income include:

i. Interest on financial assets and liabilities at amortised cost on an effective interest rate basis; and
ii. Interest on debt investment securities on an effective interest rate basis.

Interest income which is doubtful of recovery is included in loan impairment and excluded from income until it is received in cash.

3.19 Acceptances

Acceptances are disclosed on the statement of financial position under other assets with corresponding liability disclosed under other liabilities. Therefore, there is no off-balance sheet commitment for acceptances.

3.20 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(ii) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(iii) hedges of a net investment in a foreign operation (net investment hedge).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Derivative financial instruments (continued)

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria. Changes in the fair value of any such derivative instruments are recognised immediately in the profit or loss within 'Other operating income'.

3.21 Financial guarantees contracts

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the beneficiary for a loss incurred because the debtor fails to make payments when due, in accordance with the terms of the debt. Such guarantees are given to banks, financial institutions or other entities on behalf of the customers.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was issued. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of initial measurement, less amortisation calculated to recognise in the statement of comprehensive income the fee income earned on the straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the statement of comprehensive income.

3.22 Dividends on shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

3.23 Repurchase and resale agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

3.24 Provisions

A provision is recognised if, as a result of past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligations. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Foreign currencies

Transactions in foreign currencies are translated into the respective functional currency using the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the reporting date. Any resulting exchange differences are included in 'other income' in the statement of comprehensive income.

The non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date the fair value is determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income, except for non-monetary financial assets, such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets, such as equities classified as FVOCI, are included in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.26 Directors' remuneration

The Directors' remuneration is governed as set out in the Articles of Association of the Bank, the Commercial Companies Law 2019 of the Sultanate of Oman and regulations issued by the Capital Market Authority.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees provided that the sitting fees for each director shall not exceed RO 10,000 in one year.

Also, the Article (133) of Public Joint Stock Companies Regulation state that the annual general meeting shall determine the directors' remuneration as follows:

1. Shall not exceed RO 300,000 for the company that realized net profits equal to or exceeding the profits realized in the previous financial year and has no accumulated losses or losses in the capital.

2. Shall not exceed RO 150,000 for the company that realized net profits less than the profits realized in the previous financial year and no losses in the capital.

3.27 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises convertible notes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.28 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank currently operates only in the Sultanate of Oman. The Bank's primary format for reporting segmental information is business segments, based upon management and internal reporting structure which are regularly reviewed by the Bank's chief operating decision maker (CODM). The Bank's main business segments are corporate, retail banking and Islamic financing. Segmental information pertaining to Islamic Banking subsidiary is also disclosed in note 44.

3.29 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a year of time in exchange for consideration.

Bank as a lessee
The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within note 12 and are subject to impairment in line with the Bank's policy as described in note 3.6 Impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the year in which the event or condition that triggers the payment occurs.

Bank as a lessor
Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which they are earned.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.29 Leases (continued)

Bank as a lessor (continued)

As of 31 December 2021 and 2020, the Bank is not a lessor in any of the lease arrangements.

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

4. Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. The Bank’s significant accounting estimates were on:

4.1 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Losses (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Default (PD), Exposure At Default (EAD) and Loss Given Default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

4. Critical accounting estimates and judgments in applying accounting policies (continued)

4.1 Impairment losses on financial assets (continued)

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified within that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers and or national or local economic conditions that correlate with defaults on assets in the Bank. The management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed yearically to reduce any difference between loss estimates and actual loss experience. For individually significant loans and advances which are impaired, the necessary impairment loss is considered based on the future cash flow estimates. Individually significant loans and advances which are not impaired and all individually insignificant loans and advances are then assessed collectively considering historical experience and observable data on a portfolio basis, in groups of assets with similar risk characteristics to determine whether collective impairment loss to be made. In determining collective impairment loss, the Bank takes into account several factors including credit quality, concentration risk, levels of past due, sector performance, available collateral and macro-economic conditions.

4.2 Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Bank establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Bank. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the Bank and the relevant tax authority.

4.3 Going concern

The Bank’s management has made an assessment of the Bank’s ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4.4 Impact of COVID-19

Certain judgments were involved in determining the ECL impact of COVID-19 deferrals. For more information see Note 5.1.4.

4. Critical accounting estimates and judgments in applying accounting policies (continued)

4.5 Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the each reporting year. The Group uses expected cash flow analysis for various financial assets that are not traded in active markets.

4.6 Determination of lease term

The Group considers all facts and circumstances when determining the lease term. Extension options (or years that fall after the termination options) are included in the lease term only if there is reasonable certainty that the lease will be extended (or not terminated). The Bank considers the enforceability and nature of the extension clause in the lease agreement, the value of leasehold improvements, penalties levied, costs and business disruptions that would occur, should a change of location occur as factors to determine the lease term.

Lease term is reassessed if an option is exercised or not exercised or the Bank becomes obliged to exercise or not exercise. The assessment is only revisited if a significant event or a significant change in circumstances arises which affects this assessment and that is within the control of the Bank. During the year, the Bank has not revised its assessment of lease term as no significant changes or events occurred.

5. Financial risk management

Effective risk management is of primary importance for the Bank. The Bank's risk management process evaluates, monitors and manages the risks associated with the businesses the Bank conducts in line with the defined risk appetite. The principal types of risks that the Bank faces are credit risk, liquidity risk, market risk (price risk, interest rate risk and currency risk) and operational risk. The Board of Directors defines risk limits and sets suitable policies in this regard for management of credit risk, liquidity risk as well as market risk in both the trading and the banking book of the Bank. Risk Management is carried out by the Risk Management Department in accordance with documented policies approved by the Board of Directors.

A bank risk committee, comprising the Bank's most senior risk professionals, provides a forum for the review and approval of risk measurement methodologies, risk control processes and the approval of new products, including approval of LGDs and eligible collateral for ECL calculations. The Bank risk committee also reviews all risk policies and limits. The risk management control process is based on a detailed structure of policies, procedures and limits, and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks.

5.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from lending activities, investment activities and other assets in the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees.

5. Financial risk management (continued)

5.1 Credit risk (continued)

Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counter party risk rating, industry sector, and as per the guidelines of Central Bank of Oman. Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The credit risk management and control are centralised in the credit risk management team which is divided into corporate, financial institutions and retail groups. The credit risk in corporate and financial institutions portfolio is primarily managed by the Credit Department while the Retail Banking Department manages the credit risk in the retail portfolio.

The Risk Management Department reviews the credit risk independently and directly reports to the Audit and Risk Management Committee of the Board of Directors. The risk management framework also includes policies with respect to problem recognition, early warning lists, watch lists, classification parameters and risk rating adjustments.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators, expert credit assessment, guidelines issued by CBO and inclusion of forward-looking information. The Bank also, in limited circumstances and with proper justifications and specific approval from the Chief Risk Officer, does not treat certain events as significant increases in credit risk to continue classifying a financing exposure under Stage 1 (this is in line with CBO circular BM 1149). Besides assessing the qualitative characteristics, the Bank's assessment of probability of default of individual counterparties is mainly linked with the number of days the borrower was in default as defined by the CBO circular number BM 977 dated 25 September 2004. In addition, the Bank assesses the adequacy of the security and financial performance of the borrowers in further downgrading the classification.

Debt investment securities are considered to have low credit risk when their credit risk rating is equivalent to an investment grade rating or a debt investment security with similar credit risk characteristics. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in the probability of default (PDs) and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due and as a backstop based on delinquency.

Definition of default

The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the bank in full, without recourse by the Bank to actions such as liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Bank. In assessing whether a borrower is in default, the Bank considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Bank.

5. Financial risk management (continued)

5.1 Credit risk (continued)

Incorporation of forward-looking information
The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Bank formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

Given the nature of the bank's exposures and availability of historical statistically reliable information, the bank derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data published by Moody's for each rating category. The Bank links TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The methodology takes into consideration forward looking economic forecasts under three scenarios (base case, negative case, and positive case), historical economic data, the asset correlation of each rating category, and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates have been developed using internal historical data and relevant external market data.

Measurement of ECL
The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, other historical data using both internal and external factors, and incorporates forward-looking information.

PD estimates are estimates at a certain date, and are calculated using the banks internal recovery data after consideration of the contractual maturities of exposures and estimated prepayment rates.

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs. The lifetime PDs are calculated by compounding the 12-month PIT PDs.

LGD is the magnitude of the likely loss if there is a default. The bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors. The Bank has applied a LGD of 0% on Government Development Bonds (GDB) & Treasury Bills (T-Bills) issued by Government of Oman which are classified as investments under amortised cost. The Bank has also applied a LGD of 0% on loans, advances and financing to customers aggregating to RO 91,390 thousand (Consolidated), RO 20,726 thousand (Parent); (2020: RO 89,490 thousand (Consolidated), RO 64,490 thousand (Parent) as of 31 December 2021 which are guaranteed by the Government of Oman or collateralized by way of bank deposits / cash margin.

EAD represents the expected exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD is converted to balance sheet equivalents.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the bank measures ECL considering the risk of default over the maximum contractual year over which it is exposed to credit risk. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

5. Financial risk management (continued)

5.1 Credit risk (continued)

Measurement of ECL (continued)

The Bank calculates PIT PD estimates under three scenarios, a base case, negative case and positive case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. At 31 December 2021, the probabilities assigned to the base case, negative case and positive case scenarios were in the ratio of 50%:25%:25% (2020: 50%:25%:25%) respectively.

Credit risk profile

The Bank monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a certain rating scale. The internal credit rating is a measure of the credit-worthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured, medium-term, foreign currency credit exposure. The primary objectives of the internal credit rating system are the maintenance of a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits.

The internal ratings map as follows:

Internal rating grade	***Internal classification***
Rating grade 1	High
Rating grade 2	High
Rating grade 3	High
Rating grade 4	High
Rating grade 5	High
Rating grade 6	Standard
Rating grade 7	Standard
Rating grade 8	Standard
Rating grade 9	Standard
Rating grade 10	Satisfactory
SM	Satisfactory
Classified	
SS	Sub-standard
DD	Doubtful
LS	Loss

5. Financial risk management (continued)

5.1 Credit risk (continued)

Credit risk profile (continued)

The credit risk profile, based on internal credit ratings, was as follows:

2021 Consolidated	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1 (12-month ECL)				
High	**26,432**	**-**	**583,812**	**218,576**
Standard	**24,614**	**296,303**	**1,250,602**	**337,868**
Satisfactory	**-**	**-**	**385,505**	**208,988**
Gross Carrying amount	**51,046**	**296,303**	**2,219,919**	**765,432**
Stage 2 (Lifetime ECL but not credit-impaired)				
High	**-**	**-**	**21,169**	**34,463**
Standard	**-**	**-**	**143,168**	**40,661**
Satisfactory	**-**	**-**	**418,041**	**59,602**
Gross Carrying amount	**-**	**-**	**582,378**	**134,726**
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	**-**	**-**	**2,728**	**970**
Doubtful	**-**	**-**	**12,275**	**50**
Loss	**-**	**-**	**123,023**	**4,542**
Gross Carrying amount	**-**	**-**	**138,026**	**5,562**

Provisions for impairment are as below:

Consolidated Stage	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1	74	282	9,215	551
Stage 2	-	-	41,959	358
Stage 3	-	-	89,849	2,488
Total	**74**	**282**	**141,023**	**3,397**

5. Financial risk management (continued)

5.1 Credit risk (continued)

Credit risk profile (continued)

2021 Parent Company	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1 (12-month ECL)				
High	26,432	-	581,671	218,576
Standard	28,121	233,832	562,404	234,337
Satisfactory	-	-	347,492	172,097
Gross Carrying amount	**54,553**	**233,832**	**1,491,567**	**625,010**
Stage 2 (Lifetime ECL but not credit-impaired)				
High	-	-	21,169	34,463
Standard	-	-	92,252	38,009
Satisfactory	-	-	374,405	59,601
Gross Carrying amount	**-**	**-**	**487,826**	**132,073**
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	2,090	970
Doubtful	-	-	5,547	40
Loss	-	-	98,890	4,310
Gross Carrying amount	**-**	**-**	**106,527**	**5,320**

Provisions for impairment are as below:

Parent Company **Stage**	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1	73	276	7,311	323
Stage 2	-	-	31,840	138
Stage 3	-	-	64,912	2,408
Total	**73**	**276**	**104,063**	**2,869**

In 2021, the Bank reclassified the provisions related to un-funded exposure from loans and advances provisions to other liabilities, with no impact on the income statement. Prior year amounts have been revised to conform with the current presentation.

5. Financial risk management (continued)

5.1 Credit risk (continued)

Credit risk profile (continued)

2020 Consolidated	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1 (12-month ECL)				
High	69,690	-	536,191	208,596
Standard	3,189	235,069	1,249,134	277,915
Satisfactory	-	-	246,821	162,226
Gross Carrying amount	72,879	235,069	2,032,146	648,737
Stage 2 (Lifetime ECL but not credit-impaired)				
High	-	-	28,133	54,984
Standard	-	-	208,418	85,374
Satisfactory	-	-	393,365	163,801
Gross Carrying amount	-	-	629,916	304,159
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	26,153	5
Doubtful	-	-	13,803	132
Loss	-	401	79,174	3,976
Gross Carrying amount	-	401	119,130	4,113

Provisions for impairment are as below:

Consolidated Stage	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1	41	67	9,820	217
Stage 2	-	-	29,825	219
Stage 3	-	403	62,691	1,733
Total	41	470	102,336	2,169

5. Financial risk management (continued)

5.1 Credit risk (continued)

Credit risk profile (continued)

2020 Parent Company	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage 1 (12-month ECL)				
High	67,902	-	353,194	191,346
Standard	3,189	171,975	848,023	278,259
Satisfactory	-	-	222,986	97,530
Gross Carrying amount	71,091	171,975	1,424,203	567,135
Stage 2 (Lifetime ECL but not credit-impaired)				
High	-	-	2,865	54,965
Standard	-	-	169,006	84,459
Satisfactory	-	-	337,371	161,337
Gross Carrying amount	-	-	509,242	300,761
Stage 3 (Lifetime ECL and credit-impaired)				
Sub-Standard	-	-	24,565	-
Doubtful	-	-	4,440	60
Loss	-	-	64,265	3,821
Gross Carrying amount	-	-	93,270	3,881

Provisions for impairment are as below:

Parent Company	Due from banks RO'000	Investment securities RO'000	Loans and advances including interest receivable RO'000	Credit related contingent items including acceptances RO'000
Stage				
Stage 1	40	67	7,169	193
Stage 2	-	-	19,534	181
Stage 3	-	-	43,610	1,563
Total	40	67	70,313	1,937

5. Financial risk management (continued)

5.1 Credit risk (continued)

Credit risk profile (continued)

Economic variable assumptions

The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2021.

2021

Key drivers	ECL scenario and assigned weightage	2021	2022	2023	2024	2025
GDP growth (% change)	**Base (50%)**	**-0.83%**	**-4.37%**	**1.23%**	**2.93%**	**2.79%**
	Upside (25%)	**4.46%**	**-0.85%**	**3.00%**	**2.93%**	**2.79%**
	Downside (25%)	**-3.39%**	**-6.08%**	**0.38%**	**2.93%**	**2.79%**
Oil revenue (%GDP)	**Base (50%)**	**20.04%**	**30.74%**	**31.18%**	**26.71%**	**26.71%**
	Upside (25%)	**37.31%**	**42.25%**	**36.95%**	**26.71%**	**26.71%**
	Downside (25%)	**11.66%**	**25.15%**	**28.38%**	**26.71%**	**26.71%**

2020

Key drivers	ECL scenario and assigned weightage	2020	2021	2022	2023	2024
GDP growth (% change)	Base (50%)	1.80%	0.60%	-5.30%	2.95%	3.41%
	Upside (25%)	6.81%	5.63%	3.91%	4.00%	4.10%
	Downside (25%)	2.06%	2.06%	2.06%	2.09%	2.83%
Oil revenue (%GDP)	Base (50%)	19.56%	12.22%	13.67%	27.84%	29.65%
	Upside (25%)	43.15%	38.49%	31.63%	32.02%	32.41%
	Downside (25%)	24.30%	24.30%	24.30%	24.43%	27.36%

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.1 Risk mitigation policies

The Bank manages limits and controls concentrations of credit risk – in particular, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed yearically by the Management Credit Committee, Audit and Risk Management committee of the Board of Directors and the Executive Committee of the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- charges over business assets such as premises, inventory and accounts receivable
- lien on fixed deposits
- cash margins
- mortgages over residential and commercial properties
- pledge of marketable shares and securities

Longer-term finance and lending to corporate entities are generally secured. The housing loans are secured by mortgage over the residential property. Credit cards and similar revolving credit facilities are generally unsecured. Additionally, in order to minimise the credit loss the Bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b) Assessment of the financial capabilities of the borrowers

The borrowers with balances above the limit specified are subject to the review of their audited financial statements. The relationship managers remain in close contact with the borrowers. The Bank assesses the financial performance of the borrowers by reviewing key performance ratios, including solvency and liquidity ratios. The annual reviews are performed by the relationship managers and are also reviewed by the Risk Management Department.

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.1 Risk mitigation policies (continued)

(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The concentration of credit related commitments by industry sector at the year-end is set out in Note 40(a).

