



AHLI BANK SAOG

**Interim condensed financial statements
FOR THE THREE MONTH PERIOD ENDED
31 March 2022**

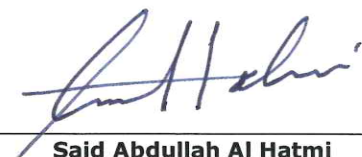
AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AT 31 March 2022**

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Note	Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
ASSETS							
297,930	161,656	359,587	Cash and balances with Central Bank of Oman		138,441	62,237	114,703
116,088	153,840	134,636	Due from banks		51,835	59,228	44,694
6,238,907	5,906,994	6,327,134	Loans & advances and Financing, net	4	2,435,947	2,274,193	2,401,979
1,112,668	925,041	1,231,270	Investment securities	6	474,039	356,141	428,377
93,906	117,869	101,426	Other assets		39,049	45,379	36,154
69,219	62,719	70,764	Property and equipment		27,244	24,147	26,649
7,928,718	7,328,119	8,224,817	TOTAL ASSETS		3,166,555	2,821,325	3,052,556
LIABILITIES							
681,403	456,644	886,340	Due to banks		341,241	175,808	262,340
5,665,952	5,059,259	5,662,503	Customers' deposits	7	2,180,063	1,947,814	2,181,391
240,000	415,000	290,000	Borrowed funds		111,650	159,775	92,400
22,450	16,912	26,078	Tax liability		10,040	6,511	8,643
202,041	275,600	263,046	Other liabilities		101,273	106,106	77,785
7,792	31,169	7,792	Subordinated liabilities		3,000	12,000	3,000
6,819,638	6,254,584	7,135,759	TOTAL LIABILITIES		2,747,267	2,408,014	2,625,559
EQUITY							
506,405	506,405	506,405	Share capital	9	194,966	194,966	194,966
95,854	88,384	95,854	Legal reserve		36,904	34,028	36,904
7,792	30,000	7,792	Subordinated loan reserve		3,000	11,550	3,000
(6,629)	(14,822)	(8,018)	Fair value reserve		(3,087)	(5,707)	(2,552)
2,592	2,592	2,592	Special reserve		998	998	998
26,303	26,303	26,303	Impairment reserve		10,127	10,127	10,127
154,685	112,595	136,052	Retained earnings		52,380	43,349	59,554
787,002	751,457	766,980	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK		295,288	289,311	302,997
322,078	322,078	322,078	Tier 1 Perpetual subordinated bonds		124,000	124,000	124,000
1,109,080	1,073,535	1,089,058	TOTAL EQUITY		419,288	413,311	426,997
7,928,718	7,328,119	8,224,817	TOTAL LIABILITIES AND EQUITY		3,166,555	2,821,325	3,052,556
40	39	39	Net assets value per share (US cents / baizas)	14	151	148	155
552,954	611,906	530,448	Contingent liabilities and commitments	18	204,223	235,584	212,887

The interim condensed financial statements were approved by the Board of Directors on 27 April 2022 and signed on their behalf by:



Hamdan Ali Nasser Al Hinai
Chairman



Said Abdullah Al Hatmi
Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 March 2022**

Three month period ended			Three month period ended	
Unaudited	Unaudited		Unaudited	Unaudited
31-Mar-21	31-Mar-22	Note	31-Mar-22	31-Mar-21
US\$ '000	US\$ '000		RO '000	RO '000
74,817	78,265	Interest income	30,132	28,805
(42,905)	(40,356)	Interest expense	(15,537)	(16,518)
<u>31,912</u>	<u>37,909</u>	NET INTEREST INCOME	<u>14,595</u>	<u>12,287</u>
12,790	16,158	Income from Islamic financing and investments	6,221	4,924
(6,291)	(7,514)	Unrestricted investment account holders' share of profit and profit expense	(2,893)	(2,422)
<u>6,499</u>	<u>8,644</u>	NET INCOME FROM ISLAMIC FINANCING AND INVESTMENTS	<u>3,328</u>	<u>2,502</u>
		NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING AND INVESTMENTS	17,923	14,789
38,411	46,553	Fees and commission income	3,558	1,566
4,068	9,242	Fees and commission expense	(247)	(177)
(460)	(642)	Net fees and commission income	3,311	1,389
<u>3,608</u>	<u>8,600</u>			
8,944	2,756	Other operating income	1,061	3,444
<u>50,963</u>	<u>57,909</u>	OPERATING INCOME	<u>22,295</u>	<u>19,622</u>
(10,392)	(9,538)	Net impairment on financial assets	(3,672)	(4,001)
-	-	Loans & advances and financing written off	-	-
<u>40,571</u>	<u>48,371</u>	NET OPERATING INCOME	<u>18,623</u>	<u>15,621</u>
(13,590)	(16,039)	Staff expenses	(6,175)	(5,232)
(1,779)	(2,083)	Depreciation	(802)	(685)
(5,735)	(7,130)	Other operating expenses	(2,745)	(2,208)
<u>(21,104)</u>	<u>(25,252)</u>	OPERATING EXPENSES	<u>(9,722)</u>	<u>(8,125)</u>
19,467	23,119	PROFIT BEFORE TAXATION	8,901	7,496
(2,974)	(3,595)	Tax expense	(1,384)	(1,145)
<u>16,493</u>	<u>19,524</u>	PROFIT FOR THE PERIOD	<u>7,517</u>	<u>6,351</u>
		OTHER COMPREHENSIVE INCOME/(EXPENSE)		
		<i>Items that will not be reclassified to profit or loss</i>		
(1,066)	569	- Equity investments at FVOCI - net changes in fair value	219	(411)
-	(179)	- Realised loss on equity investment at FVOCI	(69)	-
		<i>Items that may be reclassified to profit or loss</i>		
864	688	- Cash flow hedge - net changes in fair value	265	333
(4,060)	(2,647)	- Debt investments at FVOCI - net changes in fair value	(1,019)	(1,563)
<u>(4,262)</u>	<u>(1,569)</u>	OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	<u>(604)</u>	<u>(1,641)</u>
12,231	17,955	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>6,913</u>	<u>4,710</u>
1	1	Basic and diluted earnings per share (US cents / baizas)	4	4

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

AHLI BANK SAOG
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 March 2022**

	Tier 1									
	Share capital	Legal reserve	Subordinated loan reserve	Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Total	Perpetual subordinated bond	Total Equity
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2022	194,966	36,904	3,000	(2,552)	998	10,127	59,554	302,997	124,000	426,997
Profit for the period	-	-	-	-	-	-	7,517	7,517	-	7,517
Other comprehensive expense, net of tax	-	-	-	(604)	-	-	-	(604)	-	(604)
Loss on sale of equity investments at FVOCI	-	-	-	69	-	-	(69)	-	-	-
Transactions with owners recognised directly in equity										
Cash dividends paid	-	-	-	-	-	-	(14,622)	(14,622)	-	(14,622)
Balance at 31 March 2022 (RO '000)	194,966	36,904	3,000	(3,087)	998	10,127	52,380	295,288	124,000	419,288
Balance at 31 March 2022 (US\$ '000)	506,405	95,854	7,792	(8,018)	2,592	26,303	136,052	766,980	322,078	1,089,058

