



## **Oman Arab Bank SAOG**

### **CONDENSED INTERIM FINANCIAL STATEMENTS**

**As at and for the six month period ended 30 June 2021**

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## CHAIRMAN'S REPORT

### Dear shareholders,

I am delighted to share the financial results of Oman Arab Bank Group for the second quarter, ending 30 June 2021.

Oil prices continued to gradually improve during the second quarter of the year. However, the ongoing economic challenges of the COVID-19 pandemic and the closure of several economic activities since the second quarter of 2020 still cast a shadow on the national economy in general. Signs of recovery are showing up on the horizon with the acceleration of the vaccination efforts aimed at reaching 60 per cent of the population before the last quarter of the year. This will pave the way for the Bank to play an integral role and deploy all its resources to support achieving the national objective.

The Bank has continued its efforts to support clients and employees during these challenging times while simultaneously ensuring business continuity. This was made possible through the implementation of strategic initiatives, combined with ongoing coordination with relevant stakeholders. In addition, the Bank continues to implement the directives of the Supreme Committee, such as limiting physical interaction of the employees and customers, reducing the number of employees in the workplace by 50 per cent and conducting the Bank's activities through remote working facilities. Considering the current conditions, we have also taken steps to alleviate client debt burdens and rescheduled loans to provide support and facilitate liquidity.

### Financial Overview

The acquisition of Alizz Islamic Bank was completed on 30 June 2020. Therefore, the statement of income of the Group for the six months ending 30 June 2020 does not include the results of Alizz Islamic Bank. However, the results of Alizz Islamic Bank are included in Oman Arab Bank Group results for the six months ending 30 June 2021.

The Group achieved a consolidated net profit of OMR 10.49 million for the period until the end of June 2021 compared to OMR 10.39 million for the same period in 2020. Net profit for the period includes the reversal of operation loss of OMR 6 million incurred in 2020 based on the confirmation of the insurance claim by the reinsurers. Excluding this reversal of operation loss, net profit has reduced compared to the previous year due to the prudent approach adopted by the management to maintain higher liquidity, as well as additional provisions to mitigate the potential risk associated with market conditions, challenges arising from health situations and the economic downturn.

The measures undertaken by the Group in accordance with its social objectives in supporting Omanis who have suffered job losses with interest relief and providing loans deferrals to small and medium enterprises (SMEs) to help them overcome cash flow constraints during these difficult times has also resulted in a significant impact on the results of the Group.

The Group achieved an operating profit of OMR 16.4 million for Q2-2021 compared to OMR 9.9 million for Q1-2021 resulting in 66 per cent increase.

Net interest income from conventional banking and income from Islamic financing amounted to OMR 41.90 million for the six-month period ending 30 June 2021. The low growth is due to the

impact of higher level of liquidity maintained and the deferment of loan installments for individuals and companies inline with the Central Bank of Oman measures.

Non-interest income (excluding the Islamic financing income) was OMR 20.30 million for the six-month period ending 30 June 2021, as compared to OMR 7.89 million for the same period in 2020, increasing by 157 per cent. This is mainly on account of reversal of operational loss of OMR 6 million.

Operating expenses for the six-month period ending 30 June 2021, reached OMR 35.93 million, as compared to OMR 25.76 million for the same period in 2020, showing an increase of 39 per cent. This is mainly due to the consolidation of expenses of Alizz Islamic Bank in 2021.

Net impairment for credit and other losses for the six-month period ending 30 June 2021 was OMR 14.01 million. This is compared to OMR 9.24 million for the same period in 2020. This increase is mainly due to the additional provisions by management as the Group continues with its prudent approach, considering the economic environment, the impact of the pandemic on business and market conditions.

Net loans and advances, including Islamic financing receivables, for the six-month period ending 30 June 2021, increased by 3 per cent to OMR 2,654 million, compared to OMR 2,587 million in 30 June 2020. Customer deposits stood at OMR 2,708 million by the end of Q2 2021, rising by 5 per cent as compared to OMR 2,581 million as of 30 June 2020.

### **Alizz Islamic Bank**

Alizz Islamic Bank (AIB) continued to achieve good results and profits during the second quarter of 2021. AIB reported a net profit of OMR 2.4 million, as compared to a loss of OMR 7.4 million for the same period last year. The financing receivables reached OMR 751 million (including transfer Al Yusr of OMR 140 million) in the second quarter of 2021, as compared to OMR 556 million as of 2020. While customer deposits amounted to OMR 806 million (including transfer Al Yusr of OMR 131 million) with a growth of 41 per cent compared to 2020. The Bank expects to report sustainable results in 2021 as it is pursuing a well-defined growth strategy with the full support of its shareholders.

### **Issuance of Perpetual Bond of USD 250 Million on the London Stock Exchange**

The Group successfully issued USD 250 million Additional Tier-1 Perpetual Bonds, listed on the International Securities Market (ISM) of the London Stock Exchange on May 27. This generated widespread interest from international investors that included several top-notch funds from the London market. The final order book was valued at over USD 1.1 billion. This is a testament to the high level of confidence placed by international investors in the Bank's shareholders, the Omani banking sector, as well as the financial performance of OAB.

This is the first issue of its kind for OAB in foreign currency and is also the first international issuance of public AT1 (Additional tier-1 bonds) in the last 3 years from Oman. Therefore, it was significant in enhancing domestic liquidity with a continuous flow of foreign investments, especially during the current market conditions.

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## **Updates on disclosure on the criminal complaint**

During the second quarter of the year, the Bank received a confirmation from the loss adjuster that the reinsurers had agreed in principle on the commitment for the amount claimed for the forgery and embezzlement incident that occurred towards the end of last year, with a value of approximately OMR 6 million. The Bank is continuing to follow up on the developments of this case with the Public Prosecution and the relevant authorities, in order to preserve the legal and financial rights of the Bank and its shareholders.

## **COVID-19 vaccination campaign for the Bank's employees and their families**

In line with its commitment to safeguard the health and safety of its employees, the Bank has started its internal vaccination campaign. The Ministry of Health is aiming to vaccinate approximately 60 per cent of the Sultanate's population before the last quarter of the year. During the second quarter of 2021 OAB and Alizz Islamic Bank, undertook a vaccination drive in coordination with the Ministry of Health. The employees and their family members above 12 years of age, got vaccinated and the cost was borne by the bank. This initiative was extremely well received by the employees and their families.

## **Innovation Hub 2.0**

OAB organized the second edition of the Innovation Hub from April 2 – 3, 2021. The virtual hackathon saw the participation of over 550 participants, who were divided into three categories, students, Fintech/professionals and OAB employees. Each of them presented innovative solutions under the three main themes: tourism, financial technologies and cybersecurity. It was the first such event ever organized virtually in the Sultanate and gained widespread popularity among the target audience.

## **Sustainability and Social Responsibility**

As part of its vision to incorporate sustainability in various aspects of the Bank, OAB published its first sustainability report during the second quarter of the year. The 2020 Sustainability Report for Oman Arab Bank will be the first to be approved by Global Reporting Initiatives (GRI): Core Option. The report includes detailed information on the Bank's performance in terms of environmental, social and governance for the year 2020. Moving forward this report will be published on an annual basis as it reflects our firm belief in our responsibility to contribute towards building a more sustainable future, not only for the Bank but for the Sultanate. We aim to support the local community and environment through a wide range of projects that are consistent with the three main pillars of our sustainability strategy, which are Environmental Responsibility, Community Partnership and Financial Inclusion.

During the second quarter of 2021, the Bank continued to encourage and implement activities aimed at supporting the local community by partnering with a number of charitable and environmental institutions. It has also launched several initiatives during the holy month of Ramadan in cooperation with a group of charities. On the other hand, the Group continued to support its customers from small and medium enterprises and enabled them to deal with the challenges posed by the current situation through the provision of various incentives and banking

facilities. All these initiatives are in line with the directives of the government and the Central Bank of Oman.

## **Conclusion**

On behalf of the Board of Directors, I would like to thank our Government for the distinguished role it plays, especially with regard to the economy, health and society. I would like also to thank all our shareholders, customers and employees for their continued trust and commitment in Oman Arab Bank Group. We pray to the Almighty to protect Oman, its people and its leader and to give us the strength to persevere through this pandemic.

**Rashad Muhammed Al Zubair**  
**Chairman**

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	Consolidated		Parent Company	
		Unaudited	Audited	Unaudited	Audited
		30-Jun-21	31-Dec-20	30-Jun-21	31-Dec-20
		RO'000	RO'000	RO'000	RO'000
<b>ASSETS</b>					
Cash and balances with the Central Bank of Oman	4	243,470	220,975	159,384	173,652
Due from banks	5	39,274	72,782	35,918	70,995
Loans, advances and financing activities for customers	6	2,654,016	2,643,478	1,903,488	1,934,925
Investment securities	7	289,969	240,218	227,519	176,700
Investment in subsidiary		-	-	107,144	107,144
Goodwill	8	6,505	6,505	-	-
Property and equipment		45,925	46,605	42,460	42,479
Other assets	9	88,087	69,480	57,766	49,228
<b>Total assets</b>		<b>3,367,246</b>	<b>3,300,043</b>	<b>2,533,679</b>	<b>2,555,123</b>
<b>LIABILITIES</b>					
Due to banks	10	38,208	14,421	38,208	10,571
Deposits from customers	11	2,708,125	2,755,310	1,901,990	2,030,762
Other liabilities	12	81,812	74,228	56,821	57,697
Subordinated debt	13	-	20,000	-	20,000
Taxation		3,674	4,507	3,674	4,507
<b>Total liabilities</b>		<b>2,831,819</b>	<b>2,868,466</b>	<b>2,000,693</b>	<b>2,123,537</b>
<b>EQUITY</b>					
Share capital		166,941	166,941	166,941	166,941
Share premium		36,565	36,565	36,565	36,565
Legal reserve		46,178	46,178	46,178	46,178
General reserve		25,560	25,560	25,560	25,560
Subordinated debt reserve	14	-	20,000	-	20,000
Special reserve		3,837	3,837	3,837	3,837
Fair value reserve		(55)	(1,793)	(356)	(2,062)
Impairment reserve		9,130	9,130	9,130	9,130
Retained earnings		78,468	52,606	76,328	52,884
<b>Total equity attributable to the equity holders of the Bank</b>		<b>366,624</b>	<b>359,024</b>	<b>364,183</b>	<b>359,033</b>
Perpetual Tier 1 capital bonds	15	168,803	72,553	168,803	72,553
<b>Total equity</b>		<b>535,427</b>	<b>431,577</b>	<b>532,986</b>	<b>431,586</b>
<b>Total equity and liabilities</b>		<b>3,367,246</b>	<b>3,300,043</b>	<b>2,533,679</b>	<b>2,555,123</b>
<b>Net assets value per share (RO)</b>	27(b)	<b>RO 0.220</b>	RO 0.215	<b>RO 0.218</b>	RO 0.215
<b>Contingent liabilities and commitments</b>	26(a)	<b>461,891</b>	470,678	<b>386,898</b>	402,692

The financial statements were approved and authorized for issue by the board of directors on 12-Aug-2021 and were signed on their behalf by:

Chairman

Director

Chief Executive Officer

The accompanying notes 1 to 30 form part of these condensed interim financial statements.