An analysis of the loans and advances for which collaterals or other credit enhancements are held is as follows:

Consolidated	**Performing loans (neither past due nor impaired) RO'000**	**Loans past due and not impaired RO'000**	**Non performing loans RO'000**	**Total RO'000**
Loans and advances with collateral available	901,166	213,560	50,371	1,165,097
Loans and advances with guarantees available	448,866	57,534	12,478	518,878
Balance as at 31 December 2021	1,350,032	271,094	62,849	1,683,975
Percentage of exposure with collateral and guarantees	54%	98%	46%	58%

Parent Company	**Performing loans (neither past due nor impaired) RO'000**	**Loans past due and not impaired RO'000**	**Non performing loans RO'000**	**Gross Loans RO'000**
Loans and advances with collateral available	605,836	157,266	27,689	790,791
Loans and advances with guarantees available	380,693	56,633	7,588	444,914
Balance as at 31 December 2021	986,529	213,899	35,277	1,235,705
Percentage of exposure with collateral and guarantees	57%	99%	33%	60%

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.2 Maximum gross exposure to credit risk before collateral held or other credit enhancements

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Items on the statement of financial position	**RO' 000**	RO' 000	**RO' 000**	RO' 000
Cash and balances with Central Bank of Oman	**188,904**	220,975	**105,954**	173,652
Due from banks	**51,046**	72,879	**54,553**	71,091
Loans and advances				
Corporate loans	**1,807,193**	1,704,836	**1,329,130**	1,284,640
Personal loans	**1,087,264**	1,042,859	**735,944**	722,479
Other assets	**80,236**	69,129	**53,064**	46,222
GDBs and Government Sukuk	**264,405**	221,739	**205,236**	162,589
Corporate bonds	**31,898**	13,731	**28,596**	9,386
Other investments	**6,475**	5218	**6,475**	4,792
	3,517,421	3,351,366	**2,518,952**	2,474,851
Off-Balance sheet items				
Letters of credit	**163,773**	77,600	**83,165**	73,635
Guarantees	**213,284**	251,150	**187,629**	221,837
Financial guarantees	**74,126**	141,928	**74,126**	107,220
	451,183	470,678	**344,920**	402,692

5.1 Credit risk (continued)

5.1.3 Loans and advances and due from banks

a) Loans and advances and due from banks are summarised as follows:

31 December 2021
Consolidated

	Loans and advances to customers RO' 000	**Due from banks RO' 000**	**Total RO' 000**
Neither past due nor impaired	1,913,967	51,046	**1,965,013**
Special mention loans	565,103	-	**565,103**
Past due but not impaired	277,361	-	**277,361**
Impaired	138,026	-	**138,026**
Gross loans and advances	2,894,457	51,046	**2,945,503**
Less: expected credit loss	(141,023)	(74)	**(141,097)**
Net loans and advances and due from banks	2,753,434	50,972	**2,804,406**

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.3 Loans and advances and due from banks (continued)

31 December 2021
Parent Company

	Loans and advances to customers RO' 000	Due from banks RO' 000	Total RO' 000
Neither past due nor impaired	1,254,487	54,553	**1,309,040**
Special mention loans	488,786	-	**488,786**
Past due but not impaired	215,274	-	**215,274**
Impaired	106,527	-	**106,527**
Gross loans and advances	2,065,074	54,553	**2,119,627**
Less: expected credit loss	(104,063)	(73)	**(104,136)**
Net loans and advances and due from banks	1,961,011	54,480	**2,015,491**

31 December 2020
Consolidated

	Loans and advances to customers RO' 000	Due from banks RO' 000	Total RO' 000
Neither past due nor impaired	1,823,584	72,879	1,896,463
Special Mention loans	543,672	-	543,672
Past due but not impaired	261,309	-	261,309
Impaired	119,130	-	119,130
Gross loans and advances	2,747,695	72,879	2,820,574
Less: expected credit loss	(102,336)	(41)	(102,377)
Net loans and advances and due from banks	2,645,359	72,838	2,718,197

Parent Company

	Loans and advances to customers RO' 000	Due from banks RO' 000	Total RO' 000
Neither past due nor impaired	1,224,593	71,091	1,295,684
Special Mention loans	484,220	-	484,220
Past due but not impaired	205,036	-	205,036
Impaired	93,270	-	93,270
Gross loans and advances	2,007,119	71,091	2,078,210
Less: expected credit loss	(70,313)	(40)	(70,353)
Net loans and advances and due from banks	1,936,806	71,051	2,007,857

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.3 Loans and advances and due from banks (continued)

b) The break-up of the loans and advances to customers in respect of the risk ratings adopted by the Bank are:

	Retail loans RO' 000	**Corporate loans RO' 000**	**Total RO' 000**
31 December 2021			
Consolidated			
Standard loans (1-10)	1,059,605	1,131,723	**2,191,328**
Special mention loans	7,184	557,919	**565,103**
Substandard loans	1,071	1,657	**2,728**
Doubtful loans	3,193	9,082	**12,275**
Loss	16,187	106,836	**123,023**
	1,087,240	**1,807,217**	**2,894,457**
Parent Company			
Standard loans (1-10)	716,863	752,898	**1,469,761**
Special mention loans	1,666	487,120	**488,786**
Substandard loans	863	1,227	**2,090**
Doubtful loans	2,745	2,802	**5,547**
Loss	13,807	85,083	**98,890**
	735,944	**1,329,130**	**2,065,074**

31 December 2020			
Consolidated	Retail loans RO' 000	Corporate loans RO' 000	Total RO' 000
Standard loans (1 – 10)	1,010,790	1,074,057	2,084,847
Special mention loans	8,455	535,263	543,718
Substandard loans	2,209	23,945	26,154
Doubtful loans	5,202	8,601	13,803
Loss	16,203	62,970	79,173
	1,042,859	1,704,836	2,747,695
Parent Company			
Standard loans (1-10)	702,680	726,949	1,429,629
Special mention loans	1,886	482,334	484,220
Substandard loans	979	23,586	24,565
Doubtful loans	4,225	215	4,440
Loss	12,710	51,555	64,265
	722,480	1,284,639	2,007,119

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.3 Loans and advances and due from banks (continued)

c) Age analysis of loans and advances past due but not impaired is set out below:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
	RO' 000	RO' 000	**RO' 000**	RO' 000
Past due up to 30 days	**129,418**	80,551	**99,502**	67,535
Past due 30-60 days	**97,634**	112,468	**71,052**	89,577
Past due 60-90 days	**50,309**	68,741	**44,720**	47,924
Total	**277,361**	261,760	**215,274**	205,036

5.1.4 CBO COVID related disclosures

5.1.4.1 Outbreak of Coronavirus (COVID-19)

The World Health Organization officially declared COVID-19 as a global pandemic on 11 March 2020. The pandemic has continued to affect the economic environment and business landscape of the banks. The businesses witnessed rapid changes as a result of the unprecedented outbreak of Coronavirus pandemic witnessing stress on revenues & delay in servicing debts. 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. The impact on the economy has receded in the second half of 2021 with opening of the economy because of the drive to increase the penetration of vaccines.

5.1.4.2 Government measures

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. In line with this, the Central Bank of Oman (CBO), also 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 point of sale (POS) charges, lowering of regulatory capital ratios and increasing the lending ratio etc., suspension of assessment of Significant Increase in Credit risk (SICR). These measures have been extended until 31 December 2021.

5.1.4.3 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 is given to both to the effects of COVID-19 and the significant government support measures being undertaken. Relief measures, such as payment holidays, has not automatically led to loans being measured on the basis of lifetime losses. . The measurement of ECL is based on the models with respect to probability of default, Loss Given Default and Exposure at default, when it is not possible to reflect all relevant information in the models, post-model overlays or adjustments are considered. This is also broadly consistent with guidelines issued by other regulators including those issued by the CBO.

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.4 CBO COVID-19 related disclosures (continued)

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

Additional IFRS 9 guidelines issued by the CBO stipulates:

- CBO's measures related to deferment of loan repayment by a borrower may not on its own trigger the counting of 30 DPD or more backstop used to determine SICR or the 90 days past due backstop used to determine default. However, banks shall continue to assess the obligor's likelihood of payment of amount due after the deferment year, and in case of SICR or credit impairment and if the same is not of a temporary nature, accordingly fairly recognize such risk.
- 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 and FLC's might have experienced other supportable evidence on having deterioration in the credit quality of the obligor.
- 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.
- Bank has developed estimates based on the best available supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions consideration is given both to the effects of Covid-19 coupled with oil prices & significant CBO policy measures being undertaken.
- Nevertheless, any changes made to ECL estimate the impact of Covid-19 distress 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 by the Bank in the IFRS 9/ECL models cannot be recalibrated upfront with pre-mature effects of Covid-19 and CBO support measures, besides the individual and collective LGD's may get impacted due to Covid-19 effect on market prices of collateral and guarantees.
- 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. SME customers are evaluated based on the stability of the business owner and business and any short term cash flow mismatches are supported by the Bank.

A considerable portion of Bank's retail portfolio comprises of Omani nationals employed in government sector. This retail segment is expected to largely remain shielded from job cuts and salary reductions. Retail lending to private sector employees is expected to witness impact of economic meltdown in the short to medium term due to the pandemic and hence could lead to potential credit issues. The Bank is fully committed to help its customers through these turbulent year as directed by the CBO. The Bank continues 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.

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.4 CBO COVID related disclosures (continued)

5.1.4.4 Impact on SICR
The exercise of the deferment option by a customer, in its own, is not considered by the Bank as triggering SICR. However, as part of the Bank's credit evaluation process especially given the current economic situation due to after effects of lock down, the Bank obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

5.1.4.5 Impact on ECL
The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Bank operates could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Bank expects that post-model adjustments will be applied for the foreseeable future.

Post-model adjustments and management overlays made in estimating the reported ECL as at 31 December 2021 are set out as follows:

As at 31 December 2021, date the collective provision held by the Bank through management overlays amounts to RO 22,652 thousand (consolidated), RO 14,110 thousand (Parent Company) [2020: RO 7,164 thousand (consolidated), RO 4,125 thousands (Parent Company)] which are specifically allocated to certain stressed parties. The Bank will continue to reassess and appropriately adjust such overlays on a regular basis throughout the affected year.

5.1.4.6 PMAs and management overlays:
Given the ever evolving nature of the current health and economic crisis, the Bank's management is of the view that the forward looking macro-economic data and the PD term structures published by the economists and rating agencies during 2021 is yet to reasonably reflect the impact of the economic disruption caused by Covid-19 and also to fully factor in the financial intervention by the relevant state authorities.

In determining above, the management has considered following assumptions at Group level:

- Oil revenue as per percentage of GDP 18.0% (2020: 13.2%)
- Real GDP growth 1.2% (2020:-4.4%)

Following are the scenario weightage considered by the Bank at Group level:

- Scenario weightings of 50%, 25%, 25% for Base, Downside and Upside scenarios (31 December 2020: 50%, 25%, 25%);

Sensitivity of ECL to future economic conditions

The following table shows a comparison of the Bank's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) excluding management overlays under IFRS 9 as at December 31, 2021 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.4 CBO COVID related disclosures (continued)

5.1.4.6 PMAs and management overlays (continued)

Sensitivity of impairment estimates	Consolidated At 31 December 2021 Impact on ECL RO'000's	Consolidated At 31 December 2021 Impact on ECL RO'000's	Parent Company At 31 December 2021 Impact on ECL RO'000's	Parent Company At 31 December 2021 Impact on ECL RO'000's
ECL on non-impaired loans under IFRS9	**28,522**	**-**	**24,835**	**-**
Simulations				
Upside case - 100% weighted	**14,900**	**13,622**	**13,208**	**11,627**
Base case - 100% weighted	**29,419**	**(897)**	**25,614**	**(779)**
Downside scenario - 100% weighted	**40,353**	**(11,831)**	**34,906**	**(10,071)**

5.1.4.7 Accounting for modification loss:

In case of corporate customers, the Company has added the simple interest accrued during the deferral period (DP) to a separate facility and either extend the original maturity year of the loan or increase the instalments at the end of the DP. The Company has determined that the modifications due to deferment of instalment and waiver of profit allowed in line with CBO relaxation measures did not result in derecognition of financial assets. Further, the impact of day one modification loss was not considered material for the year.

5.1.4.8 Stage-wise analysis of customers benefiting from payment deferrals

The following table provides the deferred portfolio pertinent to loans, advances and Islamic financing for customers provided with such benefits, and the related ECL. The restructured/ rescheduled loans implemented as per CBO circular BSD/CB & FLCs/2021/004 dated 18 November 2021 - window for restructuring/ rescheduling of credit facilities for affected customers are also disclosed in the following table:

Consolidated

31-Dec-21	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and Advances and Islamic financing receivables	289,079	266,567	5,862	**561,508**
Off balance sheet exposures	7,132	17,445	-	**24,577**
Total exposure to customers benefiting from payment deferrals	**296,211**	**284,012**	**5,862**	**586,085**
Of which:				
Total deferred amount *	**232,822**	**148,303**	**5,490**	**386,615**
Total ECL on exposure to customers benefiting from payment deferrals	1,559	12,810	4,573	**18,942**
Of which:				
ECL on deferred amount	964	7,325	4,435	**12,724**
Net carrying deferred amount	**231,858**	**140,978**	**1,055**	**373,891**

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.4 CBO COVID related disclosures (continued)

5.1.4.8 Stage-wise analysis of customers benefiting from payment deferrals (continued)

Parent Company

31-Dec-21	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances	138,088	183,276	399	**321,763**
Off balance sheet exposures	7,132	17,445	-	**24,577**
Total exposure to customers benefiting from payment deferrals	**145,220**	**200,721**	**399**	**346,340**
Of which:				
Total deferred amount *	**101,563**	**65,373**	**27**	**166,963**
Total ECL on exposure to customers benefiting from payment deferrals	922	6,476	148	**7,546**
Of which:				
ECL on deferred amount	410	1,018	10	**1,438**
Net carrying deferred amount	**101,153**	**64,355**	**17**	**165,525**

* The deferred amount as of 31 December 2021 include deferred interest of RO 35,376 (consolidated) and RO 21,572 thousand (Parent Company).

The table below provides the restructured/rescheduled loans implemented under the CBO regulations (window for restructuring/rescheduling of credit facilities for affected customers):

Consolidated

31-Dec-21	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans, advances and Islamic financing receivables restructured under CBO window	10,217	45,580	-	**55,797**
ECL as per IFRS 9	169	3,777	-	**3,946**
ECL required as per CBO Circular under restructuring window	153	2,843	-	**2,996**

Parent Company

31-Dec-21	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances restructured under CBO window	-	30,921	-	**30,921**
ECL as per IFRS 9	-	2,460	-	**2,460**
ECL required as per CBO Circular under restructuring window	-	1,890	-	**1,890**

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.4 CBO COVID related disclosures (continued)

5.1.4.9 Impact on the Capital Adequacy

The Bank raised Additional Tier 1 capital denominated in USD and listed on London Stock Exchange to the tune of RO 96.250 million (USD 250 million). 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. The impact of the above filter on the bank's regulatory capital is 38 bps [Parent Company: 45 bps].

Although above measures are not exhaustive and may not fully counteract the impact of COVID-19 in the short run, they will mitigate the long-term negative impact of the pandemic. In response to this crisis, the Bank continues to monitor and respond to all liquidity and funding requirements. As at the reporting date the liquidity, funding and capital position of the Bank remains strong and is well placed to absorb the impact of the current disruption.

5.1.5 Loans and advances renegotiated

These arrangements include extended payment arrangements, deferral of payments and modification of interest rates. Following restructuring, a previously past due loan account is reclassified as a normal loan and managed with other similar loans which are neither past due nor impaired. The restructuring arrangements are based on the criteria and indicators which in the judgement of the management will indicate that the payment will most likely continue.

The total restructured loans at 31 December 2021 amounted to RO 231,360 thousand (consolidated), RO 175,644 thousand (Parent Company); [2020: RO 179,681 thousand (consolidated), RO 140,844 thousand (Parent Company)].

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.1.6 Debt securities

The Bank's investments in debt securities are mainly in Government Development Bonds / Sukuks or treasury bills denominated in Rial Omani issued by the Government of Oman. The Bank also invests in debt securities issued by foreign sovereigns / omani Public sector enterprises based on their individual external credit rating. These investments are made to deploy the surplus liquid funds with maximum return.

5.2 Market risk

The Bank takes on exposures to market risk which is the risk that the fair value or the future cash flows of the financial assets carried at fair value will fluctuate because of changes in market prices. Market risks arise from the open positions in interest rate, currency and equity products, all of which are exposed to changes in interest rates, credit spreads, equity prices and foreign exchange rates. The market risks are monitored by the Treasury Division and the Risk Management Department. Management is confident that the Bank has proper risk management policies in place to ensure that interest risk, liquidity risk and foreign exchange risk are mitigated considering the macroeconomic indicators affecting the banking business.

5. Financial risk management (continued)

5.1 Credit risk (continued)

5.2.1 Price risk

The Bank holds listed securities classified as held-for-trading and held to collect and sale to take advantage of short-term capital market movements and manage liquidity. All investment securities present a risk of loss of capital. The Bank controls this risk through a careful selection of securities in accordance with Investment Management Policy approved by the Board. The maximum risk resulting from financial instruments is determined by the carrying amount of the financial instruments. The Bank's market positions are reviewed yearically by the management.

Bank's investments include equity securities which are publicly traded on the Muscat Securities Market (MSM). The Bank's equity and total comprehensive income at 31 December 2021 may decrease by 0.03% (2020 – 3.6%) due to decrease by 10% in the MSM - 30 Index and the GCC market indices, with all the other variables held constant. The subsidiary has no investment in equity securities publically traded on MSM.

5.2.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest based assets and liabilities that mature or re-price in a given year. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest rate risk as its assets and liabilities are aligned for re-pricing in line with the risk appetite. The Bank's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate with the objective of limiting the potential adverse effects on the Bank's profitability. The table in Note 41 summarises the Bank's exposure to the interest rate risks. It includes the Bank's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

5. Financial risk management (continued)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

For managing its interest rate risk in the banking book the Bank stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also monthly calculates Earnings at Risk (EaR) impact on its projected Net Interest Income (NII) from 50/100/200bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the current year. The EAR at 31 December 2021 is 2.9% (2020 – 2.6%).

Interest rate benchmark reforms

Interbank offered rates (“IBORs”), such as the London Interbank Offered Rate (“LIBOR”), plays a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates (“RFRs”) and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

The majority of LIBOR and other Interbank Offer Rates (“IBORs”) are expected to be discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates (“ARRs”), with the exception of certain USD LIBOR rates were cessation may be delayed until 30 June 2023.

Central Bank of Oman wide it’s circular No: SDD/CBS/FLCs/CB/2021/3565 dated 09 December, 2021 has specified that Bank(s) should stop entering into new financial contracts with LIBOR as the reference rate and instead identify and use any widely accepted Alternative Reference Rate (ARR), in respect of each currency, with immediate effect.

The Bank’s system has been updated to enable lending linked to these ARR/RFRs and the time-line for transition is as mentioned below:

- Starting January 01, 2022. All new floating rates loans as well as associated derivative deals as executed by the Bank will based on ARR e.g. for USD it will be based on SOFR (Secured Overnight Financing Rate)
- Loans which reference USD Libor and which will remain outstanding post 2021 may continue unchanged, as USD Libor will continue to be published until the Q2 2023.
- Any remaining loans in USD only which reference USD Libor must mature or will be migrated away from using Libor before June 30th 2023, ideally on the final interest reset day prior to this date.

5. Financial risk management (continued)

5.2 Market risk (continued)

5.2.3 Currency risk

Currency risk arises when the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the Bank enters into ready, spot and forward transactions in the inter-bank market as per documented policies approved by the Board of Directors.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The management manages the risk by monitoring net open position in line with limits set by the management and approved by the Executive Committee of the Board and entering into forward contracts based on the underlying commercial transactions with the customers.

Net foreign currency exposure

	Consolidated		**Parent Company**	
	31-Dec-2021	31-Dec-2020	**31-Dec-2021**	31-Dec-2020
	RO'000	RO'000	**RO'000**	RO'000
USD	**30,357**	5,204	**4,685**	295
AED	**421**	760	**143**	649
GBP	**30**	53	**12**	50
Others	**1,399**	1,641	**1,176**	1,537
	32,207	7,658	**6,016**	2,531

Oman operates with a fixed exchange rate, and the Omani Rial is pegged to the USD at $2.5975 per Omani Rial.

5.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced.