	Tier 1 Perpetual subordinated bond									
	Share capital	Legal reserve	Subordinated loan reserve	Fair value reserve	Special reserve	Impairment reserve	Retained earnings	Total	Perpetual subordinated bond	Total Equity
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance at 1 January 2021	194,966	34,028	11,400	(4,066)	998	10,127	46,897	264,350	124,000	388,350
Profit for the period	-	-	-	-	-	-	6,351	6,351	-	6,351
Other comprehensive expense, net of tax	-	-	-	(1,641)	-	-	(150)	(1,641)	-	(1,641)
Transfer to subordinated loan reserve	-	-	150	-	-	-	-	-	-	-
Transfer from special reserve	-	-	-	-	-	-	-	-	-	-
Transfer to impairment reserve	-	-	-	-	-	-	-	-	-	-
Gain on sale of equity investments at FVOCI	-	-	-	-	-	-	-	-	-	-
Transactions with owners recognised directly in equity										
Rights issue of shares	30,000	-	-	-	-	-	-	30,000	-	30,000
Cash dividends paid	-	-	-	-	-	-	(9,749)	(9,749)	-	(9,749)
Balance at 31 March 2021 (RO '000)	194,966	34,028	11,550	(5,707)	998	10,127	43,349	289,311	124,000	413,311
Balance at 31 March 2021 (US\$ '000)	506,405	88,384	30,000	(14,822)	2,592	26,303	112,595	751,457	322,078	1,073,535
Balance at 1 April 2021	194,966	34,028	11,550	(5,707)	998	10,127	43,349	289,311	124,000	413,311
Profit for the period	-	-	-	-	-	-	21,255	21,255	-	21,255
Other comprehensive income, net of tax	-	-	-	4,311	-	-	(2,761)	4,311	-	4,311
Transfer to legal reserve	-	2,761	-	-	-	-	-	-	-	-
Transfer to impairment reserve	-	-	-	-	-	-	-	-	-	-
Transfer to special reserve	-	-	-	(2,695)	-	-	-	-	-	(2,695)
Net amount reclassified to the income statement on sale of debt instruments at FVOCI	-	-	-	-	-	-	-	(2,695)	-	(2,695)
Loss on sale of equity investments at FVOCI	-	-	-	1,539	-	-	(1,539)	-	-	-
Interest paid on Tier 1 perpetual subordinated bond	-	-	-	-	-	-	(9,300)	(9,300)	-	(9,300)
Transfer to subordinated debt reserve	-	-	300	-	-	-	(300)	-	-	-
Transfer from subordinated debt reserve	-	-	(8,850)	-	-	-	8,850	-	-	-
Transactions with owners recognised directly in equity										
Excess of receipts over rights issue expenses	-	115	-	-	-	-	115	115	-	115
Balance at 31 December 2021 (RO '000)	194,966	36,904	3,000	(2,552)	998	10,127	59,554	302,997	124,000	426,997
Balance at 31 December 2021 (US\$ '000)	506,405	95,854	7,792	(6,629)	2,592	26,303	154,685	787,002	322,078	1,109,080

Appropriation to legal reserve is made on an annual basis.

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

AHLI BANK SAOG

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 March 2022**

Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000
CASH FLOWS FROM OPERATING ACTIVITIES				
19,467	23,119	Profit before taxation	8,901	7,496
Adjustments for:				
1,779	2,083	Depreciation	802	685
10,392	9,538	Net impairment on financial assets	3,672	4,001
78	78	End of service benefits provision	30	30
(275)	(227)	Unrealised gains on investment securities	(87)	(106)
(6,747)	(379)	Gain on sale of investment securities	(146)	(2,598)
24,694	34,212	Operating profit before working capital changes	13,172	9,508
(90,000)	10,000	Decrease/(Increase) in due from banks	3,850	(34,650)
(154,018)	(97,766)	Increase in loans & advances and financing	(37,640)	(59,297)
34	(2,514)	Net movement in FVTPL investment securities	(968)	13
53,151	204,937	Increase in due to banks	78,901	20,463
(42,143)	(7,519)	Increase in other assets	(2,895)	(16,225)
60,157	(3,449)	(Decrease)/Increase in customers' deposits	(1,328)	23,160
75,345	23,077	Increase in other liabilities	8,884	29,008
(72,780)	160,978	Cash from/(used in) operations	61,976	(28,020)
-	-	Tax paid	-	-
(52)	(64)	End of service benefits paid	(24)	(20)
(72,832)	160,914	Net cash from/(used in) operating activities	61,952	(28,040)
CASH FLOWS FROM INVESTING ACTIVITIES				
16,301	(521)	Increase/(Decrease) in investment, net (excluding FVTPL investment)	(201)	6,276
(5,112)	(3,629)	Purchase of property and equipment	(1,397)	(1,968)
11,189	(4,150)	Net cash (used in)/generated from investing activities	(1,598)	4,308
CASH FLOWS FROM FINANCING ACTIVITIES				
(25,321)	-	- Dividends paid	-	(9,749)
77,922	-	- Proceeds from rights issue	-	30,000
-	50,000	Increase in borrowed funds	19,250	-
52,601	50,000	Net cash generated from financing activities	19,250	20,251
(9,042)	206,764	Net change in cash and cash equivalents	79,604	(3,481)
210,661	779,277	Cash and cash equivalents at 1 January	300,022	81,105
201,619	986,041	Cash and cash equivalents at 31 March	379,626	77,624

Cash and cash equivalent comprises of the following:

31-Mar-21 US\$ '000	31-Mar-22 US\$ '000		31-Mar-22 RO '000	31-Mar-21 RO '000
160,290	358,226	Cash and current balances with Central Bank of Oman	137,917	61,712
63,839	134,636	Due from banks	51,835	24,578
337,662	493,179	Treasury bills with three months maturity	189,874	130,000
(360,172)	-	Due to banks	-	(138,666)
201,619	986,041		379,626	77,624

Reconciliation of liabilities arising from financing activities

31-Mar-21 US\$ '000	31-Mar-22 US\$ '000		31-Mar-22 RO '000	31-Mar-21 RO '000
Borrowed funds				
415,000	240,000	Balance at beginning of the period	92,400	159,775
-	50,000	Cash flows	19,250	-
415,000	290,000	Balance at end of the period	111,650	159,775

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 March 2022**
1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

ahlibank SAOG (the Bank) is a joint stock company incorporated in the Sultanate of Oman and is engaged in the commercial banking activities through a network of 38 branches (22 conventional and 16 Islamic branches). The registered address of the Bank is PO Box 545, Mina Al Fahal, Postal Code 116, Sultanate of Oman.

The Bank employed 810 employees as at 31 March 2022 compared to 762 employees as at 31 March 2021 and 795 employees as at 31 December 2021.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed financial statements for the three month period ended 31 March 2022 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the disclosure requirements set out in the Rules and Disclosure and Proformas issued by the Capital Market Authority (CMA).

The unaudited interim condensed financial statements does not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the three month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year 2022.

The accounting policies applied in these interim condensed financial statements are the same as those applied in the annual financial statements for the year ended 31 December 2021.

The unaudited interim condensed financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives and investment securities other than those measured at amortised cost.