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 (Unaudited)

	Notes	Consolidated Unaudited		Parent Company Unaudited		Unaudited	
		<u>Six months ended</u>	<u>Three months ended</u>	<u>Six months ended</u>	<u>Three months ended</u>	<u>Six months ended</u>	<u>Three months ended</u>
		30-Jun-21 RO'000	30-Jun-21 RO'000	30-Jun-21 RO'000	30-Jun-21 RO'000	30-Jun-20 RO'000	30-Jun-20 RO'000
Interest income	16	57,982	28,500	57,982	28,500	59,786	29,655
Interest expense	17	(26,437)	(12,893)	(26,437)	(12,893)	(21,711)	(10,723)
<b>Net interest income</b>		<b>31,545</b>	<b>15,607</b>	<b>31,545</b>	<b>15,607</b>	<b>38,075</b>	<b>18,932</b>
Net income from Islamic financing	18	10,377	5,366	-	-	1,588	651
Net fee and commission income	19	9,046	4,300	7,078	3,316	4,900	2,133
Net income / (loss) from investment securities	20	3,268	3,239	3,268	3,239	(165)	(191)
Other operating income	21	8,002	7,008	7,792	6,887	3,152	1,486
<b>Total income</b>		<b>62,238</b>	<b>35,520</b>	<b>49,683</b>	<b>29,049</b>	<b>47,550</b>	<b>23,011</b>
Operating expenses	22	(35,936)	(19,096)	(26,911)	(14,349)	(25,764)	(12,171)
Net impairment losses on financial assets		(14,012)	(7,746)	(12,900)	(7,139)	(9,237)	(5,300)
<b>Profit before tax</b>		<b>12,290</b>	<b>8,678</b>	<b>9,872</b>	<b>7,561</b>	<b>12,549</b>	<b>5,540</b>
Income tax expense		(1,803)	(1,514)	(1,803)	(1,514)	(2,164)	(813)
<b>Net profit for the period</b>		<b>10,487</b>	<b>7,164</b>	<b>8,069</b>	<b>6,047</b>	<b>10,385</b>	<b>4,727</b>
<b>Other comprehensive income / (loss):</b>							
<i>Items that will not be reclassified to profit or loss in the subsequent periods:</i>							
Equity investment at FVOCI – net change in fair value		435	651	435	651	(447)	(115)
<i>Items that are or may be reclassified to profit or loss in the subsequent periods:</i>							
Debt investment at FVOCI – net change in fair value		363	337	337	337	-	-
Debt investment at FVOCI – reclassified to profit or loss		6	6	-	-	-	-
Other comprehensive income / (loss) for the period		<b>804</b>	<b>994</b>	<b>772</b>	<b>988</b>	(447)	(115)
<b>Total comprehensive income for the period</b>		<b>11,291</b>	<b>8,158</b>	<b>8,841</b>	<b>7,035</b>	<b>9,938</b>	<b>4,612</b>
<b>Earnings per share:</b>							
Basic and diluted (RO)	27(a)	<b>0.004</b>	<b>0.002</b>	<b>0.003</b>	<b>0.001</b>	0.006	0.001

The accompanying notes 1 to 30 form part of these condensed interim financial statements.



## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

Consolidated (Unaudited)	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	General reserve RO'000	Subordinated debt 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
<b>Balance at 1 January 2021</b>	166,941	36,565	46,178	25,560	20,000	3,837	(1,793)	9,130	52,606	359,024	72,553	431,577
<b>Total comprehensive income</b>												
Net profit for the period	-	-	-	-	-	-	-	-	10,487	10,487	-	10,487
<b>Other comprehensive income</b>												
Unrealised gain on FVOCI investments	-	-	-	-	-	-	804	-	-	804	-	804
Realised loss on FVOCI investments	-	-	-	-	-	-	934	-	(934)	-	-	-
<b>Transaction with equity holders of the Bank</b>												
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	-	-	(2,758)	(2,758)	-	(2,758)
Transfer of subordinated debt reserve (note 14)	-	-	-	-	(20,000)	-	-	-	20,000	-	-	-
Issuance of Perpetual Tier 1 capital bonds (note 15)	-	-	-	-	-	-	-	-	-	-	96,250	96,250
Issuance cost on Perpetual Tier 1 capital bonds (note 15)	-	-	-	-	-	-	-	-	(933)	(933)	-	(933)
<b>At 30 June 2021</b>	<b>166,941</b>	<b>36,565</b>	<b>46,178</b>	<b>25,560</b>	<b>-</b>	<b>3,837</b>	<b>(55)</b>	<b>9,130</b>	<b>78,468</b>	<b>366,624</b>	<b>168,803</b>	<b>535,427</b>

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

The accompanying notes 1 to 30 form part of these condensed interim financial statements.

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

Parent Company (Unaudited)	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	General reserve RO'000	Subordinated debt 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
<b>Balance at 1 January 2021</b>	166,941	36,565	46,178	25,560	20,000	3,837	(2,062)	9,130	52,884	359,033	72,553	431,586
<b>Total comprehensive income</b>												
Net profit for the period	-	-	-	-	-	-	-	-	8,069	8,069	-	8,069
<b>Other comprehensive income</b>												
Unrealised gain on FVOCI investments	-	-	-	-	-	-	772	-	-	772	-	772
Realised loss on FVOCI investments	-	-	-	-	-	-	934	-	(934)	-	-	-
<b>Transaction with equity holders of the Bank</b>												
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	-	-	(2,758)	(2,758)	-	(2,758)
Transfer of subordinated debt reserve (note 14)	-	-	-	-	(20,000)	-	-	-	20,000	-	-	-
Issuance of Perpetual Tier 1 capital bonds (note 15)	-	-	-	-	-	-	-	-	-	-	96,250	96,250
Issuance cost on Perpetual Tier 1 capital bonds (note 15)	-	-	-	-	-	-	-	-	(933)	(933)	-	(933)
<b>At 30 June 2021</b>	<b>166,941</b>	<b>36,565</b>	<b>46,178</b>	<b>25,560</b>	<b>-</b>	<b>3,837</b>	<b>(356)</b>	<b>9,130</b>	<b>76,328</b>	<b>364,183</b>	<b>168,803</b>	<b>532,986</b>

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

The accompanying notes 1 to 30 form part of these condensed interim financial statements.

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

Consolidated (Unaudited)	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	General reserve RO'000	Subordinated debt 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 period	-	-	-	-	-	-	-	-	10,385	10,385	-	10,385
Other comprehensive income												
Unrealised loss on FVOCI investments	-	-	-	-	-	-	(447)	-	-	(447)	-	(447)
Realised loss on FVOCI investments	-	-	-	-	-	-	310	-	(310)	-	-	-
<i>Transaction with equity holders of the Bank</i>												
Issue of share premium	-	36,565	-	-	-	-	-	-	-	36,565	-	36,565
Issue of share capital	32,321	-	-	-	-	-	-	-	-	32,321	-	32,321
Movement in special reserve	-	-	-	-	-	(78)	-	-	78	-	-	-
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	-	-	(2,758)	(2,758)	-	(2,758)
Dividend paid	-	-	-	-	-	-	-	-	(14,808)	(14,808)	-	(14,808)
At 30 June 2020	166,941	36,565	44,746	25,560	16,000	3,837	(2,088)	9,130	56,857	357,548	72,553	430,101

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

The accompanying notes 1 to 30 form part of these condensed interim financial statements.

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

Parent Company (Unaudited)	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	General reserve RO'000	Subordinated debt 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 period	-	-	-	-	-	-	-	-	10,385	10,385	-	10,385
Other comprehensive income												
Unrealised loss on FVOCI investments	-	-	-	-	-	-	(447)	-	-	(447)	-	(447)
Realised loss on FVOCI investments	-	-	-	-	-	-	310	-	(310)	-	-	-
<i>Transaction with equity holders of the Bank</i>												
Issue of share premium	-	36,565	-	-	-	-	-	-	-	36,565	-	36,565
Issue of share capital	32,321	-	-	-	-	-	-	-	-	32,321	-	32,321
Movement in special reserve	-	-	-	-	-	(78)	-	-	78	-	-	-
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	-	-	(2,758)	(2,758)	-	(2,758)
Dividend paid	-	-	-	-	-	-	-	-	(14,808)	(14,808)	-	(14,808)
At 30 June 2020	166,941	36,565	44,746	25,560	16,000	3,837	(2,088)	9,130	56,857	357,548	72,553	430,101

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

The accompanying notes 1 to 30 form part of these condensed interim financial statements.

## CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

	Notes	Unaudited Consolidated		Unaudited Parent Company	
		30-Jun-21 RO '000	30-Jun-20 RO '000	30-Jun-21 RO '000	30-Jun-20 RO '000
<b>Operating activities</b>					
Profit before tax		12,290	12,549	9,872	12,549
Adjustments:					
Depreciation	22	4,022	3,115	3,268	3,115
Impairment losses on financial assets		14,012	9,237	12,900	9,237
Income from held to maturity securities		(6,689)	(4,305)	(5,288)	(4,305)
Dividend Income	20	(129)	(71)	(129)	(71)
Loss on sale of property and equipment		-	3	-	3
Interest on subordinated debt	17	452	548	452	548
Changes in fair value of financial assets at FVTPL	20	(25)	236	(25)	236
		<u>23,933</u>	<u>21,312</u>	<u>21,050</u>	<u>21,312</u>
<b>Changes in operating assets and liabilities</b>					
Loans, advances and financing activities for customers		(24,387)	(26,799)	18,700	(26,799)
Due from banks		13,000	475	13,000	563
Other assets		(18,664)	(8,157)	(8,538)	(7,559)
Deposits from customers		(47,185)	9,868	(128,772)	9,868
Other liabilities		7,640	1,645	(876)	1,638
		<u>(45,663)</u>	<u>(1,656)</u>	<u>(85,436)</u>	<u>(977)</u>
Cash used in operating activities		(45,663)	(1,656)	(85,436)	(977)
Tax paid		(2,636)	(5,424)	(2,636)	(5,424)
		<u>(48,299)</u>	<u>(7,080)</u>	<u>(88,072)</u>	<u>(6,401)</u>
<b>Investing activities</b>					
Purchase of investments		(86,856)	(19,635)	(86,857)	(19,788)
Disposals and redemptions		37,772	1,064	36,672	1,064
Income from investments at amortized cost		6,689	4,305	5,288	4,305
Purchase of property and equipment		(3,342)	(4,074)	(3,249)	(4,074)
Proceeds from sale of property and equipment		-	48	-	48
Dividend Income		129	71	129	71
		<u>(45,608)</u>	<u>(18,221)</u>	<u>(48,017)</u>	<u>(18,374)</u>
<b>Net cash used in investing activities</b>					
<b>Financing activities</b>					
Proceeds from Perpetual Tier 1 capital bonds		96,250	-	96,250	-
Subordinated debt repayment		(20,000)	-	(20,000)	-
Interest paid on subordinated debt		(452)	(548)	(452)	(548)
Interest on Perpetual Tier 1 capital bonds		(2,758)	(2,758)	(2,758)	(2,758)
Additional Tier 1 cost		(933)	-	(933)	-
Dividends paid		-	(14,808)	-	(14,808)
		<u>72,107</u>	<u>(18,114)</u>	<u>72,107</u>	<u>(18,114)</u>
<b>Net cash from / (used in) financing activities</b>					
Net decrease in cash and cash equivalents		(21,800)	(43,415)	(63,982)	(42,889)
Cash and cash equivalents at the beginning of period		265,311	178,501	220,576	178,501
Acquisition (disposal) adjustment		-	29,314	-	(6,639)
		<u>243,511</u>	<u>164,220</u>	<u>156,594</u>	<u>128,973</u>
<b>Cash and cash equivalents at the end of period</b>	<b>23</b>	<b>243,511</b>	<b>164,220</b>	<b>156,594</b>	<b>128,973</b>

The accompanying notes 1 to 30 form part of these condensed interim financial statements.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021 (UNAUDITED)

### 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. On 6 July 2020, Oman Arab Bank SAOC was listed on Muscat Securities Market (MSM) and consequently the name was changed from Oman Arab Bank SAOC to Oman Arab Bank SAOG. 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 and now is the subsidiary of Arab Bank PLC, an entity based in Jordan.