The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition the Bank holds certain liquid assets as part of its liquidity risk management strategy. The Bank manages the liquidity risk based on estimated maturities using the guidelines provided by the Central Bank of Oman for the estimates. The table in Note 41 represents cash flows receivable to and payable by the Bank under derivative and non-derivative assets and liabilities by estimated remaining maturities at the reporting date.

5. Financial risk management (continued)

5.3 Liquidity risk (continued)

The lending ratio is a regulatory ratio which considers total loans and advances to customer deposits and capital. This ratio is monitored on daily basis and reported on monthly basis as per CBO guidelines. The Bank has internally set a conservative lending ratio benchmark which is lower than CBO lending ratio.

The maximum permissible lending ratio as at 31 December 2021 was 92.5% (2020: 92.5%). In the COVID-19 stimulus package announce by CBO the maximum limit of this ratio was extended to 92.5% from 87.5%.

The Bank has reported following lending ratio for the year:

	Parent Company	
	2021	2020
Year end	**82.83%**	80.1%
Maximum for the year	**89.06%**	89.9%
Minimum for the year	**79.37%**	76.7%
Average for the year	**83.65%**	84.6%

5.4 Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events. The risk is associated with human error, systems failure, inadequate procedures or controls and external causes. Losses from external events such as a natural disaster that has a potential to damage the Bank's physical assets or electrical or telecommunication failures that disrupt business are relatively easier to define than losses from internal problems such as employee fraud and product flaws. The risks from internal problems are more closely tied to the Bank's specific products and business lines; they are more specific to the Bank's operations than the risks due to external events. Operational risks faced by the Bank include IT Security, telecom failure, frauds, and operational errors.

Operational risk governance is set through policies, processes, procedures and oversight of executive committee. The Bank cannot eliminate all operational risks, however, the operational risk framework is set to identify, assess, monitor and control the risks through the three lines of defences. It yearically conducts various assessment's to review risk exposures and implements controls to mitigate the operational risk profile, in accordance with the overall risk appetite. To ensure effective controls and building risk culture, operational risk awareness is scheduled annually across the Bank. Insurance is another tool used as an operational risk mitigant. Insurance coverage such as Bankers' Blanket Bond (BBB), Professional Indemnity, cyber security, etc aim to protect the bank from high severity risks by reducing the financial impact. During the year 2020, the Bank incurred operational loss as disclosed in note 34.

Management risk committee

The Management Risk committee is the main committee for Bank's major risk including operational risk. The committee is composed of main business and control functions. The objectives of the committee is to review and oversee the Bank's risk profile and to put in place actions required to maintain the risk profile within the approved appetite.

5. Financial risk management (continued)

5.4 Operational risk

Business Continuity Management (BCM)

Business Continuity Plan addresses the inherent risks, which may lead to unexpected business interruptions. The goal of BCM is to provide the ability to effectively respond to threats to protect the business interests and continue to operate following a significant unplanned event or major operational disruption. As a part of Crisis Communication and Business Continuity Management processes, OAB has taken initiatives and proactive measures in meeting the contingency requirements always and especially during COVID-19. The Bank has taken proactive steps considering the pandemic scenario in its BCP. The bank has ensured the resilience to run the business critical processes during such contingency situation with the effective process in place and the management support. The Bank has a Disaster Recovery Site and remote working set up to meet any unforeseen disaster and maintain operational continuation in such event. The Bank has conducted various BCP requirement like Business Impact assessments, evacuation drills, tests (announced and unannounced) call tree, and spread awareness.

Information Security

Information Security is an essential component of risk management. The Bank seeks to avoid risk and uncertainty for its critical information assets and systems affecting operations and reputation of the bank. Information security governance set up is in place through security policies & procedures. The Bank has invested to implement robust security infrastructure and is conducting yearic vulnerability assessments to ensure the security of the systems.

5.5 Fair value estimation

The estimate of fair values of the financial instruments is based on information available to management as at 31 December 2021. Whilst management has used its best judgment in estimating the fair value of the financial instruments, there are inherent weaknesses in any estimation technique. The estimates involve matters of judgment and cannot be determined with precision. The bases adopted in deriving the fair values are as follows:

5.5.1 Current account balances due to and from banks

The carrying amount of current account balances due to and from banks was considered to be a reasonable estimate of fair value due to their short-term nature.

5.5.2 Loans and advances

The fair value of non-performing loans approximates to the book value adjusted for allowance for loan impairment. For the performing loans, the fair value is taken as being equivalent to its carrying amount as the prevailing interest rates offered on similar loans are not materially different from the actual loan rates and loan rates are reset at frequent intervals to align the rate with market conditions.

5.5.3 Investments at fair value through profit or loss

Quoted market prices, when available, are used as the measure for fair value. However, when the quoted market prices do not exist, fair value presented is estimated using discounted cash flow models or other valuation techniques. Changes in fair value resulting from these calculations are not material to the financial statements. Details are set out in note 10.

5. Financial risk management (continued)

5.5 Fair value estimation (continued)

5.5.4 Customers' deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values.

5.5.5 Derivatives

The Bank usually enters into short term forward foreign exchange contracts, on behalf of its customers for the sale and purchase of foreign currencies. For forward foreign exchange contracts, it uses a valuation model with readily available market observable inputs. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

5.6 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31-December-2021

Assets as per statement of financial position	Fair value through profit or loss (FVTPL) RO'000	Amortized costs (AC) RO'000	Fair value through other comprehensive income (FVOCI) RO'000	Total RO'000
Consolidated				
Bank balances and cash	-	188,904	-	**188,904**
Due from banks	-	50,972	-	**50,972**
Loans, advances & financing activities	-	2,753,484	-	**2,753,484**
Investment securities	473	213,233	88,790	**302,496**
Other assets	-	80,236	-	**80,236**
	473	**3,286,779**	**88,790**	**3,376,042**
Parent Company				
Bank balances and cash	-	105,954	-	**105,954**
Due from banks	-	54,480	-	**54,480**
Loans, advances & financing activities	-	1,961,011	-	**1,961,011**
Investment securities	473	195,138	44,420	**240,031**
Other assets	-	53,064	-	**53,064**
	473	**2,369,647**	**44,420**	**2,414,540**

5. Financial risk management (continued)

5.6 Financial instruments by category (continued)

31-December-2020 Assets as per statement of financial position	Fair value through profit or loss (FVTPL)	Amortized Costs (AC)	Fair value through other comprehensive income (FVOCI)	Total
Consolidated	RO'000	RO'000	RO'000	RO'000
Bank balances and cash	-	220,975	-	220,975
Due from banks	-	72,838	-	72,838
Loans and advances & Financing activities	-	2,645,359	-	2,645,359
Investment securities	403	193,175	46,640	240,218
Other assets	-	69,129	-	69,129
	403	3,201,476	46,640	3,248,519
Parent Company				
Bank balances and cash	-	173,652	-	173,652
Due from banks	-	71,051	-	71,051
Loans and advances & Financing activities	-	1,936,806	-	1,936,806
Investment securities	403	171,908	4,389	176,700
Other assets	-	46,222	-	46,222
	403	2,399,639	4,389	2,404,431

The accounting policies for financial instruments have been applied to the line items below:

Financial liabilities as per statement of financial position

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
Due to banks	**13,359**	14,421	**13,359**	10,571
Deposits from customers	**2,810,412**	2,755,310	**1,965,197**	2,030,762
Other liabilities	**82,020**	74,296	**63,586**	57,357
Subordinated loan	**-**	20,000	**-**	20,000
	2,905,791	2,864,027	**2,042,142**	2,118,690

6. Capital management

The Bank's objectives of capital management are:

- to comply with the capital requirements set by the regulator i.e. the Central Bank of Oman;
- to safeguard the Bank's ability to continue as a going concern while providing adequate returns to the shareholders; and
- to maintain a strong capital base to support the development of its business.

The principal objective of the CBO capital adequacy requirements is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a Bank's statement of financial position, in particular credit risk. The CBO's risk-based capital adequacy framework is consistent with the international standards of the Bank for International Settlements (BIS).

CBO requires the registered banks in the Sultanate of Oman to maintain minimum capital adequacy of 12 per cent based on letter BSD/2018/1 dated 20 March 2018. Additionally, the CAR threshold requires a capital conservation buffer (CCB) of 2.5 per cent annually in addition to a 1 per cent of prompt corrective action. However the circular BSD/CB/2020/001 dated 18 March 2020, relaxed the CCB requirements to 1.25 per cent and accordingly the minimum capital adequacy requirement has been reduced respectively.

	Consolidated		**Parent Company**	
	31-Dec-21	31-Dec-20	**31-Dec-21**	31-Dec-20
	RO'000	RO'000	**RO'000**	RO'000
Capital				
Common Equity Tier 1 (CET 1)	**333,030**	336,995	**234,117**	241,265
Additional Tier 1	**163,803**	72,553	**163,803**	72,553
Total Tier 1	**496,833**	409,548	**397,920**	313,818
Tier 2	**29,443**	25,234	**24,508**	18,078
Total capital base	**526,276**	434,782	**422,428**	331,896
Risk weighted assets				
Credit risk	**2,718,921**	2,600,029	**2,080,951**	1,997,015
Market risk	**39,376**	18,200	**13,188**	13,075
Operational risk	**207,336**	201,908	**166,650**	165,275
Total risk weighted assets	**2,965,633**	2,820,137	**2,260,789**	2,175,365
Capital adequacy ratio %	**17.75%**	15.42%	**18.68%**	15.26%
CET 1 ratio	**11.23%**	11.95%	**10.35%**	11.09%
Tier 1 Capital ratio	**16.75%**	14.52%	**17.60%**	14.43%

The Tier 1 capital consists of paid-up capital, reserves, subordinated loans reserves and perpetual bonds. The Tier 2 capital consists of the ECL on stage 1 and stage 2 exposures in line with the circular BSD/CB/FLC/2019/17 and BSD/CB/2020/005.

7. Cash and balances with the Central Bank of Oman

	Consolidated		Parent Company	
	31-Dec-21	31-Dec-20	**31-Dec-21**	31-Dec-20
	RO' 000	RO' 000	**RO' 000**	RO' 000
Cash in hand	**32,735**	39,892	**25,900**	31,165
Balances with the Central Bank of Oman:				
- Clearing account	**155,144**	132,125	**79,554**	99,637
- Placements	**-**	47,933	**-**	42,350
- Capital deposit	**1,025**	1,025	**500**	500
	188,904	220,975	**105,954**	173,652

(i) The capital deposit cannot be withdrawn without the approval of the Central Bank of Oman. The capital deposit earns an annual interest at 1.5% (2020:1.5%) for the Parent Company. CBO does not pay any interest to the Islamic Banks in Oman, therefore, no such interest was earned by the Subsidiary during the year.

(ii) During the year, average minimum balance to be kept with Central Bank of Oman as statutory reserves was RO 79 million (Consolidated), RO 58 million (Parent Company); [2020: RO 69 million (Consolidated), RO 58 million (Parent Company)].

(iii) Cash and balances with Central Bank is classified under stage 1 as per IFRS 9. However, there are no expected credit losses and hence no provision has been recognised.

8. Due from banks

	Consolidated		Parent Company	
	31-Dec-21	31-Dec-20	**31-Dec-21**	31-Dec-20
	RO'000	RO'000	**RO'000**	RO'000
Placements	**29,902**	33,000	**35,677**	33,000
Current accounts	**21,144**	39,879	**18,876**	38,091
Due from banks and other money market placements	**51,046**	72,879	**54,553**	71,091
Less: allowance for credit losses	**(74)**	(41)	**(73)**	(40)
	50,972	72,838	**54,480**	71,051

Movement in allowance for the credit losses is set out below:

	Consolidated		Parent Company	
	31-Dec-21	31-Dec-20	**31-Dec-21**	31-Dec-20
	RO'000	RO'000	**RO'000**	RO'000
Balance at the beginning of the year	**41**	190	**40**	169
Acquisition related adjustments	**-**	1	**-**	-
Charge / (release) during the year	**33**	(150)	**33**	(129)
Balance at the year	**74**	41	**73**	40

8. Due from banks (continued)

At 31 December 2021, 65% (2020: 61%) of the Bank's placements were with four (2020: one) bank(s) rated in the range of A1 to Baa2 (2020: Aa3 to Baa3) and 18% (2020: 39%) of the placements were with Oman Housing Bank SAOC, which is owned by Government.

The credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and the year-end staging classification is disclosed in note 5 to the financial statements.

9. Loans, advances and financing to customers

	Consolidated		Parent Company	
	31-Dec-21	31-Dec-20	**31-Dec-21**	31-Dec-20
	RO'000	RO' 000	**RO'000**	RO' 000
Corporate loans				
Term loans	**1,149,247**	1,091,803	**1,149,247**	1,091,803
Overdrafts	**137,630**	139,265	**137,630**	139,265
Bills discounted	**42,253**	53,572	**42,253**	53,572
Islamic finance	**478,063**	420,196	**-**	-
	1,807,193	1,704,836	**1,329,130**	1,284,640
Personal loans				
Consumer loans	**396,536**	402,871	**396,536**	402,871
Mortgage loans	**333,744**	314,161	**333,744**	314,161
Overdrafts	**1,986**	1,830	**1,986**	1,830
Credit cards	**3,678**	3,617	**3,678**	3,617
Islamic finance	**351,320**	320,380	**-**	-
	1,087,264	1,042,859	**735,944**	722,479
Gross Loans, advances and financing to customers	**2,894,457**	2,747,695	**2,065,074**	2,007,119
Less: allowance for credit losses and contractual interest not recognised	**(141,023)**	(102,336)	**(104,063)**	(70,313)
Net Loans, advances and financing to customers	**2,753,434**	2,645,359	**1,961,011**	1,936,806

9. Loans, advances and financing to customers (continued)

Allowance for the credit losses and contractual interest not recognised
The movements in the allowance for the credit losses and contractual interest not recognised on loans, advances and financing to customers were as follows:

Consolidated **31 December 2021**	**Allowance for credit losses RO' 000**	**Contractual interest not recognised RO' 000**	**Total RO' 000**
Balance at 1 January 2021	**90,613**	**11,723**	**102,336**
Provided during the year	**38,145**	**10,439**	**48,584**
Amounts written off during the year	**(2,060)**	**(2,843)**	**(4,903)**
Amounts released / recovered during the year	**(4,062)**	**(932)**	**(4,994)**
Balance at 31 December 2021	**122,636**	**18,387**	**141,023**
31 December 2020			
Balance at 1 January 2020	43,522	6,407	49,929
Provided during the year	26,500	6,254	32,754
Amounts written off during the year	(751)	(238)	(989)
Acquisition of Alizz	26,996	833	27,829
Amounts released / recovered during the year	(5,654)	(1,533)	(7,187)
Balance at 31 December 2020	90,613	11,723	102,336
Parent Company			
31 December 2021			
Balance at 1 January 2021	**60,316**	**9,997**	**70,313**
Provided during the year	**34,003**	**9,644**	**43,647**
Amounts written off during the year	**(2,060)**	**(2,843)**	**(4,903)**
Amounts released / recovered during the year	**(4,062)**	**(932)**	**(4,994)**
Balance at 31 December 2021	**88,197**	**15,866**	**104,063**
31 December 2020			
Balance at 1 January 2020	43,522	6,407	49,929
Provided during the year	26,327	5,498	31,825
Amounts written off during the year	(751)	(238)	(989)
Transfer of Al Yusr	(3,128)	(137)	(3,265)
Amounts released / recovered during the year	(5,654)	(1,533)	(7,187)
Balance at 31 December 2020	60,316	9,997	70,313

Total allowance for the credit losses on the performing loans as at 31 December 2021 is RO 51,174 thousand (Consolidated), RO 39,151 thousand (Parent Company) [(2020: RO 39,062 thousand (Consolidated), RO 26,692 thousand (Parent Company)].

Loans and advances on which interest has been reserved and/or has not been accrued amounted to RO 138,026 thousand (Consolidated), RO 106,527 thousand (Parent Company) [2020: RO 119,130 thousand (Consolidated), RO 93,270 thousand (Parent Company)].

9. Loans, advances and financing to customers (continued)

Comparison of provision held as per IFRS 9 and required as per CBO guidelines **2021**

(Amounts in RO'000)

Consolidated

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount RO'000	Provision required as per CBO Norms RO'000	Provision held as per IFRS 9 RO'000	Difference between CBO provision required and provision held RO'000	Net Amount as per CBO norms* RO'000	Net Amount as per IFRS 9 RO'000	Interest recognised in P&L as per IFRS 9 RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	1,990,309	25,749	7,743	18,006	1,964,560	1,982,566	-	-
	Stage 2	233,759	2,303	8,129	(5,826)	231,456	225,630	-	-
	Stage 3	-	-	-	-	-	-	-	-
		2,224,068	**28,052**	**15,872**	**12,180**	**2,196,016**	**2,208,196**	**-**	**-**
Special Mention	Stage 1	229,610	1,938	1,472	466	227,672	228,138	-	-
	Stage 2	348,619	13,029	33,830	(20,801)	335,590	314,789	-	-
	Stage 3	-	-	-	-	-	-	-	-
		578,229	**14,967**	**35,302**	**(20,335)**	**563,262**	**542,927**	**-**	**-**
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,728	849	1,088	(239)	1,737	1,640	-	142
		2,728	**849**	**1,088**	**(239)**	**1,737**	**1,640**	**-**	**142**
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	12,275	5,437	6,982	(1,545)	6,069	5,293	-	769
		12,275	**5,437**	**6,982**	**(1,545)**	**6,069**	**5,293**	**-**	**769**
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	123,023	78,037	63,392	14,645	27,510	59,631	-	17,476
		123,023	**78,037**	**63,392**	**14,645**	**27,510**	**59,631**	**-**	**17,476**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,112,781	-	907	(907)	1,112,781	1,111,874	-	-
	Stage 2	134,726	-	358	(358)	134,726	134,368	-	-
	Stage 3	5,562	235	2,488	(2,253)	5,327	3,074	-	-
		1,253,069	**235**	**3,753**	**(3,518)**	**1,252,834**	**1,249,316**	**-**	**-**
Total	**Stage 1**	**3,332,700**	**27,687**	**10,122**	**17,565**	**3,305,013**	**3,322,578**	**-**	**-**
	Stage 2	**717,104**	**15,332**	**42,317**	**(26,985)**	**701,772**	**674,787**	**-**	**-**
	Stage 3	**143,588**	**84,558**	**73,950**	**10,608**	**40,643**	**69,638**	**-**	**18,387**
	Total	**4,193,392**	**127,577**	**126,389**	**1,188**	**4,047,428**	**4,067,003**	**-**	**18,387**

9. Loans, advances and financing to customers (continued)

Comparison of provision held as per IFRS 9 and required as per CBO guidelines

2021
(Amounts in RO'000)

