



## **SOHAR INTERNATIONAL BANK SAOG**

### **INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

## Chairman's Report for the six months ended 30 June 2020

I am pleased to present Sohar International Bank's results for the six months ended 30 June 2020, as Oman steps forward with measures to return to normality following the lockdown stage of Covid-19 pandemic. The economic and social impact of the global pandemic no doubt has cast a big shadow as the nation seeks to stimulate economic activity across all sectors.

With the recovery unfolding, the Bank is fully geared to play a contributing role to its people, society, and nation at large, through innovative financial and non-financial support. Characterizing a resilient working environment, Sohar International is further focused on helping customers achieve greater financial security while boosting economic recovery and strengthening the bank's position in the process.

### Financial performance

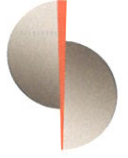
Total assets as of 30 June 2020 increased by 11.3% to RO 3,584 million (30 June 2019: RO 3,221 million). Net loans and advances increased by 1.2% to RO 2,442 million (30 June 2019: RO 2,412 million). Customer deposits increased by 15.1% to RO 2,241 million (30 June 2019: RO 1,947 million).

Net profit for the first six months ended 30 June 2020 declined by 29.1% to RO 13.18 million compared to RO 18.58 million during the same period in 2019.

Operating profit decreased by 2.7% to RO 26.18 million compared to RO 26.91 million for the same period last year. Net interest income for the first six months ended 30 June 2020 increased by 17.6% to RO 36.43 million (30 June 2019: RO 30.97 million). Operating income decreased by 3.9% to RO 47.62 million, (30 June 2019: RO 49.55 million).

Operating expenses decreased by 5.3% to RO 21.44 million (30 June 2019: RO 22.64 million). Sohar International continues to manage the expense base to support its strategic objectives as well as maintain a strong cost/income ratio, reporting 45.0% for the period compared to 45.7% for the same period last year.

Net impairment charges and other credit risk provisions for the period was RO 10.70 million compared to RO 5.71 million for the same period last year. Increase in credit provisions includes a significant management overlay in response to expected credit deterioration due to the economic impact of the COVID-19 pandemic and lower oil prices. Given the high degree of uncertainty in relation to future economic impacts of COVID-19, management will continue to monitor and assess the adequacy of its impairment charges and provisions.



## **CARING FOR OUR COMMUNITY**

Aimed at driving economic recovery, Sohar International initiated a series of measures to meet the needs of the nation, people, and customers during this stressed period. With the health, safety, and well-being of our stakeholders as our top priority and in line with our national duty and social responsibility, the Bank has geared itself to safe guard against the risk of the pandemic at all touchpoints, even exceeding regulatory and national directives.

With a strong focus on the community, Sohar International rolled out a host of initiatives, including a commitment of over RO 1 million to combat the impacts of the crisis, and to support the nation in its actions towards ensuring the safety of its people. In addition, the Bank had the opportunity to contribute towards the efforts of the Royal Hospital by supporting purchase of essential equipment to expand their capacity to save more lives.

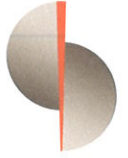
In acknowledging its responsibility towards society and the community at large, Sohar International liaised with official representatives in various regions to identify and support 100 low-income families impacted by Covid-19 through cash donations. In addition, the Bank observed the holy month of Ramadan with an annual charitable distribution of food to over 400 low income families across the Sultanate.

To ease the burden for our customers and to strengthen their financial security, Sohar international offered instalment deferments of up to 3 months on housing and personal loans, interest and profit rate waivers for 6 months to certain Small & Medium Enterprises and fee waivers on point-of-sale transactions.

### **Expanding Digital Footprint**

In view of the current situation and consistent with our strategy to leverage technology to enhance safety and reach, the Sohar | Prize Scheme 2020 first virtual monthly draws were held live via the Bank's official Instagram page. Sohar international seeks to actively impact the socio-economic standards of customers by fostering a culture of saving by rewarding savers. Harnessing digital capabilities to enhance participation and global reach, the 6th edition of Viewpoints was streamed live via the Bank's YouTube channel hosting Lord Grimstone of Boscobel Kt, Minister for Investment in the United Kingdom.

Furthermore, and with a view to offer simple and convenient navigation to all visitors, Sohar Islamic unveiled a new corporate website. With an enhanced user-friendly and mobile-responsive design, the new website has been carefully crafted and developed with the sole purpose of providing users with more convenience and a smooth experience.