On 30 June 2020, the Parent Company acquired 100% of the shares in Alizz Islamic Bank SAOC (AIB or the Subsidiary). 0.02% shares in AIB are held beneficially for and on behalf of the Parent Company by 2 major shareholders. AIB is principally engaged in banking activities in accordance with the principles of Islamic Shari'a. AIB principal place of business is Alizz Tower P.O. Box 753 CBD Area, PC 112 Sultanate of Oman.

On 6 July 2020, the Parent Company transferred its Islamic Window (Al Yusr) to AIB. Hence, the Parent Company is now having AIB as a separate Islamic Banking subsidiary. Al Yusr Islamic Window has been transferred based on net assets value as of 30 June 2020 as common control transaction.

These condensed interim financial statements which includes consolidated condensed interim statement of profit or loss and other comprehensive income, statement of cashflows and statement of changes in equity for the six months period ended 30 June 2021 comprises of the results of the Parent company after disposal of Al Yusr and the Subsidiary from date of acquisition. The Parent Company results comprises of the results of the Parent Company for the period after disposal of Al Yusr. Comparative financial information relating of 30 June 2020 remains same for the Parent Company and the Group. Accordingly, disclosed in one column.

The Parent Company and the Subsidiary together are referred as 'Group' or 'Bank'.

The Group employed 1,516 [Parent Company: 1,139] staff as at 30 June 2021 [(Parent Company: 30 June 2020: 1,220), 31 December 2020: 1,523 (Parent Company 1,145) staff].

### 2 Basis of preparation and accounting policies

#### 2.1 Basis of preparation

The condensed interim financial statements of the Bank are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* and should be read in conjunction with the Group's last annual financial statements as at and for the year ended 31 December 2020 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. In addition, results of the six months period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2020, unless otherwise stated.

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

The condensed interim 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.

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021 (UNAUDITED)

### 2 Basis of preparation and accounting policies (continued)

#### 2.2 Use of judgements and estimates

In preparing these condensed interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

#### 2.3 New standards, implementations and amendments in existing standards

The accounting policies applied by the Group in these condensed interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 31 December 2020, except for the adoption of the following amendment to the existing standard as of 1 January 2021.

The following amendments to existing standards and framework have been applied by the Group in preparation of these interim condensed financial statements. The adoption of the below did not result in changes to previously reported net profit or equity of the Group.

<i>Description</i>	<i>Effective from</i>
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

#### ***Interest Rate Benchmark Reform:***

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 where cessation may be delayed until 30 June 2023.

IBOR reform exposes the Group to various risks. 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; and
- Accounting risk if the Group's hedging relationships, if any, fail and from unrepresentative income statement volatility as financial instruments transition to RFRs.

#### ***Interest Rate Benchmark Reform - Phase 2 amendments***

Effective from 1 January 2021, the Group 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 an 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 assets, financial liabilities and lease liabilities and hedge accounting.

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021 (UNAUDITED)

### 2 Basis of preparation and accounting policies (continued)

#### 2.3 New standards, implementations and amendments in existing standards (continued)

##### *Interest Rate Benchmark Reform - Phase 2 amendments (continued)*

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.

The Group is in discussion with counterparties in relation to exposure to cash flow and fair value hedges and non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2021. Management is running a project on the Group's transition activities and preparedness for adopting alternate reference rates and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

##### *Standard Issued but not yet Effective*

IFRS 17 Insurance contracts is applicable to annual reporting periods beginning on or after 1 January 2023. The Group is currently evaluating the impact of this new standard and expects to adopt this new standard on effective date.

### 3 Update on the impact of COVID-19 on the expected credit loss

In line with other global regulators, the Central Bank of Oman (CBO) has taken several measures to overcome the prevailing economic conditions such as accepting deferment of loan instalments / interest / profit for affected borrowers particularly SMEs. Initially, the CBO granted deferrals till September 30, 2020 which was extended till March 31, 2021. The CBO vide its circular BDD/CBS/CB/FLCs/2021/1436 dated March 15, 2021 further extended the deferrals till 30 September 2021, without impacting the IFRS 9 risk classification of such loans, deferring the risk classification of loans pertaining to government projects for a period of 6 months etc., Additionally, CBO seeks to facilitate additional lending and liquidity capacity of banks, through the relief of existing capital and liquidity buffers. The CBO vide its circular BSD/CB & FLCs/2021/002 dated March 18, 2021 has also suspended the two-track approach for the computation of additional provisions as per CBO norms and Significant Increase in Credit Risk (SICR) criteria assessment as per CBO circular BM 1149, the suspension of this approach is for the financial year 2021 only. As a result, there will be no change to impairment reserve during the year ending 31 December 2021.

The actions taken by the Government of Oman and the CBO provide an indication of the potential severity of the downturn and the post-recovery environment. One immediate financial impact of the current economic dislocation will be an increase in expected credit losses and other credit impairment charges ('ECLs') driven by a change in the economic scenarios used to calculate Bank's ECLs.

During the current period, due to continued uncertainties caused by COVID-19, the Group has updated the inputs and assumptions used for the determination of expected credit losses ("ECLs"). ECLs are estimated based on a range of forecast economic conditions as at the reporting date and the Group has considered the impact of volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. The Group has also updated the relevant forward-looking information based on latest available information.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021 (UNAUDITED)

### 3 Update on the impact of COVID-19 on the expected credit loss (continued)

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 30 June 2021:

Key drivers	ECL scenario and assigned weightage	Present	Year 1	Year 2	Year 3	Year 4
GDP growth (% change)	Base (50%)	-0.80%	-7.40%	1.40%	-3.92%	-3.32%
	Upside (25%)	0.78%	-2.88%	-3.49%	-3.15%	-2.80%
	Downside (25%)	-7.39%	-7.39%	-5.88%	-4.94%	-4.01%
Oil revenue (% GDP)	Base (50%)	15.77%	21.15%	20.04%	34.94%	37.32%
	Upside (25%)	53.62%	39.09%	36.67%	38.01%	39.39%
	Downside (25%)	21.19%	21.19%	27.19%	30.89%	34.60%

#### As at 31 December 2020:

Key drivers	ECL scenario and assigned weightage	Present	Year 1	Year 2	Year 3	Year 4
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%

In response to COVID 19, 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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 4 Cash and balances with Central Bank of Oman

	Consolidated		Parent Company	
	Unaudited 30-Jun-21 RO' 000	Audited 31-Dec-20 RO' 000	Unaudited 30-Jun-21 RO' 000	Audited 31-Dec-20 RO' 000
Cash in hand	39,256	39,892	30,495	31,165
Balances with the Central Bank of Oman:				
- Clearing account	99,239	132,125	24,439	99,637
- Placements	103,950	47,933	103,950	42,350
- Capital deposit	1,025	1,025	500	500
	<u>243,470</u>	<u>220,975</u>	<u>159,384</u>	<u>173,652</u>

- (i) The capital deposit cannot be withdrawn without the approval of the CBO. The capital deposit earns an annual interest at 1.5 per cent as at 30 June 2021 (31 December 2020: 1.5 per cent) 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 period.
- (ii) 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.

### 5 Due from banks

	Consolidated		Parent Company	
	Unaudited 30-Jun-21 RO'000	Audited 31-Dec-20 RO'000	Unaudited 30-Jun-21 RO'000	Audited 31-Dec-20 RO'000
Placements	5,000	33,000	5,000	33,000
Current accounts	34,378	39,879	31,021	38,091
Due from banks and other money market placements	39,378	72,879	36,021	71,091
Less: allowance for credit losses	(104)	(97)	(103)	(96)
	<u>39,274</u>	<u>72,782</u>	<u>35,918</u>	<u>70,995</u>

The movements in the allowance for credit losses on due from banks were as follows:

	Consolidated		Parent Company	
	Unaudited 30-Jun-21 RO'000	Audited 31-Dec-20 RO'000	Unaudited 30-Jun-21 RO'000	Audited 31-Dec-20 RO'000
Balance at the beginning of the period	97	354	96	354
Acquisition related adjustments	-	1	-	-
Charge / (reversal) during the period	7	(258)	7	(258)
Balance at the end of the period	<u>104</u>	<u>97</u>	<u>103</u>	<u>96</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 June 2021**

**6 Loans, advances and financing activities for customers**

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	30-Jun-21	31-Dec-20	30-Jun-21	31-Dec-20
	RO' 000	RO' 000	RO' 000	RO' 000
Corporate loans				
Term loans	1,070,996	1,091,803	1,070,996	1,091,803
Overdrafts	143,806	139,265	143,806	139,265
Bills discounted	47,949	53,572	47,949	53,572
Islamic finance	456,941	420,196	-	-
	<u>1,719,692</u>	<u>1,704,836</u>	<u>1,262,751</u>	<u>1,284,640</u>
Personal loans				
Consumer loans	398,129	402,871	398,129	402,871
Mortgage loans	324,992	314,161	324,992	314,161
Overdrafts	2,052	1,830	2,052	1,830
Credit cards	3,552	3,617	3,552	3,617
Islamic finance	326,859	320,380	-	-
	<u>1,055,584</u>	<u>1,042,859</u>	<u>728,725</u>	<u>722,479</u>
Gross loans and advances	<u>2,775,276</u>	<u>2,747,695</u>	<u>1,991,476</u>	<u>2,007,119</u>
Less: allowance for loan impairment and contractual interest not recognised	<u>(121,260)</u>	<u>(104,217)</u>	<u>(87,988)</u>	<u>(72,194)</u>
Net loans, advances and financing activities for customers	<u><u>2,654,016</u></u>	<u><u>2,643,478</u></u>	<u><u>1,903,488</u></u>	<u><u>1,934,925</u></u>

***Allowance for loan impairment and contractual interest not recognised***

The movements in the allowance for the loan impairment and contractual interest not recognised on loan, advances and financing activities for customers were as follows:

30 June 2021 (Unaudited)	Contractual		Total
Consolidated	Allowance for credit losses	interest not recognised	
	RO' 000	RO' 000	RO' 000
Balance at 1 January 2021	92,494	11,723	104,217
Provided during the period	16,446	5,147	21,593
Amounts written off during the period	(538)	(1,409)	(1,947)
Amounts released / recovered during the period	(1,939)	(664)	(2,603)
	<u>106,463</u>	<u>14,797</u>	<u>121,260</u>
Balance at end of 30 June 2021	<u><u>106,463</u></u>	<u><u>14,797</u></u>	<u><u>121,260</u></u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 June 2021**

**6 Loans, advances and financing activities for customers (continued)**

*Allowance for loan impairment and contractual interest not recognised (continued)*

<b>30 June 2021 (Unaudited)</b>	<b>Allowance for</b>	<b>Contractual</b>	
<b>Parent Company</b>	<b>credit losses</b>	<b>interest not</b>	<b>Total</b>
	<b>RO' 000</b>	<b>recognised</b>	<b>RO' 000</b>
		<b>RO' 000</b>	<b>RO' 000</b>
Balance at 1 January 2021	62,197	9,997	72,194
Provided during the period	15,341	4,950	20,291
Amounts written off during the period	(485)	(1,409)	(1,894)
Amounts released / recovered during the period	(1,939)	(664)	(2,603)
Balance at end of 30 June 2021	<u>75,114</u>	<u>12,874</u>	<u>87,988</u>

Total allowance for the expected credit loss on the performing loans as at 30 June 2021 is RO 47,927 thousand (31 December 2020: RO 39,395 thousand (Consolidated); [30 June 2021: RO 34,583 thousand (31 December 2020: RO 26,954 thousand (Parent Company)]).