The functional currency of the Bank is the Rial Omani (RO). These unaudited interim condensed financial statements of the Bank are prepared in RO. Certain figures are also presented in US dollars (US\$) for information purposes only, using the exchange rate of RO 0.385 = US\$ 1.00.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

In preparing these interim condensed financial statements, management has made judgements, estimates and assumptions 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 Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Coronavirus (Covid-19) outbreak and its impact

On 11 March 2020, the World Health Organization ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities had initiated a host of measures to contain the spread of the virus which included ramping up their vaccination efforts.

The Covid-19 pandemic, during the year 2020, had been accompanied by low oil prices, a major driver of the economy of the Sultanate. Loss of oil revenues, tourism revenues and disruption to supply chains resulted in weakening of the macro-economic environment. However, the year 2021 showed slight improvements in the business and economic environment of the country including the positive impact of improving oil prices compared to 2020. The same pace has continued during Q1 2022

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 for 21 months without impacting the IFRS 9 risk classification of such loans, deferring the risk classification of loans pertaining to government projects for a period of 21 months. CBO has allowed banks to carry out restructuring of COVID affected customers without changing the classification upto 30 June 2022 and to carry additional ECL against each customer, if required.

In line with the CBO circulars, the Bank has accepted request for deferments and waivers which has ended by 31 December 2021 except for certain waivers under retail customers which are applicable till 31 December 2022.

I. Credit risk management

The Bank's existing credit risk management practices are disclosed in note 37.1 to the financial statements for the year ended 31 December 2021. There are no changes as compared to last year.

For computation of ECL, the Bank is using scenario weightages and incorporated in the ECL model i.e., Good, bad and base with weightage of 25%, 25% and 50% respectively.

The overall impact of the Covid-19 revised scenarios and other related judgmental overlays on the ECL is shown below:

31-Mar-22			31-Mar-22	
ECL with overlays	ECL without Overlays		ECL without overlays	ECL with Overlays
US\$ '000	US\$ '000		RO'000	RO'000
53,379	49,096	Retail	18,902	20,551
138,631	116,660	Corporate	44,914	53,373
24,694	14,844	Others	5,715	9,507
216,704	180,600	Total	69,531	83,431

Sensitivity analysis- ECL:

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

31-Mar-22		Particulars	31-Mar-22	
Impact on ECL	ECL		ECL	Impact on ECL
US\$ '000	US\$ '000		RO'000	RO'000
	87,800	ECL on non impaired financial assets under IFRS 9	33,803	
(23,167)	64,634	Good scenario - 100% weighted	24,884	(8,919)
2,407	90,207	Base scenario - 100% weighted	34,730	927
18,353	106,153	Bad scenario - 100% weighted	40,869	7,066
31-Dec-21		Particulars	31-Dec-21	
Impact on ECL	ECL		ECL	Impact on ECL
US\$ '000	US\$ '000		RO'000	RO'000
	83,875	ECL on non impaired financial assets under IFRS 9	32,292	
(31,814)	52,061	Good scenario - 100% weighted	20,043	(12,248)
3,440	87,315	Base scenario - 100% weighted	33,616	1,325
19,662	103,537	Bad scenario - 100% weighted	39,862	7,570
31-Mar-21		Particulars	31-Mar-21	
Impact on ECL	ECL		ECL	Impact on ECL
US\$ '000	US\$ '000		RO'000	RO'000
	79,177	ECL on non impaired financial assets under IFRS 9	30,483	
(28,650)	50,527	Good scenario - 100% weighted	19,453	(11,030)
4,822	83,999	Base scenario - 100% weighted	32,339	1,856
21,032	100,209	Bad scenario - 100% weighted	38,581	8,097

Interest rate benchmark reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The United Kingdom's Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), had announced that the interest benchmark would be replaced with alternative risk-free rates (RFR) after 31 December 2021/ 30 June 2023. As a result, Banks have ceased rate submissions for the calculation of the London Interbank Offered Rates (LIBOR), for all currencies and tenors (other than certain settings of USD LIBOR), after December 31, 2021. For 1 month, 3 month, 6 month and 12 month tenors of USD, rate submission will cease after June 30, 2023. The Bank has certain exposures to USD LIBOR on its financial instruments that are being impacted due to this benchmark transition. The alternative risk-free rate, Secured Overnight Financing Rate ('SOFR'), has been announced as replacement rate for USD LIBOR.

The main risks to which the Bank is exposed to as a result of IBOR reform are operational. In order to manage these risks, the Bank has evaluated potential changes to market infrastructures on its risk framework, models, systems, products and processes. The Bank has completed the review and identification of existing contracts warranting amendments by insertion of appropriate fall back clauses related to cessation of LIBOR. Accordingly, the Bank has engaged an external legal consultant to advise on such amendments to all relevant contracts. All contracts being entered during the interim period, until cessation, are and will be executed with robust fallback language. To overcome the limitations of existing IT system, the Bank is in the process of upgrading its system. The Bank is also implementing effective strategies in areas such as communication with customers and training to staff to minimize any risks from the transition.

Although the financial impact from differing transition timelines of effected assets/liabilities and the potential for mismatch in their pricing cannot be reliably estimated, based on the repricing profile of the Bank's assets and liabilities, the Bank believes that the impact of this change is not material to the financial statements. This is based on the assumption that the replacement rate along with relevant spread is not materially different from the existing LIBOR based rates and that the Bank will be able to negotiate similar spreads with the customers/ counterparties.

The table below discloses amounts of non-derivative financial assets and liabilities and derivative contracts at 31 March 2022 which are based on USD LIBOR, along with maturities beyond the cessation date of 30 June 2023.

	in RO thousands		in US\$ thousands	
	Total	Post Cessation Date of 30 June 2023	Total	Post Cessation Date of 30 June 2023
NON-DERIVATIVE FINANCIAL ASSETS				
Due from other banks	3,850	-	10,000	-
Loans and advances to customers	495,641	182,944	1,287,379	475,180
TOTAL NON-DERIVATIVE FINANCIAL	499,491	182,944	1,297,379	475,180
NON-DERIVATIVE FINANCIAL				
Due to other banks	127,435	-	331,000	-
TOTAL NON-DERIVATIVE FINANCIAL	127,435	-	331,000	-
DERIVATIVE FINANCIAL				
Interest rate swaps: notional amounts	187,830	90,847	487,869	303,316
TOTAL DERIVATIVE FINANCIAL	187,830	90,847	487,869	303,316

4. LOANS & ADVANCES AND FINANCING, NET

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
			Conventional Banking			
3,840,532	3,534,390	3,948,571	Corporate lending	1,520,200	1,360,740	1,478,605
1,547,108	1,581,896	1,523,491	Retail lending	586,544	609,030	595,636
5,387,640	5,116,286	5,472,062	Loans & advances, gross	2,106,744	1,969,770	2,074,241
			Islamic Banking			
676,895	579,800	689,769	Corporate financing	265,561	223,223	260,605
374,050	375,744	376,945	Retail financing	145,124	144,662	144,009
1,050,945	955,544	1,066,714	Financing, gross	410,685	367,885	404,614
6,438,585	6,071,830	6,538,776	Loans & advances and financing, gross	2,517,429	2,337,655	2,478,855
(199,678)	(164,836)	(211,642)	Loans and financing impairment (including reserve interest and profit)*	(81,482)	(63,462)	(76,876)
6,238,907	5,906,994	6,327,134		2,435,947	2,274,193	2,401,979