## **Connecting with our Community**

Expanding on its community engagement initiatives especially during the holy month of Ramadan, Sohar International launched a social media competition enhancing customer interaction. The highly engaging and interactive competition featured historical, cultural, heritage and tourism highlights of Oman.

## **Awards and Accolades**

Technology plays a pivotal role in the Bank's bouquet of innovative products and services. In recognition of its breakthrough innovation in banking products, customer service, process design and distribution channels, Sohar International was recently adjudged runner-up for the second year at the Infosys Finacle Client Innovation Awards.

## **Recognition**

I thank our stakeholders for their continued trust and confidence as well as our team of dedicated employees for their commitment and enthusiasm especially during the current exceptional period.

I recognize the outstanding support, guidance and vision of the Central Bank of Oman and the Capital Market Authority in establishing the platform for the financial sector to grow under the umbrella of strong governance, transparency and leadership.

Finally, I extend on behalf of the Board of Directors and our loyal employees heartfelt thanks to His Majesty Sultan Haitham Bin Tariq for his vision and leadership of our beloved country, and the commendable efforts of His Majesty's government in promoting the Banking sector in Oman.

**Mohammed Mahfoudh Al Ardhi**  
**Chairman**



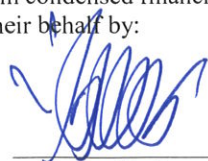
## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

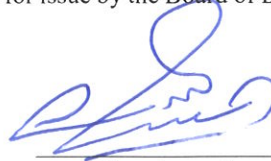
(RO'000)

		30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2019 (Unaudited)
<b>ASSETS</b>	Note			
Cash and balances with Central Bank	B1	132,068	89,572	85,870
Due from banks and other money market placements	B2	165,832	198,237	68,698
Loans, advances and financing, net	B3	2,441,854	2,454,153	2,412,078
Investment securities	B4	678,137	637,475	571,920
Property, equipment and fixtures		42,088	38,389	35,006
Investment properties		2,900	2,900	2,900
Other assets	B5	120,980	84,379	45,015
<b>TOTAL ASSETS</b>		<b>3,583,859</b>	<b>3,505,105</b>	<b>3,221,487</b>
<b>LIABILITIES</b>				
Due to banks and other money market borrowings	B6	653,632	735,261	688,737
Customer deposits	B7	2,240,742	2,097,310	1,946,535
Other liabilities	B8	121,469	100,524	62,991
Subordinated loans		35,386	35,392	35,385
Certificates of deposit		509	509	509
<b>TOTAL LIABILITIES</b>		<b>3,051,738</b>	<b>2,968,996</b>	<b>2,734,157</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	B9	245,355	236,360	198,265
Share premium	B9	18,038	19,942	18,037
Legal reserve		28,519	28,519	24,375
General reserve		988	988	988
Fair value reserve		(4,161)	(2,213)	(2,155)
Subordinated loans reserve		14,000	14,000	7,000
Retained earnings		29,382	38,513	40,820
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>332,121</b>	<b>336,109</b>	<b>287,330</b>
Perpetual Tier 1 capital securities	B10	200,000	200,000	200,000
<b>TOTAL EQUITY</b>		<b>532,121</b>	<b>536,109</b>	<b>487,330</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,583,859</b>	<b>3,505,105</b>	<b>3,221,487</b>
<b>CONTINGENT LIABILITIES COMMITMENTS</b>	B11.a B11.b	441,417 401,922	392,710 364,240	415,224 389,589
<b>Net assets per share</b>		<b>Baizas 136.42</b>	<b>Baizas 142.20</b>	<b>Baizas 144.92</b>

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on 29<sup>th</sup> July 2020 and signed on their behalf by:



Chairman



Board member

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**  
 (Unaudited)  
 (RO'000)