Parent company

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	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	1,299,970	17,578	6,175	11,403	1,282,392	1,293,795	-	-
	Stage 2	182,843	1,804	3,570	(1,766)	181,039	179,273	-	-
	Stage 3	-	-	-	-	-	-	-	-
		1,482,813	**19,382**	**9,745**	**9,637**	**1,463,431**	**1,473,068**	**-**	**-**
Special Mention	Stage 1	191,597	1,887	1,136	751	189,710	190,461	-	-
	Stage 2	304,983	12,924	28,270	(15,346)	292,059	276,713	-	-
	Stage 3	-	-	-	-	-	-	-	-
		496,580	**14,811**	**29,406**	**(14,595)**	**481,769**	**467,174**	**-**	**-**
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,090	713	709	4	1,293	1,381	-	84
		2,090	**713**	**709**	**4**	**1,293**	**1,381**	**-**	**84**
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	5,547	2,246	2,310	(64)	2,907	3,237	-	394
		5,547	**2,246**	**2,310**	**(64)**	**2,907**	**3,237**	**-**	**394**
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	98,890	59,143	46,027	13,116	24,359	52,863	-	15,388
		98,890	**59,143**	**46,027**	**13,116**	**24,359**	**52,863**	**-**	**15,388**
Other items not covered	Stage 1	913,395	-	672	(672)	913,395	912,723	-	-
under CBO circular BM 977	Stage 2	132,073	-	138	(138)	132,073	131,935	-	-
and related instructions	Stage 3	5,320	-	2,408	(2,408)	5,320	2,912	-	-
		1,050,788	**-**	**3,218**	**(3,218)**	**1,050,788**	**1,047,570**	**-**	**-**
	Stage 1	**2,404,962**	**19,465**	**7,983**	**11,482**	**2,385,497**	**2,396,979**	**-**	**-**
	Stage 2	**619,899**	**14,728**	**31,978**	**(17,250)**	**605,171**	**587,921**	**-**	**-**
	Stage 3	**111,847**	**62,102**	**51,454**	**10,648**	**33,879**	**60,393**	**-**	**15,866**
Total	**Total**	**3,136,708**	**96,295**	**91,415**	**4,880**	**3,024,547**	**3,045,293**	**-**	**15,866**

9. Loans, advances and financing to customers (continued)

Comparison of provision held as per IFRS 9 and required as per CBO guidelines 2020

(Amounts in RO'000)

Consolidated

Asset Classification as per CBO Norms (1)	Asset Classification as per IFRS 9 (2)	Gross Amount RO'000 (3)	Provision required as per CBO Norms RO'000 (4)	Provision held as per IFRS 9 RO'000 (5)	Difference between CBO provision required and provision held RO'000 (6) = (4)-(5)	Net Amount as per CBO norms* RO'000 (7)=(3)-(4)-(10)	Net Amount as per IFRS 9 RO'000 (8) = (3)-(5)	Interest recognised in P&L as per IFRS 9 RO'000 (9)	Reserve interest as per CBO norms RO'000 (10)
Standard	Stage 1	1,833,059	23,369	8,825	14,544	1,809,690	1,824,234	-	-
	Stage 2	272,256	2,686	7,692	(5,006)	269,570	264,564	-	-
	Stage 3	-	-	-	-	-	-	-	-
		2,105,315	26,055	16,517	9,538	2,079,260	2,088,798	-	-
Special Mention	Stage 1	199,087	1,922	995	927	197,165	198,092	-	-
	Stage 2	357,660	11,417	22,133	(10,716)	346,243	335,527	-	-
	Stage 3	-	-	-	-	-	-	-	-
		556,747	13,339	23,128	(9,789)	543,408	533,619	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	26,154	6,271	12,155	(5,884)	19,333	13,999	-	550
		26,154	6,271	12,155	(5,884)	19,333	13,999	-	550
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	13,803	5,846	7,511	(1,665)	7,179	6,292	-	778
		13,803	5,846	7,511	(1,665)	7,179	6,292	-	778
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	79,173	44,188	31,302	12,886	24,590	47,871	-	10,395
		79,173	44,188	31,302	12,886	24,590	47,871	-	10,395
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	956,685	-	325	(325)	956,685	956,360	-	-
	Stage 2	304,159	-	219	(219)	304,159	303,940	-	-
	Stage 3	4,514	229	2,136	(1,907)	4,285	2,378	-	-
		1,265,358	229	2,680	(2,451)	1,265,129	1,262,678	-	-
Total	Stage 1	2,988,831	25,291	10,145	15,146	2,963,540	2,978,686	-	-
	Stage 2	934,075	14,103	30,044	(15,941)	919,972	904,031	-	-
	Stage 3	123,644	56,534	53,104	3,430	55,387	70,540	-	11,723
	Total	4,046,550	95,928	93,293	2,635	3,938,899	3,953,257	-	11,723

9. Loans, advances and financing to customers (continued)

Comparison of provision held as per IFRS 9 and required as per CBO guidelines 2020

(Amounts in RO'000)

Parent Company

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	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
	Stage 1	1,230,915	16,870	6,205	10,665	1,214,045	1,224,710	-	-
Standard	Stage 2	208,522	2,044	3,064	(1,020)	206,478	205,458	-	-
	Stage 3	-	-	-	-	-	-	-	-
		1,439,437	18,914	9,269	9,645	1,420,523	1,430,168	-	-
	Stage 1	193,288	1,877	964	913	191,411	192,324	-	-
Special Mention	Stage 2	300,720	10,796	16,470	(5,674)	289,924	284,250	-	-
	Stage 3	-	-	-	-	-	-	-	-
		494,008	12,673	17,434	(4,761)	481,335	476,574	-	-
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	24,565	5,978	11,556	(5,578)	18,071	13,009	-	516
		24,565	5,978	11,556	(5,578)	18,071	13,009	-	516
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,440	1,763	1,205	558	2,485	3,235	-	192
		4,440	1,763	1,205	558	2,485	3,235	-	192
	Stage 1	-	-	-	-	-	-		
Loss	Stage 2	-	-	-	-	-	-		
	Stage 3	64,265	32,095	20,852	11,243	22,881	43,413		9,289
		64,265	32,095	20,852	11,243	22,881	43,413	-	9,289
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	810,201	-	300	(300)	810,201	809,901	-	-
	Stage 2	300,761	-	181	(181)	300,761	300,580	-	-
	Stage 3	3,881	-	1,563	(1,563)	3,881	2,318	-	-
		1,114,843	-	2,044	(2,044)	1,114,843	1,112,799	-	-
	Stage 1	2,234,404	18,747	7,469	11,278	2,215,657	2,226,935	-	-
Total	Stage 2	810,003	12,840	19,715	(6,875)	797,163	790,288	-	-
	Stage 3	97,151	39,836	35,176	4,660	47,318	61,975	-	9,997
	Total	3,141,558	71,423	62,360	9,063	3,060,138	3,079,198	-	9,997

9. Loans, advances and financing to customers (continued)

The CBO regulations require that the allowance for credit losses should be in accordance with IFRS 9 and if the provision requirements as per the CBO guidelines are higher than IFRS 9, the difference, net of tax, needs to be transferred to the “Impairment Reserve” as an appropriation from net profit after tax. In March 2021, the CBO suspended the two-track approach / parallel run for the computation of additional provisions as per the CBO norms for 2021 only. Accordingly, there were no transfers to the impairment reserve in 2021.

Stage Classification at origination and Staging Guidelines

At origination, all loans are classified as stage 1, as IFRS 9 stipulates a deterioration in credit quality since inception as criteria for stage 2 classification. The exposures, subsequent to the classification at origination, are classified into three categories, Stage 1, Stage 2 and Stage 3 for the purposes of calculating the credit risk losses.

Upon significant deterioration in the credit quality since inception of an exposure, the asset is classified as Stage 2. The Bank, in limited circumstances and with proper justifications and specific approval from the Chief Risk Officer, does not treat certain events as significant increases in credit risk and continues to classify the related financing exposures as Stage 1.

Stage 2 classification of assets is based on significant increase in credit risk (note 5.1) and if exposures are past due for 30 to 89 days.

Stage 3 classification is for exposures in default. An asset is considered to have defaulted if the exposures are past due for 90 days and above.

Islamic financing

Below is the product wise breakup of loans and advances included under Islamic finance:

31 December 2021

	Corporate RO’000	**Retail RO’000**	**Total RO’000**
Musharaka	**177,689**	**152,843**	**330,532**
Murabaha	**52,243**	**58,770**	**111,013**
Ijarah Muntahia Bittamleek	**99,833**	**135,556**	**235,389**
Wakala	**148,298**	**2,000**	**150,298**
Others	**-**	**2,151**	**2,151**
Balance at 31 December 2021	**478,063**	**351,320**	**829,383**

31 December 2020

	Corporate RO’000	Retail RO’000	Total RO’000
Musharaka	144,770	100,267	245,037
Murabaha	42,446	61,386	103,832
Ijarah Muntahia Bittamleek	104,800	156,724	261,524
Wakala	128,180	-	128,180
Others	-	2,003	2,003
Balance at 31 December 2020	420,196	320,380	740,576

9. Loans, advances and financing to customers (continued)

Restructured loans

(Amounts in RO'000)

2021

Consolidated

Asset Classification as per CBO Norms (1)	Asset Classification as per IFRS 9 (2)	Gross Carrying Amount (3)	Provision required as per CBO Norms (4)	Provision held as per IFRS 9 (5)	Difference between CBO provision required and provision held (6) = (4)-(5)	Net Carrying Amount as per CBO norms (7)=(3)-(4)-(10)	Net Carrying Amount as per IFRS 9 (8) = (3)-(5)	Interest recognised in P&L as per IFRS 9 (9)	Reserve interest as per CBO norms (10)
Classified as performing	Stage 1	13,242	51	254	(203)	13,191	12,988	-	-
	Stage 2	182,374	11,102	21,588	(10,486)	171,272	160,786	-	-
	Stage 3	-	-	-	-	-	-	-	-
		195,616	**11,153**	**21,842**	**(10,689)**	**184,463**	**173,774**	**-**	**-**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	35,744	26,930	22,375	4,555	5,584	13,369	-	3,230
		35,744	**26,930**	**22,375**	**4,555**	**5,584**	**13,369**	**-**	**3,230**
Total	**Stage 1**	**13,242**	**51**	**254**	**(203)**	**13,191**	**12,988**	**-**	**-**
	Stage 2	**182,374**	**11,102**	**21,588**	**(10,486)**	**171,272**	**160,786**	**-**	**-**
	Stage 3	**35,744**	**26,930**	**22,375**	**4,555**	**5,584**	**13,369**	**-**	**3,230**
	Total	**231,360**	**38,083**	**44,217**	**(6,134)**	**190,047**	**187,143**	**-**	**3,230**

Parent Company

Asset Classification as per CBO Norms (1)	Asset Classification as per IFRS 9 (2)	Gross Carrying Amount (3)	Provision required as per CBO Norms (4)	Provision held as per IFRS 9 (5)	Difference between CBO provision required and provision held (6) = (4)-(5)	Net Carrying Amount as per CBO norms* (7)=(3)-(4)-(10)	Net Carrying Amount as per IFRS 9 (8) = (3)-(5)	Interest recognised in P&L as per IFRS 9 (9)	Reserve interest as per CBO norms (10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	145,495	10,997	18,513	(7,516)	134,498	126,982	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		**145,495**	**10,997**	**18,513**	**(7,516)**	**134,498**	**126,982**	**-**	**-**
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	30,149	21,812	18,230	3,582	5,584	11,919	-	2,753
Sub total		**30,149**	**21,812**	**18,230**	**3,582**	**5,584**	**11,919**	**-**	**2,753**
Total	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**145,495**	**10,997**	**18,513**	**(7,516)**	**134,498**	**126,982**	**-**	**-**
	Stage 3	**30,149**	**21,812**	**18,230**	**3,582**	**5,584**	**11,919**	**-**	**2,753**
	Total	**175,644**	**32,809**	**36,743**	**(3,934)**	**140,082**	**138,901**	**-**	**2,753**

9. Loans, advances and financing to customers (continued)

2020
Consolidated

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	149,534	9,526	14,450	(4,924)	140,008	135,084	-	-
	Stage 3	-	-	-	-	-	-	-	-
		149,534	9,526	14,450	(4,924)	140,008	135,084	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	30,147	9,977	15,128	(5,151)	19,331	15,019	-	839
		30,147	9,977	15,128	(5,151)	19,331	15,019	-	839
	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	149,534	9,526	14,450	(4,924)	140,008	135,084	-	-
	Stage 3	30,147	9,977	15,128	(5,151)	19,331	15,019	-	839
Total	Total	179,681	19,503	29,578	(10,075)	159,339	150,103	-	839

Parent company

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	115,638	9,488	11,005	(1,517)	106,150	104,633	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		115,638	9,488	11,005	(1,517)	106,150	104,633	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	25,206	7,672	11,085	(3,413)	17,072	14,121	-	462
Sub total		25,206	7,672	11,085	(3,413)	17,072	14,121	-	462
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	115,638	9,488	11,005	(1,517)	106,150	104,633	-	-
	Stage 3	25,206	7,672	11,085	(3,413)	17,072	14,121	-	462
	Total	140,844	17,160	22,090	(4,930)	123,222	118,754	-	462

9. Loans, advances and financing to customers (continued)

Concentration of loans and advances

All loans and advances were granted to customers within the Sultanate of Oman. The concentration of gross loans and advances by economic sector is as follows:

	Consolidated				**Parent Company**			
	2021		2020		**2021**		2020	
	RO' 000		RO' 000		**RO' 000**		RO' 000	
Personal loans	**1,087,264**	**38%**	1,042,859	38%	**735,944**	**36%**	722,479	36%
Construction	**267,747**	**9%**	327,603	12%	**227,259**	**11%**	226,840	11%
Manufacturing	**285,958**	**10%**	259,635	9%	**192,822**	**9%**	180,739	9%
Mining and quarrying	**144,504**	**5%**	178,230	7%	**134,240**	**7%**	143,014	7%
Services	**305,641**	**11%**	274,493	10%	**166,939**	**8%**	146,509	7%
Import trade	**97,902**	**3%**	100,632	4%	**79,499**	**4%**	80,822	4%
Transportation	**115,309**	**4%**	115,112	4%	**106,704**	**5%**	105,821	5%
Electricity , water & gas	**54,441**	**2%**	56,966	2%	**45,086**	**2%**	49,433	3%
Wholesale and retail trade	**115,568**	**4%**	124,781	5%	**71,600**	**3%**	93,980	5%
Financial institutions	**108,333**	**3%**	81,036	3%	**94,934**	**5%**	81,036	4%
Agriculture and allied activities	**17,825**	**1%**	13,843	1%	**7,075**	**0%**	7,792	1%
Export trade	**905**	**0%**	514	0%	**425**	**0%**	514	0%
Government	**1,075**	**0%**	-	0%	**1**	**0%**	-	0%
Lending to non-residents	**1,160**	**0%**	3,387	0%	**1,160**	**0%**	1,500	0%
Others	**290,825**	**10%**	168,604	6%	**201,386**	**10%**	166,640	8%
	2,894,457	**100%**	2,747,695	100%	**2,065,074**	100%	2,007,119	100%

9. Loans, advances and financing to customers (continued)

2021

Consolidated	**Stage 1 RO'000**	**Stage 2 RO'000**	**Stage 3 RO'000**	**Total RO'000**
Exposure subject to ECL				
- Loans and Advances to Customers including interest receivables	2,219,919	582,378	138,026	**2,940,323**
- Investment Securities (Debt)	296,303	-	-	**296,303**
- Loan Commitments, financial guarantees and acceptances	765,432	134,726	5,562	**905,720**
- Due from Banks, Central Banks and Other Financial Assets	51,046	-	-	**51,046**
	3,332,700	**717,104**	**143,588**	**4,193,392**
Opening balance as at 1 January 2021				
- Loans and Advances to Customers including interest receivables	9,820	29,825	50,968	**90,613**
- Investment Securities (Debt)	67	-	403	**470**
- Loan Commitments, financial guarantees and acceptances	217	219	1,733	**2,169**
- Due from Banks, Central Banks and Other Financial Assets	41	-	-	**41**
	10,145	**30,044**	**53,104**	**93,293**
Net transfer between stages				
- Loans and Advances to Customers including interest receivables	542	(772)	230	**-**
- Investment Securities (Debt)	-	-	-	**-**
- Loan Commitments, financial guarantees and acceptances	4	(1)	-	**3**
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	**-**
	546	**(773)**	**230**	**3**
Charge for the year (net)				
- Loans and Advances to Customers including interest receivables	(1,147)	12,906	22,324	**34,083**
- Investment Securities (Debt)	215	-	(403)	**(188)**
- Loan Commitments, financial guarantees and acceptances	330	140	755	**1,225**
- Due from Banks, Central Banks and Other Financial Assets	33	-	-	**33**
	(569)	**13,046**	**22,676**	**35,153**
- Write Off	-	-	**(2,060)**	**(2,060)**
Closing balance as at 31 December 2021				
- Loans and Advances to Customers including interest receivables	9,215	41,959	71,462	**122,636**
- Investment Securities (Debt)	282	-	-	**282**
- Loan Commitments, financial guarantees and acceptances	551	358	2,488	**3,397**
- Due from Banks, Central Banks and Other Financial Assets	74	-	-	**74**
	10,122	**42,317**	**73,950**	**126,389**

Impairment charge and provisions held

Consolidated

31-Dec-21			**RO'000**
	As per CBO Norms	**As per IFRS 9**	**Difference**
Impairment loss charged to profit or loss account	35,153	35153	-
Provisions required as per CBO norms/held as per IFRS 9	127,577	126,389	1,188
Gross NPL ratio	4.77%	4.77%	
Net NPL ratio	1.86%	2.30%	

9. Loans, advances and financing to customers (continued)

2021

Parent Company	Stage 1 RO' 000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL				
- Loans and Advances to Customers including interest receivables	1,491,567	487,826	106,527	**2,085,920**
- Investment Securities (Debt)	233,832	-	-	**233,832**
- Loan Commitments, financial guarantees and acceptances	625,010	132,073	5,320	**762,403**
- Due from Banks and Other Financial Assets	54,553	**-**	**-**	**54,553**
	2,404,962	**619,899**	**111,847**	**3,136,708**
Opening Balance- as at 1 January 2021				
- Loans and Advances to Customers including interest receivables	7,169	19,534	33,613	**60,316**
- Investment Securities (Debt)	67	-	-	**67**
- Loan Commitments, financial guarantees and acceptances	193	181	1,563	**1,937**
- Due from Banks and Other Financial Assets	40	-	-	**40**
	7,469	**19,715**	**35,176**	**62,360**
Net transfer between stages				
- Loans and Advances to Customers including interest receivables	609	(839)	230	**-**
- Investment Securities (Debt)	-	-	-	**-**
- Loan Commitments, financial guarantees and acceptances	4	(7)	-	**(3)**
- Due from Banks and Other Financial Assets	-	-	-	**-**
	613	**(846)**	**230**	**(3)**
Charge for the Year (net)				
- Loans and Advances to Customers including interest receivables	(467)	13,145	17,263	**29,941**
- Investment Securities (Debt)	209	-	-	**209**
- Loan Commitments, financial guarantees and acceptances	126	(36)	845	**935**
- Due from Banks and Other Financial Assets	33	-	-	**33**
	(99)	**13,109**	**18,108**	**31,118**
- Write Off	-	-	**(2,060)**	**(2,060)**
Closing Balance - as at 31 December 2021				
- Loans and Advances to Customers	7,311	31,840	49,046	**88,197**
- Investment Securities (Debt)	276	-	-	**276**
- Loan Commitments, financial guarantees and acceptances	323	138	2,408	**2,869**
- Due from Banks and Other Financial Assets	73	-	-	**73**
	7,983	**31,978**	**51,454**	**91,415**