As at 30 June 2021, the gross non-performing financial assets amounts to RO 129,747 thousand (31 December 2020: RO 123,644 thousand (Consolidated); [30 June 2021: RO 103,286 thousand (31 December 2020: RO 97,151 thousand (Parent Company)]).

**Islamic financing**

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

<b>30 June 2021 (Unaudited)</b>	<b>Corporate</b>	<b>Retail</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Musharaka	163,777	125,345	289,122
Murabaha	48,136	59,933	108,069
Ijarah Muntahia Bittamleek	102,795	139,253	242,048
Wakala	142,233	300	142,533
Others	-	2,028	2,028
Balance at end of 30 June 2021	<u>456,941</u>	<u>326,859</u>	<u>783,800</u>
<b>31 December 2020 (Audited)</b>	<b>Corporate</b>	<b>Retail</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
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 end of 31 December 2020	<u>420,196</u>	<u>320,380</u>	<u>740,576</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 6 Loans, advances and financing activities for customers (continued)

#### 6 a) Movement in Expected credit losses (ECL)

30 June 2021

Consolidated (Unaudited)	Stage 1 RO 000	Stage 2 RO 000	Stage 3 RO 000	Total RO 000
<b>Exposure subject to ECL</b>				
- Loans and Advances to Customers and interest receivables	2,090,808	601,269	129,111	<b>2,821,188</b>
- Investment Securities (Debt)	86,302	-	401	<b>86,703</b>
- Loan Commitments and Financial Guarantees	501,144	184,773	235	<b>686,152</b>
- Due from Banks and Other Financial Assets	243,187	-	-	<b>243,187</b>
	<b>2,921,441</b>	<b>786,042</b>	<b>129,747</b>	<b>3,837,230</b>
<b>Opening balance as at 1 January 2021</b>				
- Loans and Advances to Customers and interest receivables	9,820	29,193	52,529	<b>91,542</b>
- Investment Securities (Debt)	67	-	403	<b>470</b>
- Loan Commitments and Financial Guarantees	203	179	504	<b>886</b>
- Due from Banks and Other Financial Assets	97	-	-	<b>97</b>
	<b>10,187</b>	<b>29,372</b>	<b>53,436</b>	<b>92,995</b>
<b>Net transfer between stages</b>				
- Loans and Advances to Customers and interest receivables	219	(384)	232	<b>67</b>
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks and Other Financial Assets	-	-	-	-
	<b>219</b>	<b>(384)</b>	<b>232</b>	<b>67</b>
<b>Charge for the year (net)</b>				
- Loans and Advances to Customers and interest receivables	59	7,305	6,822	<b>14,186</b>
- Investment Securities (Debt)	166	-	(3)	<b>163</b>
- Loan Commitments and Financial Guarantees	208	125	(12)	<b>321</b>
- Due from Banks and Other Financial Assets	7	-	-	<b>7</b>
	440	7,430	6,807	<b>14,677</b>
<b>- Write Off</b>	-	-	(538)	<b>(538)</b>
<b>Closing balance as at 30 June 2021</b>				
- Loans and Advances to Customers and interest receivables	<b>10,098</b>	<b>36,114</b>	<b>59,045</b>	<b>105,257</b>
- Investment Securities (Debt)	<b>233</b>	-	<b>400</b>	<b>633</b>
- Loan Commitments and Financial Guarantees	<b>411</b>	<b>304</b>	<b>492</b>	<b>1,207</b>
- Due from Banks and Other Financial Assets	<b>104</b>	-	-	<b>104</b>
	<b>10,846</b>	<b>36,418</b>	<b>59,937</b>	<b>107,201</b>

Exposure subject to ECL does not include balances with CBO (note 4) and Government Development Bonds and Sukuk (note 7). Management believes these being sovereign exposures, the Bank is not exposed to credit risk requiring ECL provision.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 JUNE 2021**

**6 Loans, advances and financing activities for customers (continued)**

**6 a) Movement in Expected credit losses (ECL) (continued)**

**30 June 2021**

<b>Parent Company (Unaudited)</b>	<b>Stage 1 RO' 000</b>	<b>Stage 2 RO'000</b>	<b>Stage 3 RO'000</b>	<b>Total RO'000</b>
<b>Exposure subject to ECL</b>				
- Loans and Advances to Customers and interest receivables	1,443,519	467,488	103,286	<b>2,014,293</b>
- Investment Securities (Debt)	23,696	-	-	<b>23,696</b>
- Loan Commitments and Financial Guarantees	431,184	179,613	-	<b>610,797</b>
- Due from Banks and Other Financial Assets	236,608	-	-	<b>236,608</b>
	<b>2,135,007</b>	<b>647,101</b>	<b>103,286</b>	<b>2,885,394</b>
<b>Opening Balance- as at 1 January 2021</b>				
- Loans and Advances to Customers and interest receivables	7,168	19,523	35,176	<b>61,867</b>
- Investment Securities (Debt)	67	-	-	<b>67</b>
- Loan Commitments and Financial Guarantees	138	125	-	<b>263</b>
- Due from Banks and Other Financial Assets	96	-	-	<b>96</b>
	<b>7,469</b>	<b>19,648</b>	<b>35,176</b>	<b>62,293</b>
<b>Net transfer between stages</b>				
- Loans and Advances to Customers and interest receivables	710	(849)	206	67
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks and Other Financial Assets	-	-	-	-
	<b>710</b>	<b>(849)</b>	<b>206</b>	<b>67</b>
<b>Charge for the Period (net)</b>				
- Loans and Advances to Customers and interest receivables	739	6,768	5,634	<b>13,141</b>
- Investment Securities (Debt)	156	-	-	<b>156</b>
- Loan Commitments and Financial Guarantees	187	74	-	<b>261</b>
- Due from Banks and Other Financial Assets	7	-	-	<b>7</b>
	<b>1,089</b>	<b>6,842</b>	<b>5,634</b>	<b>13,565</b>
- Write Off	-	-	(485)	<b>(485)</b>
<b>Closing Balance - as at 30 June 2021</b>				
- Loans and Advances to Customers and interest receivables	<b>8,617</b>	<b>25,442</b>	<b>40,531</b>	<b>74,590</b>
- Investment Securities (Debt)	<b>223</b>	-	-	<b>223</b>
- Loan Commitments and Financial Guarantees	<b>325</b>	<b>199</b>	-	<b>524</b>
- Due from Banks and Other Financial Assets	<b>103</b>	-	-	<b>103</b>
	<b>9,268</b>	<b>25,641</b>	<b>40,531</b>	<b>75,440</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 6 Loans, advances and financing activities for customers (continued)

#### 6 a) Movement in Expected credit losses (ECL) (continued)

30 June 2020

Consolidated (Unaudited)	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	1,977,616	597,943	97,170	2,672,729
- Investment Securities (Debt)	51,785	-	-	51,785
- Loan Commitments and Financial Guarantees	527,621	378,045	763	906,429
- Due from Banks, Central Banks and Other Financial Assets	292,031	-	-	292,031
	2,849,053	975,988	97,933	3,922,974
Opening balance as at 1 January 2020				
- Loans and Advances to Customers	7,001	14,973	24,489	46,463
- Investment Securities (Debt)	67	-	-	67
- Loan Commitments and Financial Guarantees	490	134	-	624
- Due from Banks, Central Banks and Other Financial Assets	354	-	-	354
	7,912	15,107	24,489	47,508
Net transfer between stages				
- Loans and Advances to Customers	108	(205)	97	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	(29)	29	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	79	(176)	97	-
Charge for the year (net)				
- Loans and Advances to Customers	724	4,848	2,239	7,811
- Investment Securities (Debt)	(3)	-	-	(3)
- Loan Commitments and Financial Guarantees	4	18	-	22
- Due from Banks, Central Banks and Other Financial Assets	(141)	-	-	(141)
	584	4,866	2,239	7,689
- Write Off	-	-	(66)	(66)
Acquisition related adjustments				
- Loans and Advances to Customers	1,642	4,867	12,678	19,187
- Investment Securities (Debt)	10	-	-	10
- Loan Commitments and Financial Guarantees	64	53	504	621
- Due from Banks, Central Banks and Other Financial Assets	1	-	-	1
	1,717	4,920	13,182	19,819
Closing balance as at 30 June 2020				
- Loans and Advances to Customers	9,475	24,483	39,437	73,395
- Investment Securities (Debt)	74	-	-	74
- Loan Commitments and Financial Guarantees	529	234	504	1,267
- Due from Banks, Central Banks and Other Financial Assets	214	-	-	214
	10,292	24,717	39,941	74,950

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 6 Loans, advances and financing activities for customers (continued)

#### 6 a) Movement in Expected credit losses (ECL) (continued)

30 June 2020

Parent Company (Unaudited)	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	1,390,285	487,305	71,124	1,948,714
- Investment Securities (Debt)	9,377	-	-	9,377
- Loan Commitments and Financial Guarantees	475,754	341,852	-	817,606
- Due from Banks, Central Banks and Other Financial Assets	286,256	-	-	286,256
	2,161,672	829,157	71,124	3,061,953
Opening balance as at 1 January 2020				
- Loans and Advances to Customers	7,001	14,973	24,489	46,463
- Investment Securities (Debt)	67	-	-	67
- Loan Commitments and Financial Guarantees	490	134	-	624
- Due from Banks, Central Banks and Other Financial Assets	354	-	-	354
	7,912	15,107	24,489	47,508
Net transfer between stages				
- Loans and Advances to Customers	108	(205)	97	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	(29)	29	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	79	(176)	97	-
Charge for the year (net)				
- Loans and Advances to Customers	724	4,848	2,239	7,811
- Investment Securities (Debt)	(3)	-	-	(3)
- Loan Commitments and Financial Guarantees	4	18	-	22
- Due from Banks, Central Banks and Other Financial Assets	(141)	-	-	(141)
	584	4,866	2,239	7,689
- Write Off	-	-	66	66
Disposal related adjustments				
- Loans and Advances to Customers	(795)	(542)	(1,788)	(3,125)
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	(2)	(1)	-	(3)
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	(797)	(543)	(1,788)	(3,128)
Closing balance as at 30 June 2020				
- Loans and Advances to Customers	7,038	19,074	24,971	51,083
- Investment Securities (Debt)	64	-	-	64
- Loan Commitments and Financial Guarantees	463	180	-	643
- Due from Banks, Central Banks and Other Financial Assets	213	-	-	213
	7,778	19,254	24,971	52,003



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 JUNE 2021**

**6 Loans, advances and financing activities for customers (continued)**

**6 b) Impairment charge and provisions held**

**Consolidated (Unaudited)  
30-Jun-21**

	As per CBO Norms	As per IFRS 9	RO 000 Difference
Impairment loss charged to profit or loss account	14,012	14,012	-
Provisions required as per CBO norms / held as per IFRS 9	101,571	107,201	(5,630)
Gross NPL ratio	4.68%	4.68%	
Net NPL ratio	2.21%	2.52%	

**Parent Company (Unaudited)  
30-Jun-21**

	As per CBO Norms	As per IFRS 9	RO 000 Difference
Impairment loss charged to profit or loss account	12,900	12,900	-
Provisions required as per CBO norms / held as per IFRS 9	80,895	75,440	5,455
Gross NPL ratio	5.19%	5.19%	
Net NPL ratio	2.78%	3.15%	