The interest rate bands of gross loans & advances and financing are as follows:

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
1,504,068	1,085,449	1,566,309	0-5%	603,029	417,898	579,066
4,607,056	4,636,728	4,717,818	5-7%	1,816,360	1,785,141	1,773,717
300,982	332,975	232,558	7-10%	89,535	128,195	115,878
26,479	16,678	22,091	More than 10%	8,505	6,421	10,194
6,438,585	6,071,830	6,538,776		2,517,429	2,337,655	2,478,855

The analysis of loans & advances and financing based on the residual maturity date is as below:

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
2,028,340	1,862,253	1,979,745	0-1 year	762,202	716,968	780,911
654,766	653,195	664,119	1-3 years	255,686	251,480	252,085
602,518	557,219	621,618	3-5 years	239,323	214,529	231,969
2,953,283	2,834,327	3,061,652	More than 5 years	1,178,736	1,091,216	1,137,014
6,238,907	5,906,994	6,327,134		2,435,947	2,274,193	2,401,979

* Reserve interest forms part of specific provision for the purpose of IFRS

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 March 2022**

5.1 ECL Exposure/Impairment allowance of financial assets and off balance sheet

The following tables contain an analysis of stage wise risk exposure/reconciliation of loss allowance from the opening to the closing balance of financial assets and off balance sheet items by class of financial instruments.

a) Exposure subject to ECL

	31-Mar-22			31-Mar-21			31-Dec-21			Total US\$ '000	Total RO '000	Total US\$ '000		
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000					
Due from banks	174,091	-	-	174,091	452,184	-	107,318	-	-	107,318	278,748	140,737	140,737	365,551
Loans & advances and financing	1,967,061	467,050	83,318	2,517,429	6,538,777	1,798,286	1,798,286	468,620	70,749	2,337,655	6,071,829	1,931,317	469,124	2,478,855
Investment securities	465,083	-	-	465,083	1,208,008	351,013	351,013	-	-	351,013	911,722	422,730	-	422,730
Other assets	22,162	2,084	-	24,246	62,977	22,953	22,953	12,301	-	35,254	91,569	27,261	3,363	30,624
Loan commitments and financial guarantees	161,120	35,641	-	196,761	511,068	179,574	179,574	48,914	-	228,488	593,475	168,809	36,507	205,429

b) Movement in Impairment allowance and provision

	31-Mar-22			31-Mar-21			31-Dec-21			Total US\$ '000	Total RO '000	Total US\$ '000		
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000					
Opening balance	37	-	-	37	96	-	124	-	-	124	322	124	-	322
Due from banks	8,873	21,802	46,201	76,876	199,678	31,794	8,315	18,491	31,794	58,600	152,208	8,315	18,491	58,600
Loans & advances and financing	50	-	-	50	130	-	52	-	-	52	135	52	-	52
Investment securities	22	5	-	27	70	-	34	5	-	39	101	34	5	39
Other assets	394	1,109	26	1,529	3,971	-	374	1,014	-	1,388	3,605	374	1,014	1,388
Loan commitments and financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net transfer between stages	2,774	(1,435)	(1,339)	-	-	262	1,089	(1,351)	262	-	-	1,839	(2,243)	404
Due from banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans & advances and financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan commitments and financial guarantees	(264)	264	-	-	-	-	-	-	-	-	-	-	-	-

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE THREE MONTH PERIOD ENDED 31 March 2022**
5.1 ECL Exposure/Impairment allowance of financial assets and off balance sheet (Continued)
b) Movement in Impairment allowance and provision (continued)

Charge for the Period (net)	31-Mar-22				31-Mar-21				31-Dec-21						
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total US\$ '000
Due from banks	(26)	-	-	(26)	(68)	73	-	-	73	190	(87)	-	-	(87)	(226)
Loans & advances and financing	(1,779)	1,646	4,739	4,606	11,964	(1,009)	3,115	2,756	4,862	12,628	(1,281)	5,554	14,003	18,276	47,470
Investment securities	-	-	-	-	-	(15)	-	-	(15)	(39)	(2)	-	-	(2)	(5)
Other assets	7	1	-	8	21	(18)	5	-	(13)	(34)	(12)	-	-	(12)	(31)
Loan commitments and financial guarantees	561	(238)	1	324	842	36	150	-	186	483	20	95	26	141	366
Closing balance	11	-	-	11	29	197	-	-	197	512	37	-	-	37	96
Due from banks															
Loans & advances and financing	9,868	22,013	49,601	81,482	211,641	8,395	20,255	34,812	63,462	164,836	8,873	21,802	46,201	76,876	199,678
Investment securities	50	-	-	50	130	37	-	-	37	96	50	-	-	50	130
Other assets	29	6	-	35	91	16	10	-	26	68	22	5	-	27	70
Loan commitments and financial guarantees	691	1,135	27	1,853	4,812	410	1,164	-	1,574	4,088	394	1,109	26	1,529	3,971

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 March 2022**
5.2 Comparison of provision held as per IFRS 9 and required as per CBO norms

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loans accounts for regulatory reporting purposes.

Disclosure requirements containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognised as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

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	
		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Standard	(1)	(3)	(4)	(5)	(6) = (4)-(5)	(7) = (3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)								
	Stage 1	1,967,060	27,784	9,868	17,916	1,939,276	1,957,192										
	Stage 2	277,400	-	11,905	(11,905)	277,400	265,495										
	Stage 3	-	-	-	-	-	-										
Subtotal		2,244,460	27,784	21,773	6,011	2,216,676	2,222,687										
Special Mention	Stage 1	-	-	-	-	-	-										
	Stage 2	189,650	-	10,108	(10,108)	189,650	179,542										
	Stage 3	-	-	-	-	-	-										
Subtotal		189,650	-	10,108	(10,108)	189,650	179,542										
Substandard	Stage 1	-	-	-	-	-	-										
	Stage 2	7,242	2,129	2,961	(832)	5,113	4,281										
	Stage 3	7,242	2,129	2,961	(832)	5,113	4,281										
Subtotal		14,484	4,258	5,922	(1,664)	10,220	8,762										
Doubtful	Stage 1	-	-	-	-	-	-										
	Stage 2	1,815	841	1,025	(184)	974	790										
	Stage 3	1,815	841	1,025	(184)	974	790										
Subtotal		3,630	1,682	2,050	(368)	1,582	1,580										
Loss	Stage 1	-	-	-	-	-	-										
	Stage 2	74,262	63,805	45,615	18,190	10,457	28,647										
	Stage 3	74,262	63,805	45,615	18,190	10,457	28,647										
Subtotal		148,524	127,610	91,230	36,380	20,914	57,294										
Other items not covered under CBO circular BM 977 and related instructions*	Stage 1	700,212	-	781	(781)	700,212	699,431										
	Stage 2	37,725	-	1,141	(1,141)	37,725	36,584										
	Stage 3	172	-	27	(27)	172	145										
Subtotal		738,109	-	1,949	(1,949)	738,109	736,160										
Total	Stage 1	2,667,272	27,784	10,649	17,135	2,639,488	2,656,623										
	Stage 2	504,775	-	23,154	(23,154)	504,775	481,621										
	Stage 3	83,491	66,775	49,628	17,147	16,716	33,863										
Total in RO		3,255,538	94,559	11,128	3,160,979	3,172,107	9,439										
Total in US\$ '000		8,455,943	245,607	216,704	28,903	8,210,336	8,239,239										

* Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 March 2022

5.2 Comparison of provision held as per IFRS 9 and required as per CBO norms (CONTINUED)

Restructured Loans

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
		RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Stage 1		67,679	-	1,199	(1,199)	67,679	66,481	-	-
Stage 2		81,185	998	3,584	(2,586)	80,187	77,601	-	-
Stage 3		-	-	-	-	-	-	-	-
Subtotal		148,865	998	4,783	(3,785)	147,867	144,082	-	-
Classified as non-performing		28,451	19,875	12,426	7,449	5,714	16,025	-	2,862
Stage 2		-	-	-	-	-	-	-	-
Stage 3		28,451	19,875	12,426	7,449	5,714	16,025	-	2,862
Sub total		67,679	998	1,199	(1,199)	67,679	66,481	-	-
Stage 1		81,185	998	3,584	(2,586)	80,187	77,601	-	-
Stage 2		28,451	19,875	12,426	7,449	5,714	16,025	-	2,862
Stage 3		-	-	-	-	-	-	-	-
Total		177,316	20,873	17,209	3,664	153,581	160,107	-	2,862
Total in US\$ '000		460,561	54,216	44,698	9,518	398,911	415,863	-	7,434

*Net of provisions and reserve interest as per CBO norms

*In accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS 9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings. As per CBO circular BSD/CB & FLCs/2021/002 dated March 18, 2021, CBO had temporarily discontinued the application of two track approach as per BM 1149. This was continued for 2022 through CBO circular BSD/CB & FLCs/2022/001 dated January 12, 2022, hence there will be no change in Impairment Reserve during the year 2022

Restructured loans include the restructuring/rescheduling of certain affected borrowers allowed as per CBO circular BSD/CB & FLCs/2021/004 dated November 18, 2021. The initial circular required the restructuring of all eligible affected borrowers by April 1, 2022. However, the CBO through circular SD/CB & FLCs/2022/003 dated March 31, 2022 extended this timeframe to June 30, 2022.

5.3 Impairment charge and provisions held

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	3,672	3,672	-
Provisions required as per CBO norms/ held as per IFRS 9*	94,559	83,431	11,128
Gross NPL ratio (percentage)	3.31%	3.31%	-
Net NPL ratio (percentage)	0.56%	1.35%	-0.68%

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 March 2022

6. INVESTMENT SECURITIES

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
2,265	1,844	4,779	Equity investments:			
12,403	11,475	18,483	Measured at FVTPL	1,840	710	872
14,668	13,319	23,262	Designated at FVOCI	7,116	4,418	4,775
			Total Equity investments	8,956	5,128	5,647
			Debt investments:			
1,098,000	911,722	1,208,008	Designated at FVOCI	465,083	351,013	422,730
1,112,668	925,041	1,231,270	Total investment securities	474,039	356,141	428,377

The table below summarises the concentration of investments by various sectors.

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
			Equity investments:			
			A. Designated at FVTPL			
			Quoted investments - Oman			
-	177	-	- Banking and investment sector	-	68	-
-	-	-	- Service sector	-	-	-
-	-	-	- Manufacturing sector	-	-	-
-	177	-		-	68	-
			Quoted investments - Foreign			
155	134	714	Banking and investment sector	275	51	60
196	56	2,361	Manufacturing	909	22	76
655	323	1,398	Construction	538	124	252
1,259	1,154	306	Service sector	118	445	484
2,265	1,667	4,779		1,840	642	872
2,265	1,844	4,779	Total	1,840	710	872
			B. Designated at FVOCI			
			Quoted investments - Oman			
1,791	1,866	1,491	Manufacturing	574	718	690
1,184	1,483	1,125	Banking and investment sector	433	571	456
3,078	5,104	6,488	Service sector	2,498	1,965	1,185
6,053	8,453	9,104		3,505	3,254	2,330
			Quoted investments - Foreign			
1,715	1,198	1,813	Manufacturing	698	462	660
2,110	492	2,798	Banking and investment sector	1,077	189	812
2,265	1,118	4,371	Service sector	1,683	430	872
-	214	-	- Construction	-	83	-
260	-	397	Trading	153	-	100
6,350	3,022	9,379		3,611	1,164	2,445
12,403	11,475	18,483	Total	7,116	4,418	4,775

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 March 2022

6. INVESTMENT SECURITIES (continued)

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
			Debt investments:			
			Designated at FVOCI			
			Quoted investments - Oman			
464,323	361,276	463,131	Government development bonds	178,305	139,092	178,764
54,465	49,801	53,171	Government bonds	20,471	19,173	20,969
81,613	78,774	81,400	Government sukuks	31,339	30,328	31,421
45,243	50,616	43,509	Services	16,751	19,487	17,419
28,631	13,037	54,309	Banking and investment	20,909	5,019	11,023
<u>674,275</u>	<u>553,504</u>	<u>695,520</u>		<u>267,775</u>	<u>213,099</u>	<u>259,596</u>
			Quoted investments - Foreign			
2,114	2,110	2,127	Government bonds	819	812	814
-	-	-	Services	-	-	-
45,256	18,446	17,182	Banking and investment	6,615	7,102	17,423
<u>47,370</u>	<u>20,556</u>	<u>19,309</u>	Total debt investments	<u>7,434</u>	<u>7,914</u>	<u>18,237</u>
			Unquoted Oman Government			
376,355	337,662	493,179	Treasury bills	189,874	130,000	144,897
<u>1,112,668</u>	<u>925,041</u>	<u>1,231,270</u>	Total investments	<u>474,039</u>	<u>356,141</u>	<u>428,377</u>

7. CUSTOMERS' DEPOSITS

Customers' deposits can be analysed as follows:

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
			Conventional Banking			
2,801,880	2,992,006	2,458,842	Time deposits	946,654	1,151,922	1,078,723
1,242,678	836,823	1,537,865	Demand deposits	592,078	322,177	478,431
598,390	420,588	630,780	Savings deposits	242,850	161,926	230,380
<u>4,642,948</u>	<u>4,249,417</u>	<u>4,627,487</u>		<u>1,781,582</u>	<u>1,636,025</u>	<u>1,787,534</u>
			Islamic Banking			
447,037	396,908	486,169	Time deposits	187,175	152,810	172,109
162,921	136,154	158,875	Demand deposits	61,167	52,419	62,725
413,046	276,780	389,972	Savings deposits	150,139	106,560	159,023
<u>1,023,004</u>	<u>809,842</u>	<u>1,035,016</u>		<u>398,481</u>	<u>311,789</u>	<u>393,857</u>
<u>5,665,952</u>	<u>5,059,259</u>	<u>5,662,503</u>		<u>2,180,063</u>	<u>1,947,814</u>	<u>2,181,391</u>

The analysis of customer deposits based on the contractual maturity date is as below:

2,710,351	2,055,485	2,878,358	0-6 Months	1,108,168	791,361	1,043,486
379,699	315,683	358,465	6-12 months	138,009	121,538	146,184
1,758,448	1,827,791	1,572,681	1-3 years	605,482	703,699	677,002
817,452	860,300	852,997	3 years and above	328,404	331,216	314,719
<u>5,665,950</u>	<u>5,059,259</u>	<u>5,662,501</u>		<u>2,180,063</u>	<u>1,947,814</u>	<u>2,181,391</u>

Interest rate bands of deposits is as follows:

1,722,904	1,060,109	1,685,574	0-2%	648,946	408,142	663,319
1,790,575	1,064,734	1,970,886	2-4%	758,791	409,923	689,371
2,131,691	2,913,637	1,985,262	4-6%	764,326	1,121,749	820,701
20,779	20,779	20,779	6-7%	8,000	8,000	8,000
<u>5,665,949</u>	<u>5,059,259</u>	<u>5,662,501</u>		<u>2,180,063</u>	<u>1,947,814</u>	<u>2,181,391</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED 31 March 2022**

8. RELATED PARTY TRANSACTIONS

The Bank enters into transactions with major shareholders, directors, senior management and their related entities in the ordinary course of business at mutually agreed terms and conditions.

The balances in respect of related parties included in the statement of financial position are as follows:

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
Directors and senior management						
2,468	2,306	2,132	Loans & advances and financing, net	821	888	950
4,005	4,252	5,114	Customers' deposits	1,969	1,637	1,542
Major shareholders and others						
3,894	4,016	3,868	Due from banks	1,489	1,546	1,499
351	371	382	Investment securities	147	143	135
			Other assets			
-	192	-	- Fair value of forward contracts	-	74	-
10,234	27,699	13,582	Due to banks	5,229	10,664	3,940
57	68	158	Customers' deposits	61	26	22
			Other liabilities			
4,434	6,083	514	- Fair value of swaps	198	2,342	1,707
888	888	888	Contingent liabilities and commitments	342	342	342

The income and expenses in respect of related parties included in the statement of comprehensive income are as follows:

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO'000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
Directors and senior management						
96	23	21	Interest and profit income	8	9	37
119	31	34	Interest and profit expense	13	12	46
779	-	-	- Board remuneration proposed	-	-	300
138	23	26	Board sitting fees	10	9	53
73	18	18	Shariah supervisory board expenses	7	7	28
Major shareholders and others						
32	32	-	- Interest and profit expense	-	12	12
-	192	36	Gain on foreign exchange forward contracts	14	74	-
4,434	2,618	4,201	Gain on fair value of interest rate swaps	1,617	1,008	1,707

As at 31 March 31, 2022, guarantees were issued to beneficiaries on behalf of related party amounting to RO 3.100 million equivalent to US\$ 8.05 million (31 December 2021: RO 3.179 million equivalent to US\$ 8.26 million).

Compensation of the key management personnel for the three month period ended 31 March 2021 was RO 0.637 million equivalent to US\$ 1.65 million (31 March 2021: RO 0.490 million equivalent to US\$ 1.27 million).

9. SHARE CAPITAL

The authorised share capital of the Bank is 2,500,000,000 shares of 100 baizas each (31 March 2021 and 31 December 2021: 2,500,000,000 shares of 100 baizas each) out of which 1,949,657,466 (31 March 2021 and 31 December 2021: 1,949,657,466 shares) are issued and fully paid up.

Ahli United Bank BSC (AUB) is the only shareholder owning 10% or more of the Bank's shares. On 31 March 2022 shareholding of AUB was 682,380,099 shares equivalent to 35% (31 March 2021 and December 31, 2021 : 682,380,099 shares equivalent to 35%)

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10. INTEREST INCOME

Interest bearing assets earned interest at an overall annualised rate of 5.24% for three months period ended 31 March 2022 (31 March 2021 - 5.54%)

Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000
66,466	68,971	Loans and advances	26,554	25,590
6,722	9,086	Investments	3,498	2,588
1,629	208	Due from banks	80	627
<u>74,817</u>	<u>78,265</u>		<u>30,132</u>	<u>28,805</u>

11. INTEREST EXPENSE

The average annualised cost of funds for three months period ended 31 March 2022 was 2.91 % (31 March 2021 - 3.42%)

Unaudited 31-Mar-21	Unaudited 31-Mar-22		Unaudited 31-Mar-22	Unaudited 31-Mar-21
32,245	26,938	Time deposits	10,371	12,414
5,704	9,457	Demand and saving deposits	3,641	2,196
2,631	1,766	Borrowings	680	1,013
2,325	2,195	Inter-bank deposits	845	895
<u>42,905</u>	<u>40,356</u>		<u>15,537</u>	<u>16,518</u>

12. OTHER OPERATING INCOME

Unaudited 31-Mar-21	Unaudited 31-Mar-22		Unaudited 31-Mar-22	Unaudited 31-Mar-21
3,608	8,600	Fees and commission, net (refer note 12.1)	3,311	1,389
6,747	379	Gain on sale of investments, net	146	2,598
1,917	1,836	Foreign exchange gain, net	707	738
5	314	Dividend income	121	2
275	227	Unrealized gains on investments	87	106
<u>12,552</u>	<u>11,356</u>		<u>4,372</u>	<u>4,833</u>

12.1. DISAGGREGATION OF FEE AND COMMISSION INCOME

IFRS 15 requires the disclosure of disaggregated revenue earned from contracts with customers for major products / service lines. The below table provides disaggregation of fees and other income & commission with the Bank's reportable segments:

Particulars	31-Mar-22			31-Mar-21		
	Retail banking RO '000	Wholesale banking, treasury and investment banking RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury and investment banking RO '000	Total RO '000
Disaggregated income						
Service charges	264	151	415	163	109	272
Fees income	735	1,996	2,731	247	615	862
Commission income	10	402	412	23	409	432
Total fee and commission income	1,009	2,549	3,558	433	1,133	1,566
Fee expense	(247)	-	(247)	(177)	-	(177)
Fee and commission, net	762	2,549	3,311	264	1,125	1,389

Particulars	31-Mar-22			31-Mar-21		
	Retail banking US\$'000	Wholesale banking, treasury and investment banking US\$'000	Total US\$'000	Retail banking US\$'000	Wholesale banking, treasury and investment banking US\$'000	Total US\$'000
Disaggregated income						
Service charges	686	392	1,078	423	283	706
Fees income	1,909	5,185	7,094	641	1,598	2,239
Commission	26	1,044	1,070	60	1,063	1,123
Total fee and commission income	2,621	6,621	9,242	1,124	2,944	4,068
Fee expense	(642)	-	(642)	(460)	-	(460)
Fee and commission, net	1,979	6,621	8,600	684	2,924	3,608

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FOR THE THREE MONTH PERIOD ENDED 31 March 2022

13. NET IMPAIRMENT ON FINANCIAL ASSETS

Unaudited 31-Mar-21	Unaudited 31-Mar-22		Unaudited 31-Mar-22	Unaudited 31-Mar-21
US\$ '000	US\$ '000		RO '000	RO '000
190	(67)	Net Impairment charge		
12,627	11,964	Due from banks	(26)	73
(39)	-	Loans & advances and financing	4,606	4,862
(34)	21	Investment securities	-	(15)
483	841	Other assets	8	(13)
(13)	-	Loan commitments and financial guarantees	324	186
(734)	(52)	Loans & advances and financing written back	-	(5)
		Recovery of loans written off earlier	(20)	(282)
12,480	12,707		4,892	4,805
(2,088)	(3,169)	Less: Interest reserved during the period	(1,220)	(804)
10,392	9,538		3,672	4,001