Impairment charge and provisions held

Parent Company

31-Dec-21	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit or loss account	31,118	31,118	-
Provisions required as per CBO norms/held as per IFRS 9	96,295	91,415	4,880
Gross NPL ratio	5.16%	5.16%	
Net NPL ratio	2.15%	2.78%	

9. Loans, advances and financing to customers (continued)

2020

Consolidated	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL				
- Loans and Advances to Customers and interest receivables	2,032,146	629,916	119,130	2,781,192
- Investment Securities (Debt)	235,069	-	401	235,470
- Loan Commitments, financial guarantees and acceptances	648,737	304,159	4,113	957,009
- Due from Banks, Central Banks and Other Financial Assets	72,879	-	-	72,879
	2,988,831	934,075	123,644	4,046,550
Opening balance as at 1 January 2020				
- Loans and Advances to Customers including interest receivables	7,001	14,998	21,523	43,522
- Investment Securities (Debt)	67	-	-	67
- Loan Commitments, financial guarantees and acceptances	675	175	2,964	3,814
- Due from Banks, Central Banks and Other Financial Assets	190	-	-	190
	7,933	15,173	24,487	47,593
Acquisition related adjustments				
- Loans and Advances to Customers including interest receivables	1,687	11,665	13,023	26,375
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	64	53	504	621
- Due from Banks, Central Banks and Other Financial Assets	1	-	-	1
	1,752	11,718	13,527	26,997
Net transfer between stages				
- Loans and Advances to Customers including interest receivables	4	(6,050)	6,667	621
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments, financial guarantees and acceptances	(68)	11	323	266
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	(64)	(6,039)	6,990	887
Charge for the year (net)	-	-	-	-
- Loans and Advances to Customers including interest receivables	1,128	9,212	10,506	20,846
- Investment Securities (Debt)	-	-	403	403
- Loan Commitments, financial guarantees and acceptances	(454)	(20)	(2,058)	(2,532)
- Due from Banks, Central Banks and Other Financial Assets	(150)	-	-	(150)
	524	9,192	8,851	18,567
Write-off	-	-	(751)	(751)
Closing balance as at 31 December 2020				
- Loans and Advances to Customers including interest receivables	9,820	29,825	50,968	90,613
- Investment Securities (Debt)	67	-	403	470
- Loan Commitments, financial guarantees and acceptances	217	219	1,733	2,169
- Due from Banks, Central Banks and Other Financial Assets	41	-	-	41
	10,145	30,044	53,104	93,293

Impairment charge and provisions held

Consolidated	As per CBO Norms	As per IFRS 9	RO'000 Difference
Impairment loss charged to profit or loss account	18,567	18,567	-
Provisions required as per CBO norms/held as per IFRS 9	95,928	93,293	2,635
Gross NPL ratio	4.34%	4.34%	
Net NPL ratio	2.29%	2.48%	

9. Loans, advances and financing to customers (continued)

2020

Parent Company	Stage 1 RO' 000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL				
- Loans and Advances to Customers and interest receivables	1,424,203	509,242	93,270	2,026,715
- Investment Securities (Debt)	171,975	-	-	171,975
- Loan commitments, financial guarantees and acceptances	567,135	300,761	3,881	871,777
- Due from Banks, Central Banks and Other Financial Assets	71,091	-	-	71,091
	2,234,404	810,003	97,151	3,141,558
Opening Balance- as at 1 January 2020				
- Loans and Advances to Customers	7,001	14,998	21,523	43,522
- Investment Securities (Debt)	67	-	-	67
- Loan commitments, financial guarantees and acceptances	675	175	2,966	3,816
- Due from Banks, Central Banks and Other Financial Assets	169	-	-	169
	7,912	15,173	24,489	47,574
Transfer of Al Yusr				
- Loans and Advances to Customers	(795)	(542)	(1,788)	(3,125)
- Investment Securities (Debt)	-	-	-	-
- Loan commitments, financial guarantees and acceptances	(2)	(1)	-	(3)
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	(797)	(543)	(1,788)	(3,128)
Net transfer between stages				
- Loans and Advances to Customers	772	(2,817)	2,042	(3)
- Investment Securities (Debt)	-	-	-	-
- Loan commitments, financial guarantees and acceptances	(26)	26	657	657
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	746	(2,791)	2,699	654
Charge for the Year (net)				
- Loans and Advances to Customers	191	7,895	12,587	20,673
- Investment Securities (Debt)	-	-	-	-
- Loan commitments, financial guarantees and acceptances	(454)	(19)	(2,060)	(2,533)
- Due from Banks, Central Banks and Other Financial Assets	(129)	-	-	(129)
	(392)	7,876	10,527	18,011
Write Off	-	-	(751)	(751)
Closing Balance - as at 31 December 2020				
- Loans and Advances to Customers including interest receivables	7,169	19,534	33,613	60,316
- Investment Securities (Debt)	67	-	-	67
- Loan commitments, financial guarantees and acceptances	193	181	1,563	1,937
- Due from Banks, Central Banks and Other Financial Assets	40	-	-	40
	7,469	19,715	35,176	62,360

Impairment charge and provisions held

Parent Company	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit or loss account	18,011	18,011	-
Provisions required as per CBO norms/held as per IFRS 9	71,423	62,360	9,063
Gross NPL ratio	4.65%	4.65%	
Net NPL ratio	2.66%	2.97%	

10. Investment securities

	Consolidated		Parent Company	
	Carrying value 31-Dec-21 RO'000	Carrying value 31-Dec-20 RO'000	**Carrying value 31-Dec-21 RO'000**	Carrying value 31-Dec-20 RO'000
Fair value through profit and loss (FVTPL)				
Quoted investments- Oman				
Banking and investment sector	**293**	250	**293**	250
	293	250	**293**	250
Quoted investments- Foreign				
Banking and investment sector	**180**	153	**180**	153
	180	153	**180**	153
Total Fair value through profit and loss	**473**	403	**473**	403
Fair value through OCI (FVOCI)				
Equity investments measured at FVOCI				
Quoted investments- Oman				
Banking and investment sector	**5,007**	1,195	**5,007**	1,195
Manufacturing sector	**194**	842	**194**	842
Service sector	**464**	1,776	**464**	1,776
	5,665	3,813	**5,665**	3,813
Unquoted investments- Foreign				
Banking and investment sector	**168**	174	**168**	174
Service sector	**-**	65	**-**	65
	168	239	**168**	239
Unquoted investments- Oman				
Banking and investment sector	**-**	168	-	168
Service sector	**169**	595	**169**	169
	169	763	**169**	337
Total Equity investments measured at FVOCI	**6,002**	4,815	**6,002**	**4,389**
Debt investments measured at FVOCI				
Government Sukuk	**41,074**	41,055	**-**	**-**
Government Development Bonds (GDBs)	**22,737**	-	**22,737**	**-**
Banking and investment sector	**19,159**	4,346	**15,857**	**-**
	82,970	45,401	**38,594**	-
Total FVOCI	**88,972**	50,216	**44,596**	4,389
Amortized cost				
Quoted investments- Oman				
Government Development Bonds (GDBs)	**182,499**	162,589	**182,499**	162,589
Government Sukuk	**18,095**	18,094	**-**	-
Service sector	**-**	9,386	**-**	9,386
	200,594	190,069	**182,499**	171,975
Quoted investments- Foreign				
Service sector	**12,739**	-	**12,739**	-
	12,739	-	**12,739**	-
Total Amortized cost	**213,333**	190,069	**195,238**	171,975
Total Gross financial investments	**302,778**	240,688	**240,307**	176,767
Less: allowance for credit losses	**(282)**	(470)	**(276)**	(67)
Net financial investments	**302,496**	240,218	**240,031**	176,700

10. Investment securities (continued)

Consolidated	FVOCI Equity Investments	FVOCI Debt Investments	Amortised cost	FVTPL	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2021	4,815	45,400	190,070	403	**240,688**
Additions	7,595	38,832	56,642	1	**103,070**
Disposals and redemption	(6,605)	(691)	(33,379)	-	**(40,675)**
(Loss) / gain from change in fair value	197	(571)	-	69	**(305)**
	6,002	**82,970**	**213,333**	**473**	**302,778**
Less: allowance for credit losses	-	(182)	(100)	-	**(282)**
At 31 December 2021	**6,002**	**82,788**	**213,233**	**473**	**302,496**
Parent Company					
At 1 January 2021	4,389	-	171,975	403	**176,767**
Additions	7,595	38,832	56,642	1	**103,070**
Disposals and redemption	(6,179)	-	(33,379)	-	**(39,558)**
(Loss) / gain from change in fair value	197	(238)	-	69	**28**
	6,002	**38,594**	**195,238**	**473**	**240,307**
Less: allowance for credit losses	-	(176)	(100)	-	**(276)**
At 31 December 2021	**6,002**	**38,418**	**195,138**	**473**	**240,031**
Consolidated					
At 1 January 2020	3,501	-	158,069	3,919	165,489
Acquisition related adjustments	-	27,476	14,923	-	42,399
Additions	2,491	26,354	20,978	-	49,823
Disposals and redemption	(1,058)	(8,416)	(3,900)	(3,445)	(16,819)
Loss from change in fair value	(119)	(14)	-	(71)	(204)
	4,815	45,400	190,070	403	240,688
Less: allowance for credit losses	-	(403)	(67)	-	(470)
At 31 December 2020	4,815	44,997	190,003	403	240,218
Parent Company					
At 1 January 2020	3,501	-	158,069	3,919	165,489
Transfer of Al Yusr	(425)	-	(3,172)	-	(3,597)
Additions	2,490	-	20,978	-	23,468
Disposals and redemption	(1,043)	-	(3,900)	(3,445)	(8,388)
Loss from change in fair value	(134)	-	-	(71)	(205)
	4,389	-	171,975	403	176,767
Less: allowance for credit losses	-	-	(67)	-	(67)
At 31 December 2020	4,389	-	171,908	403	176,700

10. Investment securities (continued)

The following table contains their levels in the fair value hierarchy.

Consolidated **31-Dec-21**	**Level 1** **RO'000**	**Level 2** **RO'000**	**Level 3** **RO'000**	**Total** **RO'000**
Investment measured at FVTPL				
Quoted investments	473	-	-	**473**
Equity investment measured at FVOCI				
Quoted investments	5,665	-	-	**5,665**
Unquoted investments	-	-	337	**337**
Debt investments measured at FVOCI				
Quoted investments	38,594	44,376	-	**82,970**
Investment measured at amortised cost				
Quoted investments	195,238	18,095	-	**213,333**
Total gross financial investments	**239,970**	**62,471**	**337**	**302,778**
Less: allowance for credit losses	(276)	(6)	-	**(282)**
Net financial investments	**239,694**	**62,465**	**337**	**302,496**

Parent Company **31-Dec-21**	**Level 1** **RO'000**	**Level 2** **RO'000**	**Level 3** **RO'000**	**Total** **RO'000**
Investment measured at FVTPL				
Quoted investments	473	-	-	**473**
Equity investment measured at FVOCI				
Quoted investments	5,665	-	-	**5,665**
Unquoted investments	-	-	337	**337**
Debt investments measured at FVOCI				
Quoted investments	38,594	-	-	**38,594**
Investment measured at amortised cost				
Quoted investments	195,238	-	-	**195,238**
Total gross financial investments	**239,970**	**-**	**337**	**240,307**
Less: allowance for credit losses	(276)	**-**	-	**(276)**
Net financial investments	**239,694**	**-**	**337**	**240,031**

10. Investment securities (continued)

Consolidated

31-Dec-2020	Level 1 RO'000	Level 3 RO'000	Total RO'000
Investment measured at FVTPL			
Quoted investments	403	-	403
Equity investment measured at FVOCI			
Quoted investments	4,052	-	4,052
Unquoted investments	-	763	763
Debt investments measured at FVOCI			
Quoted investments	45,400	-	45,400
Investment measured at amortised cost			
Quoted investments	190,070	-	190,070
Gross financial investments	239,925	763	240,688
Less: allowance for credit losses	(470)	-	(470)
Total financial investments	239,455	763	240,218

Parent Company

31-Dec-2020	Level 1 RO'000	Level 3 RO'000	Total RO'000
Investment measured at FVTPL			
Quoted investments	404	-	404
Equity investment measured at FVOCI			
Quoted investments	4,052	-	4,052
Unquoted investments	-	337	337
Investment measured at amortised cost			
Quoted investments	171,974	-	171,974
Gross financial investments	176,430	337	176,767
Less: allowance for credit losses	(67)	-	(67)
Total financial investments	176,363	337	176,700

Movement in allowances for the credit losses for debt securities:

	Consolidated		**Parent Company**	
	2021 RO’000	2020 RO’000	**2021 RO’000**	2020 RO’000
Beginning of the year	**470**	67	**67**	67
(Release) / charge during the year	**(188)**	403	**209**	-
Balance at the end of the year	**282**	470	**276**	67

All debt securities at amortized cost outstanding as of 31 December 2021 are classified under stage 1 (2020: stage 1). The Group has assumed LGD of 0% on GDBs amounting to RO 205,236 thousand (2020: RO 162,589 thousand) and Government Sukuks amounting to RO 59,169 thousand (2020: RO 59,149 thousand).

10. Investment securities (continued)

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

	Bank's portfolio %	*Carrying value RO'000*
31 December 2021		
Government Development Bonds and sukuks (Consolidated)	**91%**	**264,405**
Government Development Bonds and sukuks (Parent Company)	**85%**	**205,236**
31 December 2020		
Government Development Bonds and sukuks (Consolidated)	92%	221,739
Government Development Bonds and sukuks (Parent Company)	92%	162,589

During the year ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

11. Investment in subsidiary

The Bank has the following investment in a subsidiary.

Name of Subsidiary	**Country of Incorporation**	**2021 holding**	2020 holding
Alizz Islamic Bank SAOC	Sultanate of Oman	**100%**	100%

	RO'000
Investment in Al Izz Islamic Bank (AIB) (subsidiary)	**107,144**

The key balance sheet and income statement items of the subsidiary are as follows:

Statement of financial position items	**2021 RO'000**	2020 RO'000
Total assets	**974,147**	866,249
Total liabilities	**869,469**	765,620
Share capital	**139,500**	139,500

Income statement items	**2021 RO'000**	From Date of Acquisition to31 December 2020	From 1 January-31 December 2020
Operating income	**25,483**	10,521	20,594
Total expenses	**21,164**	10,664	28,185
Profit / (loss) after tax	**4,382**	(143)	(7,591)

Finalisation of purchase price allocation (PPA)

In 2020, the Bank recorded a provisional goodwill related to the acquisition of AIB amounting RO 6.5 million, being the difference between the consideration amount and net assets acquired, in accordance with IFRS 3 "Business Combination". The PPA exercise was finalized during the year resulting in derecognition of the provisional goodwill due to recognition of identifiable intangible assets namely core deposits intangible (CDI), banking license and brand in addition to recognising a bargain purchase gain of Ro 1.17 million (note 33).

11. Investment in subsidiary (continued)

Finalisation of purchase price allocation (PPA) (continued)

The adjustment on finalisation of PPA exercise is as follows:

	RO' 000
Consideration transferred at acquisition during 2020	68,886
Less: Net assets recognised on provisional PPA exercise in 2020	(62,381)
Goodwill recorded on basis of provisional PPA exercise in 2020 (A)	6,505
Increase in net assets acquiring based on final PPA exercise in 2021 (B)	7,675
Bargain purchase gain recognized during 2021 (note 33B) (B-A)	1,170

12. Property and equipment

Consolidated	Land and buildings RO'000	Computer equipment RO'000	Equipment, furniture & fixtures RO'000	Motor vehicles RO'000	Capital work in Progress RO '000	Right of use RO '000	Total RO'000
Cost							
At 1 January 2020	21,743	20,997	13,682	357	5,972	8,609	71,360
Acquisition of Alizz	-	6,907	3,843	-	101	-	10,851
Initial recognition of IFRS 16 of Alizz	-	-	-	-	-	740	740
Additions	99	1,704	448	-	7,277	-	9,528
Transfers	3,943	105	-	-	(4,048)	-	-
Disposals	-	(3,365)	(711)	(38)	-	-	(4,114)
At 31 December 2020	25,785	26,348	17,262	319	9,302	9,349	88,365
At 1 January 2021	**25,785**	**26,348**	**17,262**	**319**	**9,302**	**9,349**	**88,365**
Additions	**-**	**86**	**104**	**-**	**5,589**	**1,006**	**6,785**
Transfers	**334**	**12,570**	**1,146**	**-**	**(14,050)**	**-**	**-**
Adjustments	**36**	**107**	**-**	**-**	**(104)**	**-**	**39**
At 31 December 2021	**26,155**	**39,111**	**18,512**	**319**	**737**	**10,355**	**95,189**
Depreciation							
At 1 January 2020	3,908	15,761	9,950	294	-	1,722	31,635
Acquisition of Alizz	-	4,821	2,497	-	-	-	7,318
Charge for the year	670	2,614	1,658	30	-	1,908	6,880
Disposals	-	(3,327)	(708)	(38)	-	-	(4,073)
At 31 December 2020	4,578	19,869	13,397	286	-	3,630	41,760
Depreciation							
At 1 January 2021	**4,578**	**19,869**	**13,397**	**286**	**-**	**3,630**	**41,760**
Charge for the year	**781**	**4,820**	**1,856**	**14**	**-**	**2,731**	**10,202**
Adjustments	**74**	**(104)**	**(46)**	**-**	**-**	**-**	**(76)**
At 31 December 2021	**5,433**	**24,585**	**15,207**	**300**	**-**	**6,361**	**51,886**
Net book value							
At 31 December 2020	21,207	6,479	3,865	33	9,302	5,719	46,605
At 31 December 2021	**20,722**	**14,526**	**3,305**	**19**	**737**	**3,994**	**43,303**

12. Property and equipment (continued)

Parent Company	Land and buildings RO'000	Computer equipment RO'000	Equipment, furniture & fixtures RO'000	Motor vehicles RO'000	Capital work in progress RO '000	Right of use RO'000	Total RO'000
Cost							
At 1 January 2020	21,743	20,997	13,682	357	5,972	8,609	71,360
Al Yusr disposals	-	(498)	(1,008)	-	(15)	-	(1,521)
Additions	99	1,334	397	-	7,244	-	9,074
Transfers	3,943	-	-	-	(3,943)	-	-
Disposals	-	(3,365)	(711)	(38)	-	-	(4,114)
At 31 December 2020	25,785	18,468	12,360	319	9,258	8,609	74,799
At 1 January 2021	**25,785**	**18,468**	**12,360**	**319**	**9,258**	**8,609**	**74,799**
Additions	**-**	**-**	**-**	**-**	**5,468**	**750**	**6,218**
Transfers	**334**	**12,481**	**1,146**	**-**	**(13,961)**	**-**	**-**
Adjustments	**36**	**-**	**3**	**-**	**-**	**-**	**39**
At 31 December 2021	**26,155**	**30,949**	**13,509**	**319**	**765**	**9,359**	**81,056**
Depreciation							
At 1 January 2020	3,908	15,761	9,950	294	-	1,722	31,635
Al Yusr disposals	-	(437)	(941)	-	-	-	(1,378)
Charge for the year	670	2,291	1,423	30	-	1,722	6,136
Disposals	-	(3,327)	(708)	(38)	-	-	(4,073)
At 31 December 2020	4,578	14,288	9,724	286	-	3,444	32,320
Depreciation							
At 1 January 2021	**4,578**	**14,288**	**9,724**	**286**	**-**	**3,444**	**32,320**
Charge for the year	**781**	**4216**	**1469**	**14**	**-**	**1995**	**8,475**
Adjustments	**74**	**(104)**	**(46)**	**-**	**-**	**-**	**(76)**
At 31 December 2021	**5,433**	**18,400**	**11,147**	**300**	**-**	**5,439**	**40,719**
Net book value							
At 31 December 2020	21,207	4,180	2,636	33	9,258	5,165	42,479
At 31 December 2021	**20,722**	**12,549**	**2,362**	**19**	**765**	**3,920**	**40,337**

13. Intangible assets

On 30 June 2020, Oman Arab Bank acquired 100% of AIB and AIB became a wholly owned subsidiary. Following the finalisation of the PPA (note 11), the following assets were recognised in 2021.