The CBO regulation requires that the allowance for credit losses should be in accordance with IFRS 9 and if the provision requirement in accordance with the CBO guidelines is 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. However, as per circular BSD/CB/&FLCs/2021/002 dated 18 March 2021, CBO has suspended two-track approach / parallel run for the computation of additional provisions as per CBO norms for 2021 only. During the period no reserve has been transferred to 'Impairment Reserve' as there is no additional provision required as per CBO guidelines.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 JUNE 2021**

**6 Loans, advances and financing activities for customers (continued)**

**6 c) Available and Booked**

**30-Jun-2021**

**Consolidated (Unaudited)**

(Amounts in RO'000)

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	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
					(6) = (4) - (5)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Standard	Stage 1	1,884,818	16,928	8,771	8,157	1,867,890	1,876,047	-	-
	Stage 2	216,251	1,510	7,871	(6,361)	214,741	208,380	-	-
	Stage 3	-	-	-	-	-	-	-	-
		<b>2,101,069</b>	<b>18,438</b>	<b>16,642</b>	<b>1,796</b>	<b>2,082,631</b>	<b>2,084,427</b>	-	-
Special Mention	Stage 1	205,990	2,011	1,369	642	203,979	204,621	-	-
	Stage 2	385,018	12,587	28,317	(15,730)	372,431	356,701	-	-
	Stage 3	-	-	-	-	-	-	-	-
		<b>591,008</b>	<b>14,598</b>	<b>29,686</b>	<b>(15,088)</b>	<b>576,410</b>	<b>561,322</b>	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,304	556	719	(163)	1,699	1,585	-	49
		<b>2,304</b>	<b>556</b>	<b>719</b>	<b>(163)</b>	<b>1,699</b>	<b>1,585</b>	-	<b>49</b>
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	30,576	14,208	15,910	(1,702)	14,712	14,666	-	1,656
		<b>30,576</b>	<b>14,208</b>	<b>15,910</b>	<b>(1,702)</b>	<b>14,712</b>	<b>14,666</b>	-	<b>1,656</b>
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	96,231	53,540	42,750	10,790	29,599	53,481	-	13,092
		<b>96,231</b>	<b>53,540</b>	<b>42,750</b>	<b>10,790</b>	<b>29,599</b>	<b>53,481</b>	-	<b>13,092</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	830,633	-	706	(706)	830,633	829,927	-	-
	Stage 2	184,773	-	230	(230)	184,773	184,543	-	-
	Stage 3	636	231	558	(327)	405	78	-	-
		<b>1,016,042</b>	<b>231</b>	<b>1,494</b>	<b>(1,263)</b>	<b>1,015,811</b>	<b>1,014,548</b>	-	-
<b>Total</b>	Stage 1	<b>2,921,441</b>	<b>18,939</b>	<b>10,846</b>	<b>8,093</b>	<b>2,902,502</b>	<b>2,910,595</b>	-	-
	Stage 2	<b>786,042</b>	<b>14,097</b>	<b>36,418</b>	<b>(22,321)</b>	<b>771,945</b>	<b>749,624</b>	-	-
	Stage 3	<b>129,747</b>	<b>68,535</b>	<b>59,937</b>	<b>8,598</b>	<b>46,415</b>	<b>69,810</b>	-	<b>14,797</b>
	<b>Total</b>	<b>3,837,230</b>	<b>101,571</b>	<b>107,201</b>	<b>(5,630)</b>	<b>3,720,862</b>	<b>3,730,029</b>	-	<b>14,797</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 6 Loans, advances and financing activities for customers (continued)

#### 6 c) Available and Booked (continued)

30-Jun-2021

Parent Company (Unaudited)

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	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)-(5)	(8) = (3)-(5)	(9)	(10)
	Stage 1	1,237,529	16,923	7,248	9,675	1,220,606	1,230,281	-	-
	Stage 2	151,295	1,510	2,226	(716)	149,785	149,069	-	-
Standard	Stage 3	-	-	-	-	-	-	-	-
Subtotal		<b>1,388,824</b>	<b>18,433</b>	<b>9,474</b>	<b>8,959</b>	<b>1,370,391</b>	<b>1,379,350</b>	-	-
	Stage 1	205,990	2,011	1,369	642	203,979	204,621	-	-
	Stage 2	316,193	12,576	23,216	(10,640)	303,617	292,977	-	-
Special Mention	Stage 3	-	-	-	-	-	-	-	-
Subtotal		<b>522,183</b>	<b>14,587</b>	<b>24,585</b>	<b>(9,998)</b>	<b>507,596</b>	<b>497,598</b>	-	-
	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
Substandard	Stage 3	2,111	517	645	(128)	1,549	1,466	-	45
Subtotal		<b>2,111</b>	<b>517</b>	<b>645</b>	<b>(128)</b>	<b>1,549</b>	<b>1,466</b>	-	<b>45</b>
	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
Doubtful	Stage 3	28,395	13,156	14,567	(1,411)	13,668	13,828	-	1,571
Subtotal		<b>28,395</b>	<b>13,156</b>	<b>14,567</b>	<b>(1,411)</b>	<b>13,668</b>	<b>13,828</b>	-	<b>1,571</b>
	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
Loss	Stage 3	72,780	34,202	25,319	8,883	27,320	47,461	-	11,258
Subtotal		<b>72,780</b>	<b>34,202</b>	<b>25,319</b>	<b>8,883</b>	<b>27,320</b>	<b>47,461</b>	-	<b>11,258</b>
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	691,488	-	651	(651)	691,488	690,837	-	-
	Stage 2	179,613	-	199	(199)	179,613	179,414	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		<b>871,101</b>	-	<b>850</b>	<b>(850)</b>	<b>871,101</b>	<b>870,251</b>	-	-
<b>Total</b>	<b>Stage 1</b>	<b>2,135,007</b>	<b>18,934</b>	<b>9,268</b>	<b>9,666</b>	<b>2,116,073</b>	<b>2,125,739</b>	-	-
	<b>Stage 2</b>	<b>647,101</b>	<b>14,086</b>	<b>25,641</b>	<b>(11,555)</b>	<b>633,015</b>	<b>621,460</b>	-	-
	<b>Stage 3</b>	<b>103,286</b>	<b>47,875</b>	<b>40,531</b>	<b>7,344</b>	<b>42,537</b>	<b>62,755</b>	-	<b>12,874</b>
	<b>Total</b>	<b>2,885,394</b>	<b>80,895</b>	<b>75,440</b>	<b>5,455</b>	<b>2,791,625</b>	<b>2,809,954</b>	-	<b>12,874</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 6 Loans, advances and financing activities for customers (continued)

#### 6 c) Available and Booked (continued)

31-Dec-2020

Consolidated (Audited)

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	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	1,808,268	23,369	8,858	14,511	1,784,900	1,799,410	-	-
	Stage 2	264,674	2,686	7,748	(5,062)	261,990	256,926	-	-
	Stage 3	-	-	-	-	-	-	-	-
		2,072,942	26,055	16,606	9,449	2,046,890	2,056,336	-	-
Special Mention	Stage 1	195,921	1,922	995	927	193,999	194,926	-	-
	Stage 2	347,797	11,417	21,461	(10,044)	336,381	326,336	-	-
	Stage 3	-	-	-	-	-	-	-	-
		543,718	13,339	22,456	(9,117)	530,380	521,262	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	26,154	6,271	12,155	(5,884)	19,334	13,999	-	550
		26,154	6,271	12,155	(5,884)	19,334	13,999	-	550
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	13,863	5,846	7,513	(1,667)	7,238	6,350	-	778
		13,863	5,846	7,513	(1,667)	7,238	6,350	-	778
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	82,994	44,188	33,198	10,990	28,410	49,796	-	10,395
		82,994	44,188	33,198	10,990	28,410	49,796	-	10,395
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	813,349	-	334	(334)	813,349	813,015	-	-
	Stage 2	304,159	-	163	(163)	304,159	303,996	-	-
	Stage 3	633	229	570	(341)	404	63	-	-
		1,118,141	229	1,067	(838)	1,117,912	1,117,074	-	-
Total	Stage 1	2,817,538	25,291	10,187	15,104	2,792,248	2,807,351	-	-
	Stage 2	916,630	14,103	29,372	(15,269)	902,530	887,258	-	-
	Stage 3	123,644	56,534	53,436	3,098	55,386	70,208	-	11,723
	Total	3,857,812	95,928	92,995	2,933	3,750,164	3,764,817	-	11,723

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 6 Loans, advances and financing activities for customers (continued)

#### 6 c) Available and Booked (continued)

31-Dec-2020

Parent Company (Audited)

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	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	1,215,660	16,870	6,205	10,665	1,198,790	1,209,455	-	-
	Stage 2	204,029	2,044	3,053	(1,008)	201,985	200,976	-	-
	Stage 3	-	-	-	-	-	-	-	-
		1,419,689	18,914	9,258	9,657	1,400,774	1,410,431	-	-
Special Mention	Stage 1	191,647	1,877	964	913	189,771	190,684	-	-
	Stage 2	392,572	10,796	16,470	(5,674)	281,777	276,102	-	-
	Stage 3	-	-	-	-	-	-	-	-
		484,219	12,673	17,434	(4,761)	471,546	466,786	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	24,565	5,978	11,556	(5,579)	18,072	13,008	-	516
		24,565	5,978	11,556	(5,579)	18,072	13,008	-	516
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,500	1,763	1,207	(556)	2,544	3,292	-	192
		4,500	1,763	1,207	(556)	2,544	3,292	-	192
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	68,086	32,095	22,413	9,682	26,702	45,673	-	9,289
		68,086	32,095	22,413	9,682	26,702	45,673	-	9,289
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	647,603	-	300	(300)	647,603	647,302	-	-
	Stage 2	300,761	-	125	(125)	300,761	300,636	-	-
	Stage 3	-	-	-	-	-	-	-	-
		948,364	-	425	(425)	948,364	947,938	-	-
Total	Stage 1	2,054,910	18,757	7,469	11,277	2,036,164	2,047,441	-	-
	Stage 2	797,362	12,841	19,648	(6,807)	784,521	777,714	-	-
	Stage 3	97,151	39,836	35,176	4,660	47,318	61,973	-	9,997
	Total	2,949,423	71,423	62,293	9,130	2,868,002	2,887,128	-	9,997

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 6 Loans, advances and financing activities for customers (continued)

#### Restructured loans

30-June-2021

Consolidated (Unaudited)

(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	162,448	10,587	17,011	(6,424)	151,861	145,437	-	-
	Stage 3	-	-	-	-	-	-	-	-
		<b>162,448</b>	<b>10,587</b>	<b>17,011</b>	<b>(6,424)</b>	<b>151,861</b>	<b>145,437</b>	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	31,625	17,905	16,475	1,430	11,560	15,150	-	2,160
		<b>31,625</b>	<b>17,905</b>	<b>16,475</b>	<b>1,430</b>	<b>11,560</b>	<b>15,150</b>	-	<b>2,160</b>
<b>Total</b>	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	162,448	10,587	17,011	(6,424)	151,861	145,437	-	-
	Stage 3	31,625	17,905	16,475	1,430	11,560	15,150	-	2,160
	<b>Total</b>	<b>194,073</b>	<b>28,492</b>	<b>33,486</b>	<b>(4,994)</b>	<b>163,421</b>	<b>160,587</b>	-	<b>2,160</b>

Parent Company (Unaudited)