14. BASIC AND DILUTED EARNINGS / NET ASSETS VALUE PER SHARE

14.1 BASIC AND DILUTED EARNINGS PER SHARE

Audited 31-Dec-21	Unaudited 31-Mar-21	Unaudited 31-Mar-22		Unaudited 31-Mar-22	Unaudited 31-Mar-21	Audited 31-Dec-21
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
71,703	16,493	19,524	Profit for the period/year	7,517	6,351	27,606
(24,156)	-	-	- Less: AT1 interest paid during the year	-	-	(9,300)
47,546	16,493	19,524	Profit attributable to equity shareholders	7,517	6,351	18,306
1,882,826	1,650,233	1,949,657	Weighted average number of outstanding shares during the period/year (in 000's)	1,949,657	1,650,233	1,882,826
3	1	1	Earnings per share (cents /baizas)	4	4	10

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

14.2 NET ASSETS VALUE PER SHARE

Audited 31-Dec-21	Unaudited 31-Mar-21	Unaudited 31-Mar-22		Unaudited 31-Mar-22	Unaudited 31-Mar-21	Audited 31-Dec-21
US\$ '000	US\$ '000	US\$ '000		RO '000	RO '000	RO '000
787,002	751,457	766,980	Net assets	295,288	302,997	302,997
1,949,657	1,949,657	1,949,657	Issued and paid up shares (in'000)	1,949,657	1,949,657	1,949,657
40	39	39	Net assets value per share (cents/baizas)	151	155	155

15. SEGMENT REPORTING

Segment information is presented in respect of the Bank's operating segments. For management purposes, the Bank is organised into two operating segments based on products and services as follows:

1. Retail banking includes customers' deposits, unrestricted investments accounts, consumer loans, overdrafts, credit card, Islamic financing and fund transfer facilities.
2. Wholesale banking, treasury and investments include deposits including current accounts, term deposits, loans & advances and Islamic financing etc. for corporate and institutional customers, Treasury, Trade Finance and Investment Banking Services.

The Management Committee 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 the profit after tax.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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15. SEGMENT REPORTING (continued)

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on pool rate, which is approximates the cost of the funds. Segment information is as follows:

	31-Mar-22			31-Mar-21			31-Dec-21		
	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000	Retail banking RO '000	Wholesale banking, treasury & investment RO '000	Total RO '000
Net interest income	5,028	9,567	14,595	4,259	8,028	12,287	20,080	34,057	54,137
Net income from Islamic financing and investments	1,516	1,812	3,328	973	1,529	2,502	5,859	5,568	11,427
Net interest income and income from Islamic financing and investments	6,544	11,379	17,923	5,232	9,557	14,789	25,939	39,625	65,564
Other operating income	838	3,534	4,372	496	4,337	4,833	2,293	14,581	16,874
Net operating income	7,382	14,913	22,295	5,728	13,894	19,622	28,232	54,206	82,438
Segment assets	719,444	2,447,111	3,166,555	741,855	2,079,470	2,821,325	729,978	2,322,578	3,052,556
Segment liabilities	712,060	2,035,207	2,747,267	516,906	1,891,108	2,408,014	660,439	1,965,120	2,625,559
Net interest income	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Net income from Islamic financing and investments	13,060	24,849	37,909	11,061	20,851	31,912	52,156	88,460	140,616
Net interest income and income from Islamic financing and investments	3,937	4,707	8,644	2,528	3,971	6,499	15,218	14,462	29,681
Other operating income	16,997	29,556	46,553	13,589	24,822	38,411	67,374	102,922	170,297
Net operating income	2,176	9,180	11,356	1,287	11,265	12,552	5,956	37,872	43,828
Net operating income	19,173	38,736	57,909	14,876	36,087	50,963	73,330	140,794	214,125
Segment assets	1,868,685	6,356,133	8,224,818	1,926,897	5,401,222	7,328,119	1,896,047	6,032,670	7,928,717
Segment liabilities	1,849,505	5,286,251	7,135,756	1,385,646	4,868,938	6,254,584	1,715,426	5,104,209	6,819,635

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities, other than those disclosed in the table below and in note 5, approximate their carrying values.

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

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 - Quoted prices (unadjusted) in active markets.

Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table contains analysis of financial instruments measured at fair value at the reporting date:

	31-Mar-22			31-Mar-21			31-Dec-21		
	Level 1 RO '000	Level 2 RO '000	Total RO '000	Level 1 RO '000	Level 2 RO '000	Total RO '000	Level 1 RO '000	Level 2 RO '000	Total RO '000
Financial assets:									
Investments at FVTPL	1,840	-	1,840	710	-	710	872	-	872
Investments at FVOCI	472,199	-	472,199	355,431	-	355,431	73,325	354,180	427,505
<i>Derivative financial instruments</i>									
Interest rate swaps	-	3,362	3,362	-	1,240	1,240	-	1,178	1,178
Forward foreign exchange contracts	490	-	490	1,062	-	1,062	703	-	703
	<u>474,529</u>	<u>3,362</u>	<u>477,891</u>	<u>357,203</u>	<u>1,240</u>	<u>358,443</u>	<u>74,900</u>	<u>355,358</u>	<u>430,258</u>
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	3,223	3,223	-	4,791	4,791	-	2,797	2,797
Forward foreign exchange contracts	24	-	24	79	-	79	37	-	37
	<u>24</u>	<u>3,223</u>	<u>3,247</u>	<u>79</u>	<u>4,791</u>	<u>4,870</u>	<u>37</u>	<u>2,797</u>	<u>2,834</u>
Financial assets:	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Investments at FVTPL	4,779	-	4,779	1,844	-	1,844	2,265	-	2,265
Investments at FVOCI	1,226,491	-	1,226,491	923,197	-	923,197	190,455	919,948	1,110,403
<i>Derivative financial instruments</i>									
Interest rate swaps	-	8,732	8,732	-	3,221	3,221	-	3,060	3,060
Forward foreign exchange contracts	1,273	-	1,273	2,758	-	2,758	1,825	-	1,825
	<u>1,232,543</u>	<u>8,732</u>	<u>1,241,275</u>	<u>927,799</u>	<u>3,221</u>	<u>931,020</u>	<u>194,545</u>	<u>923,008</u>	<u>1,117,553</u>
Financial liabilities									
<i>Derivative financial instruments</i>									
Interest rate swaps	-	8,370	8,370	-	12,443	12,443	-	7,264	7,264
Forward foreign exchange contracts	63	-	63	205	-	205	96	-	96
	<u>63</u>	<u>8,370</u>	<u>8,433</u>	<u>205</u>	<u>12,443</u>	<u>12,648</u>	<u>96</u>	<u>7,264</u>	<u>7,360</u>

No financial instruments are carried at level 3 fair value as on 31 March 2022 (31 March 2021 and 31 December 2021: nil)

There are no transfers between levels of fair value measurement hierarchy during the period.