	Consolidated		Parent Company	
	31-Dec-2021	31-Dec-2020	**31-Dec-2021**	31-Dec-2020
	RO'000	RO'000	**RO'000**	RO'000
Core deposits	**3,102**	-	-	-
Banking license	**3,573**	-	-	-
Brand	**1,000**	-	-	-
Goodwill	**-**	6,505		
	7,675	6,505	-	-
Less: accumulated amortization	**(465)**	-	-	-
	7,210	6,505	-	-

The core deposits intangible (CDI) is estimated to have a useful life of 10 years and is amortised based on a straight line method.

14. Other assets

	Consolidated		Parent Company	
	31-Dec-21	31-Dec-20	**31-Dec-21**	31-Dec-20
	RO'000	RO'000	**RO'000**	RO'000
Customers' indebtedness against acceptances	**20,468**	13,159	**20,468**	13,159
Fees receivable	**2,119**	1,691	**2,119**	1,691
Interest receivable	**48,673**	36,277	**23,653**	22,376
Prepayments	**2,519**	2,549	**1,927**	2,203
Positive fair value of derivatives	**1,856**	1,088	**1,856**	1,088
Deferred tax asset	**2,930**	2,867	**-**	-
Others	**10,775**	12,257	**9,335**	8,711
	89,340	69,888	**59,358**	49,228

Others include repossessed properties of RO 4.4 million (2020 – RO 0.8 million) which will be sold as soon as practicable.

15. Due to banks

	Consolidated		Parent Company	
	31-Dec-21	31-Dec-20	**31-Dec-21**	31-Dec-20
	RO'000	RO'000	**RO'000**	RO'000
Current accounts	**3,151**	4,923	**3,151**	4,923
Borrowings	**10,208**	9,498	**10,208**	5,648
	13,359	14,421	**13,359**	10,571

16. Deposits from customers

a) By type

	Consolidated		Parent Company	
	31-Dec-21 RO'000	31-Dec-20 RO'000	**31-Dec-21 RO'000**	31-Dec-20 RO'000
Term deposits	**1,274,137**	1,256,283	**912,537**	927,000
Demand and call accounts	**970,868**	958,585	**698,334**	745,291
Saving accounts	**565,407**	540,442	**354,326**	358,471
	2,810,412	2,755,310	**1,965,197**	2,030,762

b) By sector

Private	**1,824,710**	1,943,577	**1,530,722**	1,464,511
Government	**985,702**	811,733	**434,475**	566,251
	2,810,412	2,755,310	**1,965,197**	2,030,762

17. Other liabilities

Liabilities against acceptances	**20,468**	13,159	**20,468**	13,159
Interest payable	**26,873**	30,269	**18,496**	22,519
Accrued expenses and other payables	**16,262**	13,699	**13,240**	8,829
Cheques and trade settlement payable	**3,158**	7,174	**2,107**	3,920
Staff end of service benefits	**874**	1,131	**613**	873
Interest and commission received in advance	**2,310**	2,143	**2,310**	2,143
Negative fair value of derivatives	**1,396**	445	**1,396**	445
Deferred tax liability	**168**	408	**168**	408
Expected credit loss on loan commitments, financial guarantees and acceptances	**3,397**	2,169	**2,869**	1,937
Others	**5,307**	274	**242**	274
Lease liability	**4,285**	5,976	**4,155**	5,401
	84,498	76,847	**66,064**	59,908

17. Other liabilities (continued)

17.1 Staff end of service benefits

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
At 1 January	**1,131**	910	**873**	910
Transfer of Al Yusr	**-**	-	**-**	(70)
Acquisition of Alizz	**-**	191	**-**	-
Charge for the year	**217**	227	**132**	192
Payment to employees during the year	**(474)**	(197)	**(392)**	(159)
At 31 December	**874**	1,131	**613**	873

18. Subordinated loans

In November 2015, the Bank obtained a subordinated loan of RO 20 million, which complied with Basel III requirements for Tier 2 capital, for a tenor of five years and six months. The loan carried a fixed rate of 5.5% per annum, payable semi-annually with the principal payable on maturity. In 2021, the subordinated loan got matured and the Bank has repaid the loan in full.

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
Subordinated loan	**-**	20,000	**-**	20,000

19. Taxation

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
Statement of profit or loss:				
Current tax:				
Current year charge	**483**	2,730	**483**	2,730
Prior years charge	**740**	1,013	**740**	1,013
Deferred tax:				
Prior years (income) / charge	**(303)**	35	**(240)**	35
Tax expense for the year	**920**	3,778	**983**	3,778
Statement of financial position				
Provision for taxation	**3,051**	4,233	**3,051**	4,233
Deferred tax liability	**(168)**	(408)	**(168)**	(408)
Deferred tax asset	**2,930**	2,867	**-**	-
Deferred tax liability				
At 1 January	**(408)**	(373)	**(408)**	(373)
Credit / (charge) for the year	**240**	(35)	**240**	(35)
At 31 December 2021	**(168)**	(408)	**(168)**	(408)
Deferred tax asset				
At 1 January	**2,867**	-	**-**	-
Acquisition of Alizz	**-**	2,867	**-**	-
Credit / (charge) for the year	**63**	-	**-**	-
At 31 December 2021	**2,930**	2,867	**-**	-

Consolidated

Deferred tax liability	**01-Jan-21**	**Charge for the year**	**31-Dec-21**
Property, plant and equipment	(438)	236	(202)
Unrealised loss on FVTPL investments	(6)	4	(2)
Right-of-use assets and lease liabilities	36	-	36
	(408)	**240**	**(168)**

Deferred tax asset	**01-Jan-21**	**Charge for the year**	**31-Dec-21**
Property, plant and equipment	(238)	(3)	(241)
Carried forward taxable losses	3,105	66	3,171
	2,867	**63**	**2,930**

19. Taxation (continued)

Parent Company Deferred tax liability	01-Jan-21	Charge for the year	31-Dec-21
Property, plant and equipment	(438)	236	(202)
Unrealised loss on FVTPL investments	(6)	4	(2)
Right-of-use assets and lease liabilities	36	-	36
	(408)	**240**	**(168)**

Details of taxable losses available recognised by the Subsidiary are as below:

	2021 **RO'000**	2020 RO'000
Available until 31 December 2022 (declared)	3,559	3,559
Available until 31 December 2024 (declared)	9,988	9,988
Available until 31 December 2025 (declared)	7,654	7,654

The Bank is liable for income tax in accordance with the income tax laws of the Sultanate of Oman. The tax rate applicable to the Bank is 15% (2020: 15%). For determining the tax expense for the year, the accounting profit for the year has been adjusted for tax purposes.

	Consolidated		**Parent Company**	
	2021 **RO'000**	2020 RO'000	**2021** **RO'000**	2020 RO'000
Profit before tax	**8,001**	17,949	**4,027**	18,093
Tax at the applicable rate of 15%	**1,200**	2,692	**604**	2,714
Tax effect of income that is not taxable and expenses that are not deductible in determining taxable profit	**(1020)**	73	**(361)**	51
Prior year	**740**	1,013	**740**	1,013
Tax expense for the year	**920**	3,778	**983**	3,778

Status of tax assessments (Parent Company)

The tax assessment up to and including 2018 has been completed by the Tax Authority. The tax returns for 2019 to 2021 have not yet been assessed by the Tax Authority.

Status of tax assessments (Subsidiary)

The tax assessment up to and including 2017 has been completed by the Tax Authority. The tax returns for 2018 to 2021 have not yet been assessed by the Tax Authority.

20. Share capital

The authorized capital of the Bank is RO 200,000,000 (2020: RO 200,000,000). Prior to the acquisition of AIB, the Bank has issued, subscribed and fully paid 1,346,200,000 equity share of 100 baisa each. On 30 June 2020, the Bank issued additional 323,210,000 equity shares to the shareholders of AIB as a consideration for acquisition of 100 per cent control. Subsequently, the issued, subscribed and fully paid up share capital is comprising of 1,669,410,000 equity shares of 100 baisa each (2020: 1,669,410,000).

Number of shares of 100 Baisa of Oman Arab Bank SAOG as of 1 January 2020	1,346,200,000
Number of shares of 100 Baisa each issued to shareholders of Alizz Bank SAOG	323,210,000
Total number of shares as at 31 December 2020 and 31 December 2021	1,669,410,000

The following shareholders of the Bank own 10% or more of the Bank's share capital:

31 December 2021	Shareholding %	Number of shares	RO'000
Arab Bank PLC	49.00%	818,010,900	81,801
Oman International Development & Investment Co. SAOG	31.64%	528,189,100	52,819
Various parties, including Trusts	19.36%	323,210,000	32,321
	100.00%	1,669,410,000	166,941

21. Share premium

In 2020, the Bank has issued shares on premium for acquisition of AIB. Below is the summary of the reported share premium in the statement of financial position and statement of changes in equity:

Premium per shares (RO) – A	0.113
Issue of shares to shareholders of AIB (323,210,000) – B	32,321
Share premium (A x B) (RO thousands)	36,565

22. General reserve

The Bank has established the general reserve to meet any unforeseen contingencies. No transfers were made from / to general reserve during the 2021 and 2020.

23. Subordinated loans reserve

The subordinated loans reserve has been created in accordance with guidelines of the CBO through a transfer of 20% of the loan amount from the net profit for the year. In 2021, a subordinated loan of RO 20 million was repaid (refer note 18) and subsequently the reserve related to this loan was transferred back to the retained earnings.

24. Special reserve

In 2015, the Parent Company sold its old head office (HO) premises at Ruwi, following its move to the new HO at Al Ghoubra. The profit on sale amounting to RO 2.4 million (2020: RO 2.4 million) was set aside as a special reserve and is not available for distribution without prior approval of the CBO.

The Bank has created a reserve in the amount of RO 1.4 million (2020: RO 1.4 million) for restructured accounts in accordance with the CBO guidelines. The reserve created is not available for distribution or the inclusion in the calculation of the regulatory capital.

25. Perpetual Tier 1 Capital Bonds

a) On 29 December 2016, the Bank issued unsecured perpetual Tier 1 bonds of RO 30 million (30,000,000 units of RO 1 each through private placement). The bonds are listed on the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate of 7.75 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity for capital adequacy purpose. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and the CBO regulations. On 27 December 2021, the Bank has issued an irrevocable notice of redemption of the bonds, whereby the Bank will fully redeem these bonds on 29 January 2022 (first call date).

b) On 17 October 2018, the Bank issued another series of unsecured perpetual Tier 1 bonds of RO 42.5 million (42,553,000 units of RO 1 each through private placement). The bonds carry a fixed coupon rate of 7.5 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity for capital adequacy purpose. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue.

c) On 7 June 2021, the Bank issued unsecured perpetual Tier 1 bonds of USD 250 million equivalent to RO 96.25 million. The bonds are listed on the International Security Market (ISM) of the London Stock Exchange. The bonds carry a fixed coupon rate of 7.625 per cent per annum payable semi-annually in arrears. Interest is treated as a deduction from equity for capital adequacy purpose. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and the CBO regulations.

The Tier 1 bonds 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 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. The Bond under note (a) has First Call Date on 29 January 2022, bond under note (b) has First Call date on 17 October 2023 and bond under note (c) has First Call date on 04 June 2026 or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

26. Legal reserve

In accordance with Article 132 of the Commercial Companies Law of 2019, annual appropriations of 10% of net profit are made to the legal reserve until the accumulated balance of the reserve is equal to one-third of the Bank's paid up share capital. This reserve is not available for distribution.

27. Dividend proposed and paid

Dividend is not accounted for until it has been approved at the Annual General Meeting (AGM). The Board of Directors has proposed nil dividend for the year ended 31 December 2021 (2020: nil).

28. Interest income

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
Loans and advances	**107,863**	108,511	**107,863**	108,511
Oman Government Development Bonds and Sukuk	**10,892**	8,886	**10,892**	8,886
Placements with banks	**303**	1,470	**303**	1,470
	119,058	118,867	**119,058**	118,867

29. Interest expense

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
Time deposits	**37,237**	34,506	**37,237**	34,506
Subordinated loans	**452**	1,103	**452**	1,103
Call accounts	**6,699**	4,575	**6,699**	4,575
Bank borrowings	**1,416**	4,514	**1,416**	4,514
Savings accounts	**3,441**	2,879	**3,441**	2,879
Interest cost on lease liabilities	**222**	293	**222**	282
Others	**1,264**	93	**1,264**	93
	50,731	47,963	**50,731**	47,952

30. Net income from Islamic financing

Income from Islamic financing	**44,443**	24,221	-	3,421
Income from Government Sukuk	**3,057**	1,394	-	81
Profit paid on participatory deposits	**(26,283)**	(15,512)	-	(2,509)
Net income from Islamic activities	**21,217**	10,103	-	993

31. Net fee and commission income

Fee and commission income	**18,689**	16,395	**14,807**	15,171
Fee and commission expense	**(1,457)**	(899)	**(1,438)**	(896)
	17,232	15,496	**13,369**	14,275

31.1 Disaggregation of fees and commission income

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
Transactional income	**12,164**	7,473	**8,301**	7,410
Trade income	**2,828**	5,169	**2,828**	4,981
Loans related income	**2,240**	2,854	**2,240**	1,884
Net fee and commission income	**17,232**	15,496	**13,369**	14,275

32. Net income / (loss) from investment securities

Fair value changes	**69**	(71)	**69**	(71)
Profit / (loss) on sale of amortized cost investments	**3,120**	(134)	**3,120**	-
Dividend income	**149**	71	**149**	71
	3,338	(134)	**3,338**	-

33. Other operating income

Exchange income	**4,315**	5,508	**3,912**	5,173
Insurance claim against insurance recovery (note 33A)	**5,938**	-	**5,938**	-
Other income (note 33B)	**1,258**	47	**88**	47
	11,511	5,555	**9,938**	5,220

33A The Bank reported an operational loss on account of forgery and embezzlement in the financial statements as at and for the year ended 31 December 2020. The Bank filed criminal complaint with the concerned authorities and also filed a claim with the insurance company under Banker's Blanket Bond insurance policy of the Bank. During the year, the Bank received the insurance claim amount from the loss adjuster. Accordingly, the Bank recognised income against the amount of the insurance claim under other operating income.

33B Includes RO 1.17 million representing a bargain purchase gain recognized following the finalization of the PPA exercise (note 13).

34. Operating expenses

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
Staff costs (refer 34A)	**42,122**	33,026	**30,505**	26,574
Other operating expenses	**25,387**	19,053	**20,624**	16,168
Operational loss	**24**	6,223	**24**	6,223
Depreciation	**10,202**	6,880	**8,475**	6,136
Amortization	**465**	-	**-**	-
Directors' remuneration	**271**	226	**199**	198
	78,471	65,408	**59,827**	55,299

34A. Staff costs

Details of staff costs are as follows:

Salaries	**22,615**	21,870	**16,339**	17,827
Allowances	**9,903**	6,849	**5,525**	5,387
Social security costs	**3,030**	2,346	**2,152**	1,964
End of service benefits	**217**	227	**132**	192
Other costs	**6,357**	1,734	**6,357**	1,204
	42,122	33,026	**30,505**	26,574

The Bank employed 1,540 staff (Group), 1,164 staff (Parent Company) as at 31 December 2021 [2020: 1,523 (Group), 1,145 staff (Parent Company)].

35. Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to the ordinary shareholders as follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Profit for the year (RO'000)	**7,081**	14,171	**3,044**	14,315
Less: Interest distribution of Perpetual Tier 1 capital bonds (RO'000)	**(9,187)**	(5,516)	**(9,187)**	(5,516)
Less: Additional Tier 1 bonds issuance cost (RO'000)	**(1,008)**	**-**	**(1,008)**	-
Profit for the year attributable to equity holders of the Bank (RO'000)	**(3,114)**	8,655	**(7,151)**	8,799
Weighted average number of shares outstanding during the year	**1,669,410,000**	1,507,805,000	**1,669,410,000**	1,507,805,000
Basic earning per share (RO)	**(0.002)**	0.006	**(0.004)**	0.006

Weighted average number of shares outstanding

	Weighted Average Shares
1 January 2021 to 31 December 2021	1,669,410,000
Weighted average as at 31 December 2021	**1,669,410,000**

The basic earnings per share is the profit for the year divided by the weighted average number of shares outstanding. 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.

36. transactions

Management service agreement with a shareholder

The Bank has a management agreement with Arab Bank Plc Jordan, a shareholder. During the year ended 31 December 2021, the management fees in accordance with the agreement amounted to RO 21,243 (2020: RO 42,945).