(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	122,577	10,587	13,160	(2,573)	111,990	109,417	-	-
	Stage 3	-	-	-	-	-	-	-	-
		<b>122,577</b>	<b>10,587</b>	<b>13,160</b>	<b>(2,573)</b>	<b>111,990</b>	<b>109,417</b>	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	26,585	12,965	12,815	150	11,886	13,770	-	1,734
		<b>26,585</b>	<b>12,965</b>	<b>12,815</b>	<b>150</b>	<b>11,886</b>	<b>13,770</b>	-	<b>1,734</b>
<b>Total</b>	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	122,577	10,587	13,160	(2,573)	111,990	109,417	-	-
	Stage 3	26,585	12,965	12,815	150	11,886	13,770	-	1,734
	<b>Total</b>	<b>149,162</b>	<b>23,552</b>	<b>25,975</b>	<b>(2,423)</b>	<b>123,876</b>	<b>123,187</b>	-	<b>1,734</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 6 Loans, advances and financing activities for customers (continued)

#### Restructured loans (continued)

31-Dec-2020

Consolidated (Audited)

(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 (7)=(3)-(4)-(10)	Net Carrying Amount as per IFRS 9 (8) = (3)-(5)	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(10)	(5)	(9)	(10)
	Stage 1	-	-	-	-	-	-	-	-
Classified as performing	Stage 2	149,534	9,526	14,450	(4,924)	140,009	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	(5,153)	19,332	15,018	-	839
		30,147	9,977	15,128	(5,153)	19,332	15,018	-	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	(5,153)	19,331	15,018	-	839
<b>Total</b>	<b>Total</b>	<b>179,681</b>	<b>19,503</b>	<b>29,578</b>	<b>(10,077)</b>	<b>159,339</b>	<b>150,102</b>	<b>-</b>	<b>839</b>

Parent Company (Audited)

(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* (7)=(3)-(4)-(10)	Net Carrying Amount as per IFRS 9 (8) = (3)-(5)	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(10)	(5)	(9)	(10)
	Stage 1	-	-	-	-	-	-	-	-
Classified as performing	Stage 2	115,638	9,488	11,005	(1,517)	106,150	104,633	-	-
	Stage 3	-	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>115,638</b>	<b>9,488</b>	<b>11,005</b>	<b>(1,517)</b>	<b>106,150</b>	<b>104,633</b>	<b>-</b>	<b>-</b>
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	25,206	7,672	11,085	(3,414)	17,072	14,121	-	462
<b>Sub total</b>		<b>25,206</b>	<b>7,672</b>	<b>11,085</b>	<b>(3,414)</b>	<b>17,072</b>	<b>14,121</b>	<b>-</b>	<b>462</b>
	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	115,638	9,488	11,005	(1,517)	106,150	104,633	-	-
	Stage 3	25,206	7,672	11,085	(3,414)	17,072	14,121	-	462
<b>Total</b>	<b>Total</b>	<b>140,844</b>	<b>17,160</b>	<b>22,090</b>	<b>(4,931)</b>	<b>123,222</b>	<b>118,754</b>	<b>-</b>	<b>462</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 JUNE 2021**

**7 Investment securities**

	Consolidated		Parent Company	
	Unaudited Carrying value 30-Jun-21 RO'000	Audited Carrying value 31-Dec-20 RO'000	Unaudited Carrying value 30-Jun-21 RO'000	Audited Carrying value 31-Dec-20 RO'000
<b>Fair value through profit and loss (FVTPL)</b>				
<b>Quoted investments- Oman</b>				
Banking and investment sector	264	250	264	250
	<b>264</b>	<b>250</b>	<b>264</b>	<b>250</b>
<b>Quoted investments- Foreign</b>				
Banking and investment sector	165	153	165	153
	<b>165</b>	<b>153</b>	<b>165</b>	<b>153</b>
<b>Total Fair value through profit and loss</b>	<b>429</b>	<b>403</b>	<b>429</b>	<b>403</b>
<b>Equity investments measured at FVOCI</b>				
<b>Quoted investments- Oman</b>				
Banking and investment sector	546	1,195	546	1,195
Manufacturing sector	632	842	632	842
Service sector	821	1,776	821	1,776
	<b>1,999</b>	<b>3,813</b>	<b>1,999</b>	<b>3,813</b>
<b>Quoted investments- Foreign</b>				
Banking and investment sector	-	174	-	174
Service sector	-	65	-	65
	<b>-</b>	<b>239</b>	<b>-</b>	<b>239</b>
<b>Unquoted investments</b>				
Banking and investment sector	168	168	168	168
Service sector	570	595	169	169
	<b>738</b>	<b>763</b>	<b>337</b>	<b>337</b>
<b>Debt investments measured at FVOCI</b>				
Government Sukuk	41,073	37,883	-	-
Government Development Bonds (GDBs)	18,454	-	18,454	-
Service sector	10,939	-	10,939	-
Banking and investment sector	3,291	4,346	-	-
	<b>73,757</b>	<b>42,229</b>	<b>29,393</b>	<b>-</b>
<b>Total FVOCI</b>	<b>76,494</b>	<b>47,044</b>	<b>31,729</b>	<b>4,389</b>
<b>Amortized Cost</b>				
<b>Quoted investments- Oman</b>				
Government Development Bonds (GDBs)	182,827	162,589	182,827	162,589
Government Sukuk	18,095	21,266	-	-
Service sector	12,757	9,386	12,757	9,386
	<b>213,679</b>	<b>193,241</b>	<b>195,584</b>	<b>171,975</b>
<b>Total Gross financial investments</b>	<b>290,602</b>	<b>240,688</b>	<b>227,742</b>	<b>176,767</b>
Less: allowance for impairment	(633)	(470)	(223)	(67)
<b>Total financial investments</b>	<b>289,969</b>	<b>240,218</b>	<b>227,519</b>	<b>176,700</b>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 JUNE 2021**

**7 Investment securities (continued)**

The following table contains their levels in the fair value hierarchy as of 30 June 2021.

**Consolidated (Unaudited)**

**30-Jun-21**

	<b>Level 1 RO'000</b>	<b>Level 3 RO'000</b>	<b>Total RO'000</b>
<i>Investment measured at FVTPL</i>			
Quoted investments	429	-	<b>429</b>
<i>Equity investment measured at FVOCI</i>			
Quoted investments	1,999	-	<b>1,999</b>
Unquoted investments	-	738	<b>738</b>
<i>Debt investments measured at FVOCI</i>			
Quoted investments	73,757	-	<b>73,757</b>
<i>Investment measured at amortised cost</i>			
Quoted investments	213,679	-	<b>213,679</b>
<b>Total gross financial investments</b>	<b>289,864</b>	<b>738</b>	<b>290,602</b>
Less: allowance for impairment	(633)	-	<b>(633)</b>
<b>Total financial investments</b>	<b>289,231</b>	<b>738</b>	<b>289,969</b>

**Consolidated (Audited)**

**31-Dec-20**

	<b>Level 1 RO'000</b>	<b>Level 3 RO'000</b>	<b>Total RO'000</b>
<i>Investment measured at FVTPL</i>			
Quoted investments	403	-	<b>403</b>
<i>Equity investment measured at FVOCI</i>			
Quoted investments	4,052	-	<b>4,052</b>
Unquoted investments	-	763	<b>763</b>
<i>Debt investments measured at FVOCI</i>			
Quoted investments	42,229	-	<b>42,229</b>
<i>Investment measured at amortised cost</i>			
Quoted investments	193,242	-	<b>193,242</b>
<b>Total gross financial investments</b>	<b>239,925</b>	<b>763</b>	<b>240,688</b>
Less: allowance for impairment	(470)	-	<b>(470)</b>
<b>Total financial investments</b>	<b>239,455</b>	<b>763</b>	<b>240,218</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 7 Investment securities (continued)

Parent Company (Unaudited) 30-Jun-21	Level 1 RO'000	Level 3 RO'000	Total RO'000
<i>Investment measured at FVTPL</i>			
Quoted investments	429	-	429
Unquoted investments	-	-	-
<i>Equity investment measured at FVOCI</i>			
Quoted investments	1,999	-	1,999
Unquoted investments	-	337	337
<i>Debt investments measured at FVOCI</i>			
Quoted investments	29,393	-	29,393
<i>Investment measured at amortised cost</i>			
Quoted investments	195,584	-	195,584
<b>Total gross financial investments</b>	<b>227,405</b>	<b>337</b>	<b>227,742</b>
Less: allowance for impairment	(223)	-	(223)
<b>Total financial investments</b>	<b>227,182</b>	<b>337</b>	<b>227,519</b>
Parent Company (Audited)			
31-Dec-20	Level 1 RO'000	Level 3 RO'000	Total RO'000
<i>Investment measured at FVTPL</i>			
Quoted investments	403	-	403
<i>Equity investment measured at FVOCI</i>			
Quoted investments	4,052	-	4,052
Unquoted investments	-	337	337
<i>Investment measured at amortised cost</i>			
Quoted investments	171,975	-	171,975
Total gross financial investments	176,430	337	176,767
Less: allowance for impairment	(67)	-	(67)
Total financial investments	176,363	337	176,700

### 8 Goodwill

Goodwill arising from the business combination has been recognised as follows:

Consideration transferred	<b>RO'000</b> <b>68,886</b>
Net assets provisionally recognised at the date of acquisition	<b>62,381</b>
Goodwill arising on acquisition	<b>6,505</b>

The acquisition accounting has been made based on net assets of the AIB on date of acquisition and the purchase price allocation (PPA) as per IFRS 3 "Business Combinations" is being currently finalized to determine the fair value of assets acquired and liabilities assumed.

The difference between consideration transferred and net assets acquired of RO 6,505 thousand has been recorded as provisional Goodwill which is subject to changes on completion of PPA exercise.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 JUNE 2021**

	Consolidated		Parent Company	
	Unaudited 30-Jun-21 RO' 000	Audited 31-Dec-20 RO' 000	Unaudited 30-Jun-21 RO' 000	Audited 31-Dec-20 RO' 000
<b>9 Other assets</b>				
Customers' indebtedness against acceptances	17,088	13,159	17,088	13,159
Fees receivable	2,546	1,691	2,546	1,691
Interest receivable	48,997	36,277	25,374	22,376
Prepayments	2,418	2,549	2,118	2,203
Positive fair value of derivatives	418	1,088	418	1,088
Deferred tax asset	2,403	2,459	-	-
Insurance claim receivable (note 21)	5,938	-	5,938	-
Others	8,279	12,257	4,284	8,711
	<u>88,087</u>	<u>69,480</u>	<u>57,766</u>	<u>49,228</u>
<b>10 Due to banks</b>				
Current accounts	7,954	4,923	7,954	4,923
Placements	30,254	9,498	30,254	5,648
	<u>38,208</u>	<u>14,421</u>	<u>38,208</u>	<u>10,571</u>
<b>11 Deposits from customers</b>				
Term deposits	1,201,874	1,256,283	812,627	927,000
Demand and call accounts	933,205	958,585	720,495	745,291
Saving accounts	573,046	540,442	368,868	358,471
	<u>2,708,125</u>	<u>2,755,310</u>	<u>1,901,990</u>	<u>2,030,762</u>
<b>12 Other liabilities</b>				
Liabilities against acceptances	17,088	13,159	17,088	13,159
Interest payable	29,131	30,269	18,397	22,519
Accrued expenses and other payables	22,111	13,931	10,520	8,829
Cheques and trade settlement payable	5,134	7,174	2,248	3,920
Staff terminal benefits	651	1,131	651	873
Interest and commission received in advance	2,069	2,143	2,069	2,143
Negative fair value of derivatives	230	445	230	445
Deferred tax liability	-	-	464	408
Lease liability	5,398	5,976	5,154	5,401
	<u>81,812</u>	<u>74,228</u>	<u>56,821</u>	<u>57,697</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 13 Subordinated debt

The Bank obtained 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 in November 2015. The loans carried a fixed rate of 5.5 per cent per annum, payable semi-annually with the principal payable on maturity. During the period subordinated debt matured and the Bank repaid the subordinated debt in full.