17. DERIVATIVES
Derivative product types

Swaps are contractual agreements between two parties to exchange interest based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Forward contracts are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forward contracts are customised contracts transacted over the counter.

Derivatives held for hedging purposes

The Bank enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. As all critical terms matched, there is an economic relationship between hedged item and hedge instrument. There was no recognised ineffectiveness during 2021 and 2020 in relation to interest rate swaps.

Derivatives held for risk management purposes

The Bank has entered into interest rate swaps and forward contracts for risk management purposes which are usually not closed out prior to contractual maturity. The Bank ensures that its exposure is kept to acceptable level by buying and selling of foreign currencies in forward market when necessary to address short term imbalances.

The table below shows the assets and liabilities fair values of derivative financial instruments, together with the notional cash flows analysed by the term of their maturity.

	Assets RO '000	Liabilities RO '000	Notional cash flows RO '000
At 31 March 2022			
Derivatives for hedging:			
Interest rate swaps	3,362	3,223	267,089
Derivatives:			
Forward purchase contracts	-	24	198,699
Forward sales contracts	490	-	198,233
	US\$ 000	US\$ 000	US\$ 000
Derivatives for hedging:			
Interest rate swaps	8,732	8,370	693,738
Derivatives:			
Forward purchase contracts	-	63	516,101
Forward sales contracts	1,273	-	514,891
At 31 March 2021			
Derivatives for hedging:	RO '000	RO '000	RO '000
Interest rate swaps	1,240	4,791	267,089
Derivatives:			
Forward purchase contracts	-	79	171,592
Forward sales contracts	1,062	-	170,609
	US\$ 000	US\$ 000	US\$ 000
Derivatives for hedging:			
Interest rate swaps	3,221	12,443	693,738
Derivatives:			
Forward purchase contracts	-	205	445,694
Forward sales contracts	2,758	-	443,140
At 31 December 2021			
Derivatives for hedging:	RO '000	RO '000	RO '000
Interest rate swaps	1,178	2,797	208,806
Derivatives:			
Forward purchase contracts	107	23	166,065
Forward sales contracts	596	14	166,066
	US\$ 000	US\$ 000	US\$ 000
Derivatives for hedging:			
Interest rate swaps	3,060	7,264	542,353
Derivatives:			
Forward purchase contracts	277	60	431,338
Forward sales contracts	1,548	36	431,339

Fair values are included under other assets where positive and other liabilities where negative.

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18. CONTINGENT LIABILITIES AND COMMITMENTS

Audited 31-Dec-21 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Unaudited 31-Mar-22 US\$ '000		Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
304,293	316,964	291,945	Financial guarantees	112,399	122,031	117,153
104,816	140,579	112,348	Letters of credit	43,254	54,123	40,354
124,473	135,971	107,221	Loan commitments	41,280	52,349	47,922
19,372	18,392	18,934	Capital commitments	7,290	7,081	7,458
552,954	611,906	530,448		204,223	235,584	212,887

19. ASSETS AND LIABILITIES MATURITY

As at 31 March 2022	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	1,208,841	256,200	495,009	1,238,387	3,198,437
Liabilities and equity	(856,420)	(829,654)	(623,899)	(888,464)	(3,198,437)
Net liquidity gap	352,421	(573,454)	(128,890)	349,923	-
Net liquidity gap in US \$ '000	915,381	(1,489,491)	(334,780)	908,890	-

As at 31 March 2021	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	917,664	321,764	466,009	1,144,537	2,849,974
Liabilities and equity	(610,207)	(861,765)	(635,014)	(742,988)	(2,849,974)
Net liquidity gap	307,457	(540,001)	(169,005)	401,549	-
Net liquidity gap in US \$ '000	798,590	(1,402,600)	(438,974)	1,042,984	-

As at 31 December 2021	Upto 3 months RO '000	Above 3 months to 12 months RO '000	Above 1 year to 5 years RO '000	More than 5 years RO '000	Total RO '000
Assets	1,127,701	288,163	484,054	1,152,638	3,052,556
Liabilities and equity	(774,227)	(803,934)	(666,059)	(808,336)	(3,052,556)
Net liquidity gap	353,474	(515,771)	(182,005)	344,302	-
Net liquidity gap in US \$ '000	918,113	(1,339,665)	(472,741)	894,292	-

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20. CAPITAL MANAGEMENT

The risk asset ratio is calculated in accordance with the capital adequacy guidelines of the Basel Committee on Banking Supervision and CBO Circulars BM 1009 'Guidelines on Basel II' and BM 1114 'Regulatory Capital and Composition of Capital Disclosure requirements under Basel III' effective from 31 December 2014. As per CBO circular BSD/CB/2020/001 dated 18 March 2020, capital conversion buffer will be reduced by 50% from 2.5% to 1.25%. Accordingly, the minimum capital adequacy ratio requirement for the year is 12.25% including capital conservation buffer of 1.25% (31 December 2021: 12.25% including capital conservation buffer of 1.25%). The capital adequacy ratio working is as follows:

The following table sets out the capital adequacy position:

	Unaudited 31-Mar-22 RO '000	Unaudited 31-Mar-21 RO '000	Audited 31-Dec-21 RO '000
Common Equity Tier 1 (CET1)	269,179	268,466	270,078
Additional Tier 1	124,000	124,000	124,000
Tier 1	393,179	392,466	394,078
Tier 2	16,604	19,002	20,264
Total regulatory capital	409,783	411,468	414,342
Risk weighted assets			
Credit risk	2,363,342	2,332,130	2,317,643
Market risk	68,821	51,760	32,663
Operational risk	141,640	129,573	129,573
Total risk weighted assets	2,573,803	2,513,463	2,479,879
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	10.46%	10.68%	10.89%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.28%	15.61%	15.90%
Tier II capital expressed as a percentage of total risk-weighted assets	0.65%	0.76%	0.81%
Total regulatory capital expressed as a percentage of total risk-weighted assets	15.92%	16.37%	16.71%
	Unaudited 31-Mar-22 US\$ '000	Unaudited 31-Mar-21 US\$ '000	Audited 31-Dec-21 US\$ '000
Common Equity Tier 1 (CET1)	699,166	697,314	701,502
Additional Tier 1	322,078	322,078	322,078
Tier 1	1,021,244	1,019,392	1,023,580
Tier 2	43,127	49,356	52,634
Total regulatory capital	1,064,371	1,068,748	1,076,214
Risk weighted assets			
Credit risk	6,138,550	6,057,481	6,019,852
Market risk	178,755	134,441	84,840
Operational risk	367,895	336,552	336,552
Total risk weighted assets	6,685,200	6,528,475	6,441,244
Capital adequacy ratio			
CET1 capital expressed as a percentage of total risk-weighted assets	10.46%	10.68%	10.89%
Total tier I capital expressed as a percentage of total risk-weighted assets	15.28%	15.61%	15.90%
Tier II capital expressed as a percentage of total risk-weighted assets	0.65%	0.76%	0.81%
Total regulatory capital expressed as a percentage of total risk-weighted assets	15.92%	16.37%	16.71%

21. COMPARATIVE FIGURES

Corresponding figures have been rearranged and reclassified in order to conform with the presentation for the current period for the purpose of comparison and for better presentation.