Other related parties transactions

In the ordinary course of business, the Bank conducts transactions with certain of its Directors and / or shareholders and companies over which they are able to exert significant influence on mutually agreed terms with the approval of Board of Directors. The aggregate amounts of balances with such related parties are as follows:

36. Related party transactions (continued)

Consolidated 2021	**Subsidiary RO'000**	**Major shareholders RO'000**	**Others RO'000**	**Total RO'000**
Loans and advances	**-**	**24,029**	**117,379**	**141,408**
Other assets	**-**	**-**	**229**	**229**
Customers' deposits	**-**	**22,619**	**46,345**	**68,964**
Due from banks	**-**	**8,876**	**-**	**8,876**
Due to banks	**-**	**6,358**	**-**	**6,358**
Stand by line of credit	**-**	**48,125**	**-**	**48,125**
Letters of credit, guarantees and acceptances	**-**	**94,241**	**3,449**	**97,690**
Parent 2021				
Loans and advances	**-**	**24,029**	**102,596**	**126,625**
Customers' deposits	**-**	**22,619**	**44,045**	**66,664**
Due from banks	**5,775**	**8,876**	**-**	**14,651**
Other asset	**45**	**-**	**-**	**45**
Due to banks	**-**	**6,358**	**-**	**6,358**
Stand by line of credit	**-**	**48,125**	**-**	**48,125**
Letters of credit, guarantees and acceptances	**-**	**94,241**	**3,449**	**97,690**
Consolidated 2020				
Loans and advances	-	24,014	95,602	119,616
Customers' deposits	-	31,429	34,739	66,168
Due from banks	-	3,560	-	3,560
Due to banks	-	7,039	20,000	27,039
Stand by line of credit	-	38,500	-	38,500
Letters of credit, guarantees and acceptances	-	95,890	1,455	97,345
Parent Company 2020				
Loans and advances	452	24,014	83,344	107,810
Customers' deposits	88	31,429	33,654	65,171
Due from banks	20,000	3,560	-	23,560
Due to banks	-	7,039	-	7,039
Stand by line of credit	-	38,500	-	38,500
Letters of credit, guarantees and acceptances	-	95,890	1,455	97,345

36. Related party transactions (continued)

Movement of loans and advances given to related parties:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
At 1 January 2021	**119,164**	76,431	**107,358**	76,431
Disbursed during the year	**484,704**	379,554	**481,727**	367,748
Paid during the year	**(462,460)**	(336,821)	**(462,460)**	(336,821)
At 31 December 2021	**141,408**	119,164	**126,625**	107,358

None of the loans and advances given to related parties were identified as impaired and in accordance with IFRS 9, ECL provision amounting to RO 1,012,535 (Consolidated), RO 1,001,535 (Parent Company) [2020: RO 785,900 (Consolidated), RO 711,954 (Parent Company)] has been recognised against loans and advances given to related parties.

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

Consolidated **31-Dec-21**	**Subsidiary**	**Major shareholders**	**Others**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**
Interest and commission income	**-**	**1,206**	**5,683**	**6,889**
Interest expense	**-**	**912**	**1,469**	**2,381**
Parent				
31-Dec-21				
Interest and commission income	**4**	**1,206**	**4,889**	**6,099**
Interest expense	**-**	**912**	**1,405**	**2,317**

36. Related party transactions (continued)

Consolidated 31 December 2020	Subsidiary	Major shareholders	Others	Total
		RO'000	RO'000	RO'000
Interest and commission income	-	1,223	3,370	4,593
Interest expense	-	770	946	1,716

Parent Company 31 December 2020				
Interest and commission income	1	708	3,370	4,079
Interest expense	-	770	946	1,716

Key management compensation

The Directors' remuneration is set out in Note 34. The remuneration of other members of key management during the year was as follows:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
Salaries and other short-term benefits	**2,556**	1,742	**1,632**	1,177
Service benefits	**155**	23	**134**	11
	2,711	1,765	**1,766**	1,188

37. Cash and cash equivalents

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
Cash and balances with the Central Bank of Oman (CBO) (note 7)	**188,904**	220,975	**105,954**	173,652
Due from banks (note 8)	**41,046**	59,782	**44,553**	57,995
Less: due to banks (note 15)	**(13,359)**	(14,421)	**(13,359)**	(10,571)
Restricted deposits included under balances with the CBO	**(1,025)**	(1,025)	**(500)**	(500)
	215,566	265,311	**136,648**	220,576

38. Derivative financial instruments

At the reporting date, there were outstanding forward foreign exchange contracts, all maturing within one year, entered into on behalf of customers for the sale and purchase of foreign currencies. These financial instruments have been recognised at prices in active markets for identical assets or liabilities.

Also, the Bank has entered into IRS (Interest Rate Swaps) on behalf of its clients and has fully covered the position on back-to-back basis, leaving no open position on the Bank's books. An IRS is an agreement between two counterparties to exchange a stream of fixed interest payments for floating (variable) interest payments on a specified notional amount. A floating rate borrower can fix his floating liabilities payment by entering into payer swap, in which he pays the fixed rate.

The Bank is not exposed to entire notional amount of IRS, rather, its risk is limited only to the amount of differential interest payment which the client may not honor at the time of settlement. These fair values and the notional contracted amounts related to the Parent Company are summarised below. As of reporting date, Subsidiary has no derivative instruments.

31 December 2021	***Positive fair value RO'000***	***Negative fair value RO'000***	***Notional amount RO'000***	***Within 3 Months RO'000***	***3 - 12 months RO'000***	***More than 1 year RO'000***
Purchase contracts	**346**	**-**	**202,225**	**175,260**	**26,965**	**-**
Sale contracts	**-**	**(240)**	**(202,119)**	**(175,237)**	**(26,882)**	**-**
Interest rate swaps	**1,510**	**(1,156)**	**36,953**	**-**	**-**	**36,953**
	1,856	**(1,396)**	**37,059**	**23**	**83**	**36,953**

31 December 2020	*Positive fair value RO'000*	*Negative fair value RO'000*	*Notional Amount RO'000*	*Within 3 Months RO'000*	*3 - 12 months RO'000*	*More than 1 year RO'000*
Purchase contracts	574	-	90,456	74,952	15,504	-
Sale contracts	-	(163)	(90,045)	(74,613)	(15,432)	-
Interest rate swaps	514	(282)	8,653	-	-	8,653
	1,088	(445)	9,064	339	72	8,653

Derivative financial instruments are fair valued as level 2.

39. Net assets per share

The calculation of net assets per share is based on net assets as at 31 December 2021 attributable to ordinary shareholders of RO 166,941 million (2020: RO 166,941 million) and on 1,669,410,000 ordinary shares (2020 – 1,669,410,000 ordinary shares) being the number of shares outstanding as at 31 December 2021.

	Consolidated		**Parent Company**	
	31-Dec-21	31-Dec-20	**31-Dec-21**	31-Dec-20
Total equity (RO'000)	**355,536**	359,024	**351,841**	359,033
Number of shares (in thousands)	**1,669,410**	1,669,410	**1,669,410**	1,669,410
Net assets per share	**0.213**	0.215	**0.211**	0.215

40. Contingent liabilities and commitments

(a) Letters of credit and guarantees

The Bank is a party to financial instrument with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit, financial guarantees to third parties, commitments to extend credit and others. The Bank's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract value or the notional amount of the instrument. However, generally the credit risk on these transactions is lower than the contract value or the notional amount.

The risk involved is essentially the same as the credit risk involved in extending loan facilities and therefore these transactions are subject to the same credit organisation, portfolio maintenance and collateral requirements for customers applying for loans and advances.

The outstanding contract value or the notional amounts of these instruments at 31 December were as follows:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
	RO'000	RO'000	**RO'000**	RO'000
Letters of credit	**163,773**	77,600	**83,165**	73,635
Guarantees	**213,284**	251,150	**187,629**	221,837
Financial guarantees	**74,126**	141,928	**74,126**	107,220
	451,183	470,678	**344,920**	402,692

As at 31 December 2021, the unutilised commitment of facilities of RO 434,069,237 (Consolidated), RO 397,015,237 (Parent Company); [(2020 RO 473,172,481 (Consolidated), RO 438,464,519 (Parent Company)].

Letters of credit and guarantees amounting to [Parent Company RO 180,982,121 (2020: 193,971,021)] were counter guaranteed by other banks. As of reporting date the subsidiary has no material letters of credit and guarantees that were counter guaranteed by other banks.

(i) The allowances for credit losses for commitments and financial guarantees is included under note 17.

(ii) Contingent liabilities include RO 5,562,061 (Consolidated), RO 5,320,021 (Parent Company); [2020 RO 4,618,965 (Consolidated), RO 4,246,491 (Parent Company)] relating to non-performing loans.

The table below analyses the concentration of contingent liabilities by economic sector:

	Consolidated				**Parent Company**			
	2021		2020		**2021**		2020	
	RO'000		RO'000		**RO'000**		RO'000	
Construction	**11,313**	**3%**	34,335	7%	**7,636**	**2%**	19,743	5%
Utilities	**201,132**	**45%**	226,983	48%	**197,585**	**57%**	223,760	56%
Export trade	**51,423**	**11%**	45,857	10%	**51,423**	**15%**	45,790	11%
Government	**106,723**	**24%**	23,505	5%	**33,782**	**10%**	19,743	5%
Import trade	**31,751**	**7%**	44,483	9%	**31,742**	**9%**	27,845	7%
Transportation	**1,137**	**0%**	553	0%	**-**	**0%**	-	0%
Wholesale and retail trade	**4,814**	**1%**	22,975	5%	**2,653**	**1%**	13,162	3%
Services	**39,496**	**9%**	65,231	14%	**19,959**	**6%**	49,359	12%
Manufacturing	**2,078**	**0%**	4,621	1%	**13**	**0%**	2,303	1%
Mining & Quarrying	**1,316**	**0%**	2,135	1%	**127**	**0%**	987	0%
	451,183	**100%**	470,678	100%	**344,920**	**100%**	402,692	100%

40. Contingent liabilities and commitments (continued)

(a) Letters of credit and guarantees (continued)

Credit-related financial instruments include unutilised commitments to extend credit, standby letters of credit and guarantees which are designed to meet the financing requirements of customers. The credit risk on these transactions is generally less than the contractual amount. The notional principal amounts of outstanding credit-related contingent items and the risk-weighted exposures calculated were as follows:

	Consolidated		Parent Company	
		31-Dec-21		31-Dec-21
	Notional principal amount	Risk-weighted exposure	Notional principal amount	Risk-weighted exposure
Guarantees	287,410	145,480	261,755	132,652
Letters of credit	163,773	4,289	83,165	2,756
	451,183	149,769	344,920	135,408

(b) Capital commitments

At the reporting date, outstanding capital commitments in respect of premises, equipment and softwares purchases were RO 5.8 million (2020: RO 7.8 million).

(c) Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Bank had certain unresolved legal claims which are not expected to have any significant implication on the Bank's financial statements (2020: Nil).

41. Assets and liabilities maturity profile

The Bank has established policies to manage the liquidity risk arising from the mismatch in the final maturity of the assets and liabilities on the statement of financial position as explained in note 5.3. The table below represents cash flows receivable to and payable by the Bank under derivative and non-derivative assets and liabilities by estimated remaining maturities at the reporting date.

Consolidated 2021	**On demand or within 3 months RO'000**	**3 to 12 months RO'000**	**Sub total RO'000**	**1 to 5 Years RO'000**	**Over 5 years RO'000**	**Total RO'000**
Assets						
Cash and balances with the Central Bank of Oman	107,961	24,109	132,070	35,935	20,899	**188,904**
Due from banks	40,972	10,000	50,972	-	-	**50,972**
Loans and advances	462,118	240,357	702,475	788,701	1,262,258	**2,753,434**
Investment securities	1,631	5,213	6,844	132,860	162,792	**302,496**
Intangible assets	-	-	-	-	7,210	**7,210**
Other assets	51,685	34,725	86,410	2,930	-	**89,340**
Property and equipment	-	-	-	2,966	40,337	**43,303**
Total assets	**664,367**	**314,404**	**978,771**	**963,392**	**1,493,496**	**3,435,659**
Liabilities						
Due to banks	13,359	-	13,359	-	-	**13,359**
Deposits from customers	362,376	722,008	1,084,384	948,206	777,822	**2,810,412**
Other liabilities	50,496	10,846	61,342	23,156	-	**84,498**
Taxation	3,051	-	3,051	-	-	**3,051**
Total liabilities	**429,282**	**732,854**	**1,162,136**	**971,362**	**777,822**	**2,911,320**
Net assets (Total equity)	**235,085**	**(418,450)**	**(183,365)**	**(7,970)**	**715,674**	**524,339**
Forward exchange contracts at notional amounts (note 38)						
Purchase contracts	175,260	26,965	202,225	-	-	202,225
Sale contracts	(175,237)	(26,882)	(202,119)	-	-	(202,119)
	23	**83**	**106**	**-**	**-**	**106**

41. Assets and liabilities maturity profile (continued)

Parent Company

2021	**On demand or within 3 months RO’000**	**3 to 12 months RO’000**	**Sub total RO’000**	**1 to 5 Years RO’000**	**Over 5 years RO’000**	**Total RO’000**
Assets						
Cash and balances with the Central Bank of Oman	47,296	19,346	66,642	18,413	20,899	**105,954**
Due from banks	44,480	10,000	54,480	-	-	**54,480**
Loans and advances	369,481	140,854	510,335	615,407	835,269	**1,961,011**
Investment securities	1,153	2,013	3,166	74,073	162,792	**240,031**
Investment in subsidiary	-	-	-	-	107,144	**107,144**
Other assets	51,731	7,627	59,358	-	-	**59,358**
Property and equipment	-	-	-	-	40,337	**40,337**
Total assets	**514,141**	**179,840**	**693,981**	**707,893**	**1,166,441**	**2,568,315**
Liabilities						
Due to banks	13,359	-	13,359	-	-	**13,359**
Deposits from customers	262,638	566,355	828,993	539,028	597,176	**1,965,197**
Other liabilities	50,541	10,846	61,387	4,677	-	**66,064**
Taxation	3,051	-	3,051	-	-	**3,051**
Total liabilities	**329,589**	**577,201**	**906,790**	**543,705**	**597,176**	**2,047,671**
Net assets (Total equity)	**184,552**	**(397,361)**	**(212,809)**	**164,188**	**569,265**	**520,644**
Forward exchange contracts at notional amounts (note 38)						
Purchase contracts	175,260	26,965	202,225	-	-	202,225
Sale contracts	(175,237)	(26,882)	(202,119)	-	-	(202,119)
	23	**83**	**106**	**-**	**-**	**106**

41. Assets and liabilities maturity profile (continued)

Consolidated

2020	On demand or within 3 months RO'000	3 to 12 months RO'000	Sub total RO'000	1 to 5 Years RO'000	Over 5 years RO'000	Total RO'000
Assets						
Cash and balances with the Central Bank of Oman	181,418	12,126	193,544	12,447	14,984	220,975
Due from banks	59,838	13,000	72,838	-	-	72,838
Loans and advances	526,858	263,185	790,043	778,421	1,076,895	2,645,359
Investment securities	49,052	-	49,052	96,481	94,685	240,218
Intangible assets	-	-	-	-	6,505	6,505
Other assets	47,202	22,661	69,863	-	25	69,888
Property and equipment	-	-	-	-	46,605	46,605
Total assets	864,368	310,972	1,175,340	887,349	1,239,699	3,302,388
Liabilities						
Due to banks	14,421	-	14,421	-	-	14,421
Deposits from customers	383,484	752,188	1,135,672	849,320	770,318	2,755,310
Other liabilities	44,025	9,953	53,978	22,869	-	76,847
Subordinated loans	-	20,000	20,000	-	-	20,000
Taxation	3,825	-	3,825	408	-	4,233
Total liabilities	445,755	782,141	1,227,896	872,597	770,318	2,870,811
Net assets (Total equity)	418,613	(471,169)	(52,556)	14,752	469,381	431,577
Forward exchange contracts at notional amounts (note 38)						
Purchase contracts	74,952	15,504	90,456	-	-	90,456
Sale contracts	(74,613)	(15,432)	(90,045)	-	-	(90,045)
	339	72	411	-	-	411

41. Assets and liabilities maturity profile (continued)

Parent Company

2020	On demand or within 3 months RO'000	3 to 12 months RO'000	Sub total RO'000	1 to 5 Years RO'000	Over 5 years RO'000	Total RO'000
Assets						
Cash and balances with the Central Bank of Oman	134,620	12,126	146,746	12,447	14,459	173,652
Due from banks	58,051	13,000	71,051	-	-	71,051
Loans and advances	443,026	161,584	604,610	505,761	826,435	1,936,806
Investment securities	6,806	-	6,806	75,209	94,685	176,700
Investments in subsidiary	-	-	-	-	107,144	107,144
Other assets	48,957	271	49,228	-	-	49,228
Property and equipment	-	-	-	-	42,479	42,479
Total assets	691,460	186,981	878,441	593,417	1,085,202	2,557,060
Liabilities						
Due to banks	10,571	-	10,571	-	-	10,571
Deposits from customers	302,257	543,938	846,195	558,360	626,207	2,030,762
Other liabilities	44,025	10,236	54,261	5,647	-	59,908
Subordinated loans	-	20,000	20,000	-	-	20,000
Taxation	3,825	-	3,825	408	-	4,233
Total liabilities	360,678	574,174	934,852	564,415	626,207	2,125,474
Net assets (Total equity)	330,782	(387,193)	(56,411)	29,002	458,995	431,586
Forward exchange contracts at notional amounts (note 38)						
Purchase contracts	74,952	15,504	90,456	-	-	90,456
Sale contracts	(74,613)	(15,432)	(90,045)	-	-	(90,045)
	339	72	411	-	-	411

41. Assets and liabilities maturity profile (continued)

The following table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. For issued guarantee contracts, the maximum amount of the guarantee is allocated to the earliest year in which the guarantee could be called.

Consolidated

2021	On demand or within 3 months RO'000	3 to 12 months RO'000	1 to 5 years RO'000	Over 5 years RO'000	Total RO'000
Letters of guarantee	179,438	75,765	32,107	100	**287,410**
Letters of credit	82,972	49,823	30,978	-	**163,773**
Total commitments and contingencies	**262,410**	**125,588**	**63,085**	**100**	**451,183**

Parent Company

2021	On demand or within 3 months RO'000	3 to 12 months RO'000	1 to 5 years RO'000	Over 5 years RO'000	Total RO'000
Letters of guarantee	175,990	69,363	16,302	100	**261,755**
Letters of credit	69,068	14,069	28	-	**83,165**
Total commitments and contingencies	**245,058**	**83,432**	**16,330**	**100**	**344,920**

41. Assets and liabilities maturity profile (continued)

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments. The details of Bank's capital commitments and unutilised loan commitments are disclosed in note 40.

The re-pricing profile is based on contractual re-pricing or maturity dates, whichever dates are earlier. The Bank's assets and liabilities are included at carrying amounts.