	Consolidated		Parent Company	
	Unaudited 30-Jun-21 RO'000	Audited 31-Dec-20 RO'000	Unaudited 30-Jun-21 RO'000	Audited 31-Dec-20 RO'000
Subordinated debt	-	20,000	-	20,000

### 14 Subordinated debt reserve

The subordinated debt reserve was created by a transfer of 20% of the subordinated loan out of the profit after tax for the year. During the period, the Bank repaid the subordinated debt in full and the reserve was transferred to the retained earnings in accordance to Central Bank of Oman regulations.

### 15 Perpetual Tier 1 Capital Bonds

- a) On 7 June 2021, the Bank issued unsecured perpetual Tier 1 bonds of USD 250 million equivalent to RO 96.25 million. The bonds is listed on International Security Market (IMS) of London Stock Exchange on 07 June, 2021. The bonds carry a fixed coupon rate of 7.625 per cent per annum payable semi-annually in arrears and treated as deduction from equity for capital adequacy. 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 Central Bank of Oman regulation. Transaction cost of RO 0.933 million incurred on issuance of these perpetual Tier 1 bonds has been deducted from the retained earnings for the period.
- b) 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 and treated as deduction from equity for capital adequacy. 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 Central Bank of Oman regulation.
- c) 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 and treated as deduction from equity for capital adequacy. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue mentioned in (b).

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 04 June 2026, bond under note (b) has First Call Date on 29 January 2022 and bond under note (c) has First Call date on 17 October 2023 or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 JUNE 2021**

	Consolidated (Unaudited)		Parent Company (Unaudited)		Unaudited	
	<u>Six months ended</u> 30-Jun-21 RO'000	<u>Three months ended</u> 30-Jun-21 RO'000	<u>Six months ended</u> 30-Jun-21 RO'000	<u>Three months ended</u> 30-Jun-21 RO'000	<u>Six months ended</u> 30-Jun-20 RO'000	<u>Three months ended</u> 30-Jun-20 RO'000
<b>16 Interest income</b>						
Loans and advances	52,694	25,665	52,694	25,665	54,545	27,017
Investment securities	5,159	2,819	5,159	2,819	4,305	2,213
Treasury bills	8	-	8	-	-	-
Placement with banks	121	16	121	16	936	425
	<u>57,982</u>	<u>28,500</u>	<u>57,982</u>	<u>28,500</u>	<u>59,786</u>	<u>29,655</u>
<b>17 Interest expense</b>						
Time deposits	19,601	9,479	19,601	9,479	16,610	8,031
Subordinated debt	452	181	452	181	548	274
Bank borrowings	3,362	1,705	3,362	1,705	2,112	917
Amounts deposited by banks	769	247	769	247	986	669
Savings accounts	1,633	880	1,633	880	1,216	682
Interest cost on lease liabilities	79	8	79	8	151	73
Others	541	393	541	393	88	77
	<u>26,437</u>	<u>12,893</u>	<u>26,437</u>	<u>12,893</u>	<u>21,711</u>	<u>10,723</u>
<b>18 Net income from Islamic financing</b>						
Income from Islamic financing	21,615	11,217	-	-	4,097	1,946
Income from Sukuk bonds	1,522	763	-	-	-	-
Profit paid to participatory deposits	(12,760)	(6,614)	-	-	(2,509)	(1,295)
Net income from Islamic activities	<u>10,377</u>	<u>5,366</u>	<u>-</u>	<u>-</u>	<u>1,588</u>	<u>651</u>
<b>19 Net fee and commission income</b>						
Fee and commission income	9,643	4,555	7,675	3,584	5,441	2,040
Fee and commission expense	(597)	(255)	(597)	(268)	(541)	93
	<u>9,046</u>	<u>4,300</u>	<u>7,078</u>	<u>3,316</u>	<u>4,900</u>	<u>2,133</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 JUNE 2021**

**20 Net income / (loss) from investment securities**

	Consolidated (Unaudited)		Parent Company (Unaudited)		Unaudited	
	<u>Six months ended</u> 30-Jun-21 RO'000	<u>Three months ended</u> 30-Jun-21 RO'000	<u>Six months ended</u> 30-Jun-21 RO'000	<u>Three months ended</u> 30-Jun-21 RO'000	<u>Six months ended</u> 30-Jun-20 RO'000	<u>Three months ended</u> 30-Jun-20 RO'000
Profit (loss) on sale of investments (a)	3,114	3,114	3,114	3,114	-	-
Dividend income	129	111	129	111	71	19
Fair value changes	25	14	25	14	(236)	(210)
	<u>3,268</u>	<u>3,239</u>	<u>3,268</u>	<u>3,239</u>	<u>(165)</u>	<u>(191)</u>

(a) During the period, the Bank has disposed off certain USD denominated investments measured at amortized cost which has resulted in the gain of RO 3.1 million. This realized profit on sale has been recognised in the statement of profit or loss as per applicable IFRS. Subsequent to these disposals, all the purchases of USD denominated debt investments have been measured at FVOCI as disclosed under Note 7.

**21 Other operating income**

	Consolidated (Unaudited)		Parent Company (Unaudited)		Unaudited	
	<u>Six months ended</u> 30-Jun-21 RO'000	<u>Three months ended</u> 30-Jun-21 RO'000	<u>Six months ended</u> 30-Jun-21 RO'000	<u>Three months ended</u> 30-Jun-21 RO'000	<u>Six months ended</u> 30-Jun-20 RO'000	<u>Three months ended</u> 30-Jun-20 RO'000
Insurance claim for operational loss (*)	5,926	5,926	5,926	5,926	-	-
Exchange income	1,998	1,061	1,808	947	3,128	1,476
Other income	78	21	58	14	24	10
	<u>8,002</u>	<u>7,008</u>	<u>7,792</u>	<u>6,887</u>	<u>3,152</u>	<u>1,486</u>

\* 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 (note 34B). 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 period, the Bank received communication from the loss adjuster that reinsurers have accepted the claim in principal. Accordingly, the Bank recognised income against the accepted insurance claim. As at reporting date, the amount is receivable from the insurance company and is included under other assets (note 8).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 JUNE 2021 (UNAUDITED)**

**22 Operating expenses**

	Consolidated (Unaudited)		Parent Company (Unaudited)		Unaudited	
	<u>Six</u> <u>months</u> <u>ended</u>	<u>Three</u> <u>months</u> <u>ended</u>	<u>Six</u> <u>months</u> <u>ended</u>	<u>Three</u> <u>months</u> <u>ended</u>	<u>Six</u> <u>months</u> <u>ended</u>	<u>Three</u> <u>months</u> <u>ended</u>
	30-Jun-21 RO'000	30-Jun-21 RO'000	30-Jun-21 RO'000	30-Jun-21 RO'000	30-Jun-20 RO'000	30-Jun-20 RO'000
Staff costs	20,010	9,938	14,273	7,001	14,521	6,560
Other operating expenses	11,770	6,890	9,236	5,475	8,042	4,004
Depreciation	4,022	2,212	3,268	1,817	3,115	1,554
Directors' remuneration	134	56	134	56	86	53
	<b>35,936</b>	<b>19,096</b>	<b>26,911</b>	<b>14,349</b>	<b>25,764</b>	<b>12,171</b>

**23 Cash and cash equivalents**

	Consolidated		Parent Company	
	30-Jun-21 Unaudited RO'000	31-Dec-20 Audited RO'000	30-Jun-21 Unaudited RO'000	31-Dec-20 Audited RO'000
Cash and balances with the CBO (note 4)	243,470	220,975	159,384	173,652
Due from banks (note 5)	39,274	59,782	35,918	57,995
Less: due to banks (note 10)	(38,208)	(14,421)	(38,208)	(10,571)
Restricted deposits included under balances with the CBO	(1,025)	(1,025)	(500)	(500)
	<b>243,511</b>	<b>265,311</b>	<b>156,594</b>	<b>220,576</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 24 Asset liability gap

The Bank's maturity position of assets and liabilities is given below:

*30-Jun-21  
Consolidated  
Unaudited*

<i>Maturities</i>	<i>Assets RO'000</i>	<i>Liabilities RO'000</i>	<i>Gap RO'000</i>	<i>Cumulative Gap RO'000</i>
0 - 3 month	830,651	369,554	461,097	461,097
3 - 12 month	340,314	785,391	(445,077)	16,020
1 - 5 years	891,032	926,036	(35,004)	(18,984)
More than 5 years	1,305,249	750,838	554,411	535,427
Total	<b>3,367,246</b>	<b>2,831,819</b>	<b>535,427</b>	

*30-Jun-21  
Parent Company  
Unaudited*

<i>Maturities</i>	<i>Assets RO'000</i>	<i>Liabilities RO'000</i>	<i>Gap RO'000</i>	<i>Cumulative Gap RO'000</i>
0 - 3 month	667,997	332,817	335,180	335,180
3 - 12 month	138,555	520,240	(381,685)	(46,505)
1 - 5 years	598,599	556,393	42,206	(4,299)
More than 5 years	1,128,528	591,243	537,285	532,986
Total	<b>2,533,679</b>	<b>2,000,693</b>	<b>532,986</b>	

*31-Dec-20  
Consolidated  
Audited*

<i>Maturities</i>	<i>Assets RO'000</i>	<i>Liabilities RO'000</i>	<i>Gap RO'000</i>	<i>Cumulative Gap RO'000</i>
0 - 3 month	862,431	443,818	418,613	418,613
3 - 12 month	310,564	782,141	(471,577)	(52,964)
1 - 5 years	887,349	872,189	15,160	(37,804)
More than 5 years	1,239,699	770,318	469,381	431,577
Total	<b>3,300,043</b>	<b>2,868,466</b>	<b>431,577</b>	

*31-Dec-20  
Parent company  
Audited*

<i>Maturities</i>	<i>Assets RO'000</i>	<i>Liabilities RO'000</i>	<i>Gap RO'000</i>	<i>Cumulative Gap RO'000</i>
0 - 3 month	689,523	358,741	330,782	330,782
3 - 12 month	186,981	574,174	(387,193)	(56,411)
1 - 5 years	593,417	564,415	29,002	(27,409)
More than 5 years	1,085,202	626,207	458,995	431,586
Total	<b>2,555,123</b>	<b>2,123,537</b>	<b>431,586</b>	



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 25 Related party transactions

#### Management service agreement with a shareholder

The Bank has a management agreement with Arab Bank Plc Jordan, Parent Company. During the period ended 30 June 2021, the management fees in accordance with the agreement amounted to RO 24 thousands (31 December 2020: RO 57.5 thousands).

#### 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:

Consolidated Unaudited	30-Jun-21		
	Major shareholders	Others	Total
	RO'000	RO'000	RO'000
Loans and advances	20,015	104,156	124,171
Customers' deposits	14,239	42,441	56,680
Due from banks	30,975	-	30,975
Due to banks	6,824	-	6,824
Stand by line of credit	48,125	-	48,125
Letters of credit, guarantees and acceptances	96,342	1,298	97,640
<b>Parent Company Unaudited</b>	<b>30-Jun-21</b>		
	Major shareholders	Others	Total
	RO'000	RO'000	RO'000
Loans and advances	20,015	82,735	102,750
Customers' deposits	14,239	42,084	56,323
Due from banks	30,975	-	30,975
Due to banks	6,824	-	6,824
Stand by line of credit	48,125	-	48,125
Letters of credit, guarantees and acceptances	96,342	1,298	97,640
<b>Consolidated Audited</b>	<b>31-Dec-20</b>		
	Major shareholders	Others	Total
	RO'000	RO'000	RO'000
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	-	7,039
Stand by line of credit	38,500	-	38,500
Letters of credit, guarantees and acceptances	95,890	1,455	97,345

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 25 Related party transactions (continued)

#### Other related parties transactions (continued)

Parent Company Audited	31-Dec-20			Total RO'000
	Subsidiary RO'000	Major shareholders RO'000	Others RO'000	
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

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

#### 30-Jun-21

Consolidated Unaudited	Major shareholders RO'000	Others RO'000	Total RO'000
Interest and commission income	617	2,508	3,125
Interest expense	374	669	1,043

#### 30-Jun-21

Parent Company Unaudited	Major shareholders RO'000	Others RO'000	Total RO'000
Interest and commission income	617	2,118	2,735
Interest expense	374	666	1,040

#### 30-Jun-20

Unaudited	Major shareholders RO'000	Others RO'000	Total RO'000
Interest and commission income	114	1,617	1,731
Interest expense	258	447	705

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 25 Related party transactions (continued)

#### Senior management compensation

The Directors' remuneration is set out in Note 22. The remuneration of other members of key management during the period was as follows:

	<b>Consolidated</b> <b>30-Jun-21</b> <b>Unaudited</b> <b>RO'000</b>	<b>Parent Company</b> <b>30-Jun-21</b> <b>Unaudited</b> <b>RO'000</b>	30-Jun-20 Unaudited RO'000
Salaries and other short-term benefits	941	716	765
End of service benefits	5	3	9
	<u>946</u>	<u>719</u>	<u>774</u>

### 26 Contingent liabilities and commitments

#### 26 (a) Letter 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 30 June 2021 were as follows:

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>30-Jun-21</b>	31-Dec-20	<b>30-Jun-21</b>	31-Dec-20
	<b>Unaudited</b>	Audited	<b>Unaudited</b>	Audited
	<b>RO'000</b>	RO'000	<b>RO'000</b>	RO'000
Letters of credit	129,828	77,600	79,638	73,635
Guarantees	332,063	393,078	307,260	329,057
	<u>461,891</u>	<u>470,678</u>	<u>386,898</u>	<u>402,692</u>

Letters of credit and guarantees amounting to [Parent Company (RO 198,759 thousand (31 December 2020: RO 193,971 thousand) 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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 26 Contingent liabilities and commitments (continued)

#### 26 (a) Letter of credit and guarantees (continued)

The allowances for credit losses for commitments and financial guarantees is included under note 6.

As at 30 June 2021, the unutilised commitment of facilities of RO 441,189 thousand; 31 December 2020: 473,172 thousand (Consolidated), [Parent Company (30 June 2021: RO 405,573 thousand); 31 December 2020: 438,465 thousand].

As at 30 June 2021, contingent liabilities include RO 4,341 thousand; 31 December 2020: RO 4,619 thousand (Consolidated), [Parent Company (30 June 2021: RO 4,106 thousand); 31 December 2020: 4,246 thousand] relating to non-performing loans.

#### 26 (b) Forward foreign exchange contracts

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.

The notional contracted amounts related to the Parent Company are summarised below. As of reporting date, Subsidiary has no derivative instruments.

	Consolidated		Parent Company	
	30-Jun-21 Unaudited RO'000	31-Dec-20 Audited RO'000	30-Jun-21 Unaudited RO'000	31-Dec-20 Audited RO'000
Sales	(91,449)	(90,045)	(91,449)	(90,045)
Purchases	91,579	90,456	91,579	90,456
Interest Rate Swap	7,450	8,653	7,450	8,653
	<u>7,580</u>	<u>9,064</u>	<u>7,580</u>	<u>9,064</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT 30 JUNE 2021 (UNAUDITED)**

**27 Basic Earnings per share / Net assets value per share**

**a) Basic and diluted earnings per share**

	Consolidated (unaudited)		Parent Company (unaudited)		Unaudited	
	<u>Six months ended</u>	<u>Three months ended</u>	<u>Six months ended</u>	<u>Three months ended</u>	<u>Six months ended</u>	<u>Three months ended</u>
	30-Jun-21	30-Jun-21	30-Jun-21	30-Jun-21	30-Jun-20	30-Jun-20
Net profit for the period (RO'000)	10,487	7,164	8,069	6,047	10,385	4,727
Less: Issuance cost of Perpetual Tier 1 capital bonds (RO'000)	(933)	(933)	(933)	(933)	-	-
Less: Interest distribution of Perpetual Tier 1 capital bonds (RO'000)	(2,758)	(2,758)	(2,758)	(2,758)	(2,758)	(2,758)
Net profit for the period attributable to equity holders of the Bank	6,796	3,473	4,378	2,356	7,627	1,969
Weighted average number of shares outstanding during the period	1,669,410,000	1,669,410,000	1,669,410,000	1,669,410,000	1,347,985,691	1,349,791,222
Basic earning per share (RO)	<u>0.004</u>	<u>0.002</u>	<u>0.003</u>	<u>0.001</u>	<u>0.006</u>	<u>0.001</u>

The basic earnings per share is the profit for the period 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.

**b) Net assets value per share**

	Consolidated		Parent Company	
	Unaudited 30-Jun-21	Audited 31-Dec-20	Unaudited 30-Jun-21	Audited 31-Dec-20
Total equity attributable to ordinary shareholders (RO'000)	366,624	359,024	364,183	359,033
Number of Shares (in thousands)	1,669,410	1,669,410	1,669,410	1,669,410
Net assets per share (RO)	<u>0.220</u>	<u>0.215</u>	<u>0.218</u>	<u>0.215</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 28 Capital adequacy

The principal objective of the Central Bank of Oman's (CBO) capital adequacy requirement 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 balance sheet, in particular credit risk. CBO's risk based capital adequacy framework is consistent with the international standards of the Bank of International Settlement (BIS).

CBO requires the registered banks in the Sultanate of Oman to maintain minimum capital adequacy of 11 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.

The ratio calculated in accordance with the CBO and BIS capital adequacy guidelines is as follows:

	Consolidated		Parent Company	
	30-Jun-21 Unaudited RO'000	31-Dec-20 Audited RO'000	30-Jun-21 Unaudited RO'000	31-Dec-20 Audited RO'000
<b>Capital</b>				
Common Equity Tier 1 (CET 1)	335,933	336,995	240,203	241,265
Additional Tier 1	168,803	72,553	168,803	72,553
Total Tier 1	504,736	409,548	409,006	313,818
Tier 2	25,234	25,234	18,078	18,078
Total capital base	529,970	434,782	427,084	331,896
<b>Risk weighted assets</b>				
Credit risk	2,609,012	2,600,029	1,976,290	1,997,015
Market risk	34,663	18,200	11,325	13,075
Operational risk	206,994	201,908	165,275	165,275
Total risk weighted assets	2,850,669	2,820,137	2,152,890	2,175,365
<b>Capital adequacy ratio %</b>	18.59%	15.42%	19.84%	15.26%
<b>CET 1 ratio</b>	11.78%	11.95%	11.16%	11.09%
<b>Tier 1 Capital ratio</b>	17.71%	14.52%	19.00%	14.43%

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 29 Segmental 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 30 June 2021.

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.

Consolidated (Unaudited) 30-Jun-21	Retail banking RO'000	Corporate banking RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	14,428	11,543	4,494	1,080	-	31,545
Net income from Islamic financing	-	-	-	-	10,377	10,357
Other operating income	4,128	3,850	4,234	5,926	2,178	20,316
<b>Total operating income</b>	<b>18,556</b>	<b>15,393</b>	<b>8,728</b>	<b>7,006</b>	<b>12,555</b>	<b>62,238</b>
Operating expenses (incl. depreciation)	(14,843)	(10,318)	(1,750)	-	(9,025)	(35,936)
Net impairment losses on financial assets	(1,073)	(11,657)	(170)	-	(1,112)	(14,012)
Tax expenses	-	-	-	(1,803)	-	(1,803)
<b>Profit / (loss) for the period</b>	<b>2,640</b>	<b>(6,582)</b>	<b>6,808</b>	<b>5,203</b>	<b>2,418</b>	<b>10,487</b>
Assets	721,867	1,181,621	422,821	106,267	934,670	3,367,246
Liabilities	792,064	1,109,925	38,208	60,031	831,591	2,831,819
Allowance for impairment	(12,820)	(75,168)	(737)	-	(33,272)	(121,997)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

### 29 Segmental information (continued)

Parent Company (Unaudited)	Retail banking	Corporate banking	Treasury	Others	Total
30-Jun-21	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	14,428	11,543	4,494	1,080	31,545
Other operating income	4,128	3,850	4,234	5,926	18,138
<b>Total operating income</b>	<b>18,556</b>	<b>15,393</b>	<b>8,728</b>	<b>7,006</b>	<b>49,683</b>
Operating expenses (incl. depreciation)	(14,843)	(10,318)	(1,750)	-	(26,911)
Net impairment losses on financial assets	(1,073)	(11,657)	(170)	-	(12,900)
Tax expenses	-	-	-	(1,803)	(1,803)
<b>Profit / (loss) for the period</b>	<b>2,640</b>	<b>(6,582)</b>	<b>6,808</b>	<b>5,203</b>	<b>8,069</b>
<b>Assets</b>	<b>721,867</b>	<b>1,181,621</b>	<b>529,965</b>	<b>100,226</b>	<b>2,533,679</b>
<b>Liabilities</b>	<b>792,064</b>	<b>1,109,925</b>	<b>38,208</b>	<b>60,496</b>	<b>2,000,693</b>
<b>Allowance for impairment</b>	<b>(12,820)</b>	<b>(75,168)</b>	<b>(737)</b>	<b>-</b>	<b>(88,725)</b>

Unaudited	Retail	Corporate	Treasury	Others	Islamic Banking	Total
30-June-2020	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	14,475	30,266	4,550	(11,216)	-	38,075
Net income from Islamic financing	-	-	-	-	1,588	1,588
Other operating income	2,337	3,894	1,657	-	-	7,887
<b>Total operating income</b>	<b>16,812</b>	<b>34,160</b>	<b>6,206</b>	<b>(11,216)</b>	<b>1,588</b>	<b>47,550</b>
Operating expenses (incl. depreciation)	(14,476)	(8,758)	(1,540)	(41)	(949)	(25,764)
Net impairment losses on financial assets	(1,025)	(8,063)	-	-	(149)	(9,237)
Tax expenses	-	-	-	(2,164)	-	(2,164)
<b>Profit (Loss) for the period</b>	<b>1,311</b>	<b>17,339</b>	<b>4,666</b>	<b>(13,421)</b>	<b>490</b>	<b>10,385</b>
<b>Assets</b>	<b>713,468</b>	<b>1,170,417</b>	<b>184,100</b>	<b>266,570</b>	<b>832,762</b>	<b>3,167,317</b>
<b>Liabilities</b>	<b>729,152</b>	<b>483,019</b>	<b>323,237</b>	<b>456,690</b>	<b>744,518</b>	<b>2,736,616</b>
<b>Allowance for impairment</b>	<b>(10,096)</b>	<b>(51,042)</b>	<b>(354)</b>	<b>-</b>	<b>(24,270)</b>	<b>(85,762)</b>

### 30 Comparative figures

Certain comparative figures have been reclassified in order to confirm the presentation for the current period. Such reclassification do not affect previously reported net profit or shareholders' equity.