Consolidated **2021**	**Average effective interest rate %**	**Within 3 months RO'000**	**4 to 6 months RO'000**	**7 to 12 months RO'000**	**> 1 to 5 years RO'000**	**Over 5 years RO'000**	**Non-interest bearing RO'000**	**Total RO'000**
Assets								
Cash and balances with the Central Bank of Oman	1.00	60,665	1,905	2,858	10,162	-	113,314	**188,904**
Due from banks	0.31	22,096	10,000	-	-	-	18,876	**50,972**
Loans and advances	5.27	1,199,652	70,368	78,726	976,752	427,936	-	**2,753,434**
Investment- FVTPL & FVOCI		478	1,280	1,920	40,692	38,418	6,475	**89,263**
Amortized Cost	5.96	-	-	2,013	92,444	118,776	-	**213,233**
Intangibles		-	-	-	-	-	7,210	**7,210**
Other assets		23,653	10,839	16,213	-	-	35,705	**86,410**
Property and equipment		-	-	-	-	-	43,303	**43,303**
Deferred tax asset		-	-	-	-	-	2,930	**2,930**
Total assets		**1,306,544**	**94,392**	**101,730**	**1,120,050**	**585,130**	**227,813**	**3,435,659**
Liabilities								
Due to banks	1.79	7,700	-	-	-	-	5,659	**13,359**
Deposits from customers	2.47	729,955	224,680	610,294	603,779	180,646	461,058	**2,810,412**
Other liabilities		2,107	-	-	18,434	-	63,957	**84,498**
Taxation		-	-	-	-	-	3,051	**3,051**
Total liabilities		**739,762**	**224,680**	**610,294**	**622,213**	**180,646**	**533,725**	**2,911,320**
Total interest sensitivity gap		**576,782**	**(140,288)**	**(508,564)**	**497,837**	**404,484**	**(305,912)**	**524,339**
Cumulative interest sensitivity gap		**576,782**	**436,494**	**(72,070)**	**425,767**	**830,251**	**524,339**	

41. Assets and liabilities maturity profile (continued)

Parent Company

2021	Average effective interest rate %	Within 3 months RO'000	4 to 6 months RO'000	7 to 12 months RO'000	> 1 to 5 years RO'000	Over 5 years RO'000	Non-interest bearing RO'000	Total RO'000
Assets								
Cash and balances with the Central Bank of Oman	1.00	-	-	-	-	-	105,954	105,954
Due from banks	0.31	25,604	10,000	-	-	-	18,876	54,480
Loans and advances	5.27	1,107,015	30,567	19,024	803,458	947	-	1,961,011
Investment- FVTPL & FVOCI		-	-	-	-	38,418	6,475	44,893
Amortized Cost	5.96	-	-	2,013	74,349	118,776		195,138
Intangibles		-	-	-	-	-	-	-
Investment in subsidiary		-	-	-	-	-	107,144	107,144
Other assets		23,653	-	-	-	-	35,705	59,358
Property and equipment		-	-	-	-	-	40,337	40,337
Deferred tax asset		-	-	-	-	-	-	-
Total assets		**1,156,272**	**40,567**	**21,037**	**877,807**	**158,141**	**314,491**	**2,568,315**
Liabilities								
Due to banks	1.79	7,700	-	-	-	-	5,659	13,359
Deposits from customers	2.47	630,217	162,419	516,902	194,601	-	461,058	1,965,197
Other liabilities		2,107	-	-	-	-	63,957	66,064
Taxation		-	-	-	-	-	3,051	3,051
Total liabilities		**640,024**	**162,419**	**516,902**	**194,601**	**-**	**533,725**	**2,047,671**
Total interest sensitivity gap		**526,248**	**(131,852)**	**(495,865)**	**683,206**	**158,141**	**(219,234)**	**520,644**
Cumulative interest sensitivity gap		**526,248**	**394,396**	**(101,469)**	**581,737**	**739,878**	**520,644**	

41. Assets and liabilities maturity profile (continued)

Consolidated 2020	Average Effective interest rate %	Within 3 months RO'000	4 to 6 months RO'000	7 to 12 months RO'000	> 1 to 5 years RO'000	Over 5 years RO'000	Non-interest bearing RO'000	Total RO'000
Assets								
Cash and balances with the Central Bank of Oman	1.00	42,349	-	-	-	500	178,126	220,975
Due from banks	2.25	32,903	-	-	-	-	39,935	72,838
Loans and advances	5.58	1,135,116	126,175	164,630	1,196,621	22,817	-	2,645,359
at FVTPL & FVOCI		-	-	-	42,251	-	4,792	47,043
Amortized Cost	5.15	2,378	-	-	88,583	102,214	-	193,175
Intangible assets		-	-	-	-	-	6,505	6,505
Other assets		44,017	-	-	-	-	25,871	69,888
Property and equipment		-	-	-	-	-	46,605	46,605
Total assets		1,256,763	126,175	164,630	1,327,455	125,531	301,834	3,302,388
Liabilities								
Due to banks	1.78	8,767	-	-	-	-	5,654	14,421
Deposits from customers	3.16	583,912	527,766	778,866	286,301	-	578,465	2,755,310
Other liabilities		7,174	-	-	-	-	69,673	76,847
Subordinated loans	5.50	-	20,000	-	-	-	-	20,000
Taxation		-	-	-	-	-	4,233	4,233
Total liabilities		599,853	547,766	778,866	286,301	-	658,025	2,870,811
Total interest sensitivity gap		656,910	(421,591)	(614,236)	1,041,154	125,531	(356,191)	431,577
Cumulative interest sensitivity gap		656,910	235,319	(378,917)	662,237	787,768	431,577	

41. Assets and liabilities maturity profile (continued)

Parent Company 2020	Average effective interest rate %	Within 3 months RO'000	4 to 6 months RO'000	7 to 12 months RO'000	> 1 to 5 years RO'000	Over 5 years RO'000	Non-interest bearing RO'000	Total RO'000
Assets								
Cash and balances with the Central Bank of Oman	1.00	42,349	-	-	-	500	130,803	173,652
Due from banks	2.41	32,904	-	-	-	-	38,147	71,051
Loans and advances	5.55	727,394	45,682	15,891	1,146,957	882	-	1,936,806
at FVTPL & FVOCI		-	-	-	-	-	4,792	4,792
Amortized Cost	5.36	2,378	-	-	88,583	80,947	-	171,908
Investments in subsidiary		-	-	-	-	107,144	-	107,144
Other assets		44,300	-	-	-	-	4,928	49,228
Property and equipment		-	-	-	-	-	42,479	42,479
Total assets		849,325	45,682	15,891	1,235,540	189,473	221,149	2,557,060
Liabilities								
Due to banks	1.75	4,917	-	-	-	-	5,654	10,571
Deposits from customers	2.31	338,912	504,027	502,619	151,071	-	534,133	2,030,762
Other liabilities		7,174	-	-	-	-	52,734	59,908
Subordinated loans	5.50	-	20,000	-	-	-	-	20,000
Taxation		-	-	-	-	-	4,233	4,233
Total liabilities		351,003	524,027	502,619	151,071	-	596,754	2,125,474
Total interest sensitivity gap		498,322	(478,345)	(486,728)	1,084,469	189,473	(375,605)	431,586
Cumulative interest sensitivity gap		498,322	19,977	(466,751)	617,718	807,191	431,586	

42. Geographical distribution of assets and liabilities

Consolidated **2021**	**Sultanate of Oman RO'000**	**Other GCC countries RO'000**	**Europe RO'000**	**United States of America RO'000**	**Others RO'000**	**Total RO'000**
Assets						
Cash and balances with the Central Bank of Oman	188,904	-	-	-	-	**188,904**
Due from banks	9,927	12,739	19,647	7,544	1,115	**50,972**
Loans and advances	2,753,434	-	-	-	-	**2,753,434**
Investment securities	302,045	102	-	-	349	**302,496**
Intangible assets	7,210	-	-	-	-	**7,210**
Other assets	89,340	-	-	-	-	**89,340**
Property and equipment	43,303	-	-	-	-	**43,303**
Total assets	**3,394,163**	**12,841**	**19,647**	**7,544**	**1,464**	**3,435,659**
Liabilities						
Due to banks	74	7,306	5,854	-	125	**13,359**
Deposits from customers	2,797,303	13,109	-	-	-	**2,810,412**
Other liabilities	84,498	-	-	-	-	**84,498**
Taxation	3,051	-	-	-	-	**3,051**
Total liabilities	**2,884,926**	**20,415**	**5,854**	**-**	**125**	**2,911,320**

42. Geographical distribution of assets and liabilities

Parent Company 2021	Sultanate of Oman RO'000	Other GCC countries RO'000	Europe RO'000	United States of America RO'000	Others RO'000	Total RO'000
Assets						
Cash and balances with the Central Bank of Oman	105,954	-	-	-	-	**105,954**
Due from banks	15,702	11,613	19,085	6,978	1,102	**54,480**
Loans and advances	1,961,011	-	-	-	-	**1,961,011**
Investment securities	239,682	-	-	-	349	**240,031**
Investments in subsidiary	107,144	-	-	-	-	**107,144**
Other assets	59,358	-	-	-	-	**59,358**
Property and equipment	40,337	-	-	-	-	**40,337**
Total assets	**2,529,188**	**11,613**	**19,085**	**6,978**	**1,451**	**2,568,315**
Liabilities						
Due to banks	74	7,306	5,854	-	125	**13,359**
Deposits from customers	1,965,197	-	-	-	-	**1,965,197**
Other liabilities	66,064	-	-	-	-	**66,064**
Taxation	3,051	-	-	-	-	**3,051**
Total liabilities	**2,034,386**	**7,306**	**5,854**	**-**	**125**	**2,047,671**

42. Geographical distribution of assets and liabilities (continued)

Consolidated 2020	Sultanate of Oman RO'000	Other GCC countries RO'000	Europe RO'000	United States of America RO'000	Others RO'000	Total RO'000
Assets						
Cash and balances with the Central Bank of Oman	220,975	-	-	-	-	220,975
Due from banks	33,031	6,007	14,392	18,550	858	72,838
Loans and advances	2,645,359	-	-	-	-	2,635,455
Investment securities	238,672	1,225	-	-	321	240,218
Goodwill	6,505	-	-	-	-	6,505
Other assets	69,888	-	-	-	-	69,888
Property and equipment	46,605	-	-	-	-	46,605
Total assets	3,261,035	7,232	14,392	18,550	1,179	3,302,388
Liabilities						
Due to banks	1,737	12,234	358	-	92	14,421
Deposits from customers	2,754,201	1,109	-	-	-	2,755,310
Other liabilities	76,847	-	-	-	-	76,847
Subordinated loans	20,000	-	-	-	-	20,000
Taxation	4,233	-	-	-	-	4,233
Total liabilities	2,857,018	13,343	358	-	92	2,870,811

42. Geographical distribution of assets and liabilities (continued)

Parent 2020	Sultanate of Oman RO'000	Other GCC countries RO'000	Europe RO'000	United States of America RO'000	Others RO'000	Total RO'000
Assets						
Cash and balances with the Central Bank of Oman	173,652	-	-	-	-	173,652
Due from banks	33,032	5,089	13,556	18,550	824	71,051
Loans and advances	1,936,806	-	-	-	-	1,936,806
Investment securities	176,314	65	-	-	321	176,700
Investments in subsidiary	107,144	-	-	-	-	107,144
Other assets	49,228	-	-	-	-	49,228
Property and equipment	42,479	-	-	-	-	42,479
Total assets	2,518,655	5,154	13,556	18,550	1,145	2,557,060
Liabilities						
Due to banks	1,737	8,384	358	-	92	10,571
Deposits from customers	2,030,762	-	-	-	-	2,030,762
Other liabilities	59,908	-	-	-	-	59,908
Subordinated loans	20,000	-	-	-	-	20,000
Taxation	4,233	-	-	-	-	4,507
Total liabilities	2,116,640	8,384	358	-	92	2,125,474

43. Customer concentration

Consolidated **2021**	**Due from banks RO'000**	**Gross loans and advances RO'000**	**Investment securities RO'000**	**Deposits from customers RO'000**	**Due to banks RO'000**	**Contingent liabilities RO'000**
Personal	**-**	**1,087,264**	**-**	**635,783**	**-**	**7**
Corporate	**50,972**	**1,807,192**	**60,834**	**1,188,927**	**13,359**	**195,036**
Government	**-**	**1**	**241,662**	**985,702**	**-**	**256,140**
	50,972	**2,894,457**	**302,496**	**2,810,412**	**13,359**	**451,183**

43. Customer concentration (continued)

Parent Company 2021	**Due from banks RO'000**	**Gross loans and advances RO'000**	**Investment securities RO'000**	**Deposits from customers RO'000**	**Due to banks RO'000**	**Contingent liabilities RO'000**
Personal	**-**	**735,944**	**-**	**640,524**	**-**	**7**
Corporate	**54,480**	**1,329,129**	**57,532**	**890,198**	**13,359**	**161,714**
Government	**-**	**1**	**182,499**	**434,475**	**-**	**183,199**
	54,480	**2,065,074**	**240,031**	**1,965,197**	**13,359**	**344,920**

Consolidated 2020	Due From Banks RO'000	Gross loans and advances RO'000	Investment securities RO'000	Deposits from customers RO'000	Due to banks RO'000	Contingent Liabilities RO'000
Personal	-	1,042,859	-	976,746	-	143
Corporate	72,782	1,704,836	18,950	966,831	14,421	279,021
Government	-	-	221,738	811,733	-	191,514
	72,782	2,747,695	240,688	2,755,310	14,421	470,678

Parent Company	Due from banks RO'000	Gross loans and advances RO'000	Investment securities RO'000	Deposits from customers RO'000	Due to banks RO'000	Contingent Liabilities RO'000
Personal	-	722,479	-	497,680	-	143
Corporate	70,995	1,284,640	14,178	966,831	10,571	211,035
Government	-	-	162,589	566,251	-	191,514
	70,995	2,007,119	176,767	2,030,762	10,571	402,692

44. Segment information

The Bank mainly operates in only one geographical location, the Sultanate of Oman. The Bank has however earned interest income and incurred interest expenses on account of money market placements and borrowings with banks outside the Sultanate of Oman as of 31 December 2021. The information regarding the bank's due from banks and due to banks based on the geographical locations for the years ended 31 December 2021 and 2020 is set out in note 42.

For management purposes, the conventional operations of the Bank is organised into four operating segments based on products and services. The Islamic banking services are offered through Alizz Islamic Bank. The operating segments are as follows:

Retail banking	Individual personal loan, overdraft, credit card and funds transfer facilities.
Corporate banking	Loans and other credit facilities for corporate and institutional customers.
Treasury	Bonds, placements, bank borrowings, foreign exchange.
Others	Other central functions and Head office.
Islamic Banking	Sharia' compliant Islamic banking products and services including Ijarah, Murabaha, Mudarbah and Diminishing Musharakah.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. The costs incurred by the central functions are managed on a group basis and are not allocated to operating segments.

Cash and balances with Central Bank of Oman, Certificate of Deposits, due from banks, property and equipment and other assets are unallocated assets. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2021 or 2020.

44. Segment information (continued)

Consolidated 2021	Retail RO'000	Corporate RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	26,333	24,816	9,720	7,458	-	68,327
Net income from Islamic financing	-	-	-	-	21,217	21,217
Other operating income	8,122	7,026	5,480	7,187	4,266	32,081
Total operating income	34,455	31,842	15,200	14,645	25,483	121,625
Operating expenses (incl. depreciation)	(33,186)	(22,935)	(3,706)	(465)	(18,179)	(78,471)
Net impairment losses on financial assets	(2,417)	(29,551)	(200)	-	(2,985)	(35,153)
Tax expenses	-	-	-	(983)	63	(920)
Profit (Loss) for the year	(1,148)	(20,644)	11,294	13,197	4,382	7,081
Assets	727,372	1,232,588	400,465	101,087	974,147	3,435,659
Liabilities	792,228	1,171,470	13,359	64,794	869,469	2,911,320
Allowance for credit losses	(12,711)	(94,221)	(349)	-	(37,495)	(144,776)

44. Segment information (continued)

Parent Company 2021	Retail RO'000	Corporate RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	26,333	24,816	9,720	7,458	-	68,327
Other operating income	8,122	7,026	5,480	6,017	-	26,645
Total operating income	34,455	31,842	15,200	13,475	-	94,972
Operating expenses (incl. depreciation)	(33,186)	(22,935)	(3,706)	-	-	(59,827)
Net impairment losses on financial assets	(2,417)	(28,501)	(200)	-	-	(31,118)
Tax expenses	-	-	-	(983)	-	(983)
Profit (Loss) for the year	(1,148)	(19,594)	11,294	12,492	-	3,044
Assets	727,372	1,233,638	507,609	99,696	-	2,568,315
Liabilities	792,228	1,171,470	13,359	70,614	-	2,047,671
Allowance for credit losses	(12,711)	(94,221)	(349)	-	-	(107,281)

44. Segment information (continued)

Consolidated 2020	Retail RO'000	Corporate RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	31,656	28,728	9,287	1,244	(11)	70,904
Net income from Islamic financing	-	-	-	-	10,103	10,103
Other operating income	7,907	8,119	2,871	-	2,020	20,917
Total operating income	39,563	36,847	12,158	1,244	12,112	101,924
Operating expenses (incl. depreciation)	(27,780)	(16,988)	(2,963)	(6,619)	(11,058)	(65,408)
Net impairment losses on financial assets	(1,838)	(16,025)	-	-	(704)	(18,567)
Tax expenses	-	-	-	(3,778)	-	(3,778)
Profit (Loss) for the year	9,945	3,834	9,195	(9,153)	350	14,171
Assets	716,496	1,220,310	421,403	77,571	866,608	3,302,388
Liabilities	754,540	1,276,222	30,571	43,450	766,028	2,870,811
Allowance for credit losses	(12,413)	(59,781)	(97)	-	(32,023)	(104,314)

44. Segment information (continued)

Parent Company 2020	Retail RO'000	Corporate RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	31,656	28,728	9,287	1,244	-	70,915
Net income from Islamic financing	-	-	-	-	993	993
Other operating income	7,907	8,119	2,873	-	596	19,495
Total operating income	39,563	36,847	12,160	1,244	1,589	91,403
Operating expenses (incl. depreciation)	(27,780)	(16,988)	(2,963)	(6,619)	(949)	(55,299)
Net impairment losses on financial assets	(1,838)	(16,025)	-	-	(148)	(18,011)
Tax expenses	-	-	-	(3,778)	-	(3,778)
Profit (Loss) for the year	9,945	3,834	9,197	(9,153)	492	14,315
Assets	716,496	1,220,310	528,547	91,707	-	2,557,060
Liabilities	754,540	1,276,222	30,571	64,141	-	2,125,474
Allowance for credit losses	(12,413)	(59,781)	(96)	-	-	(72,290)

45. Comparative figures

Certain comparative figures for 2020 have been reclassified in order to conform to the presentation for the current year.

46. Subsequent events

There were no subsequent events for the Bank as at reporting date.