	Note	For the six months ended		For the three months ended	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
Interest income	C1	73,155	70,778	36,809	35,693
Interest expense	C2	(36,724)	(39,811)	(17,864)	(20,338)
<b>Net interest income</b>		<b>36,431</b>	<b>30,967</b>	<b>18,945</b>	<b>15,355</b>
Net income from Islamic financing and investing activities	C3.b	2,681	2,691	1,200	1,402
Other operating income	C4	8,503	15,894	4,400	7,346
<b>TOTAL OPERATING INCOME</b>		<b>47,615</b>	<b>49,552</b>	<b>24,545</b>	<b>24,103</b>
Staff costs		(12,489)	(14,467)	(6,176)	(7,011)
Other operating expenses	C5	(7,489)	(6,984)	(3,735)	(3,372)
Depreciation		(1,458)	(1,191)	(743)	(600)
<b>TOTAL OPERATING EXPENSES</b>		<b>(21,436)</b>	<b>(22,642)</b>	<b>(10,654)</b>	<b>(10,983)</b>
<b>NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS</b>		<b>26,179</b>	<b>26,910</b>	<b>13,891</b>	<b>13,120</b>
Loan impairment charges and other credit risk provisions (net)	C6	(10,702)	(5,709)	(5,678)	(3,172)
<b>PROFIT BEFORE TAX</b>		<b>15,477</b>	<b>21,201</b>	<b>8,213</b>	<b>9,948</b>
Income tax expense		(2,302)	(2,617)	(1,213)	(1,516)
<b>PROFIT FOR THE PERIOD</b>		<b>13,175</b>	<b>18,584</b>	<b>7,000</b>	<b>8,432</b>
<b>Profit for the period</b>					
Conventional banking		12,895	17,541	6,816	7,864
Islamic banking		280	1,043	184	568
		<b>13,175</b>	<b>18,584</b>	<b>7,000</b>	<b>8,432</b>
Basic earnings per share for the period	C7	<i>Baisas</i> 2.289	<i>Baisas</i> 7.068	<i>Baisas</i> 2.875	<i>Baisas</i> 4.089

**STATEMENT OF COMPREHENSIVE INCOME (continued)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**  
 (Unaudited)  
 (RO'000)

	For the six months ended		For the three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<b>Profit for the period</b>	<b>13,175</b>	18,584	<b>7,000</b>	8,432
<i>Other comprehensive income that will not be reclassified to the income statement</i>				
Revaluation losses on equity instruments held at fair value through other comprehensive income (FVOCI)	(106)	(690)	(57)	(179)
Total other comprehensive loss that will not be reclassified to the income statement	(106)	(690)	(57)	(179)
<i>Other comprehensive income that will be reclassified to the income statement</i>				
Debt instruments at FVOCI:				
Net changes in fair value on debt instruments at FVOCI	(2,362)	-	(2,362)	-
Total other comprehensive income that will be reclassified to the income statement	(2,362)	-	(2,362)	-
Total other comprehensive loss for the period, net of income tax	(2,468)	(690)	(2,419)	(179)
<b>Total comprehensive income for the period, net of income tax</b>	<b>10,707</b>	17,894	<b>4,581</b>	8,253

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Unaudited)

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve	Subordinated loans reserve	Retained earnings	Total Shareholders' Equity	Perpetual Tier 1 Capital Securities	Total Equity
<b>Balance as at 1 January 2020</b>	<b>236,360</b>	<b>19,942</b>	<b>28,519</b>	<b>988</b>	<b>(2,213)</b>	<b>14,000</b>	<b>38,513</b>	<b>336,109</b>	<b>200,000</b>	<b>536,109</b>
Profit for the period	-	-	-	-	-	-	13,175	13,175	-	13,175
Other comprehensive loss for the period	-	-	-	-	(2,468)	-	-	(2,468)	-	(2,468)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,468)</b>	<b>-</b>	<b>13,175</b>	<b>10,707</b>	<b>-</b>	<b>10,707</b>
Reclassification of net change in fair value of equity instruments upon de- recognition	-	-	-	-	520	-	(520)	-	-	-
Share premium transferred to share capital	1,904	(1,904)	-	-	-	-	-	-	-	-
Dividends paid for 2019	-	-	-	-	-	-	(7,091)	(7,091)	-	(7,091)
Issue of bonus shares for 2019	7,091	-	-	-	-	-	(7,091)	-	-	-
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	(7,604)	(7,604)	-	(7,604)
<b>Balance as at 30 June 2020</b>	<b>245,355</b>	<b>18,038</b>	<b>28,519</b>	<b>988</b>	<b>(4,161)</b>	<b>14,000</b>	<b>29,382</b>	<b>332,121</b>	<b>200,000</b>	<b>532,121</b>
Balance as at 1 January 2019	198,265	18,037	24,375	988	(2,124)	7,000	38,883	285,424	100,000	385,424
Profit for the period	-	-	-	-	-	-	18,584	18,584	-	18,584
Other comprehensive loss for the period	-	-	-	-	(690)	-	-	(690)	-	(690)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(690)</b>	<b>-</b>	<b>18,584</b>	<b>17,894</b>	<b>-</b>	<b>17,894</b>
Reclassification of net change in fair value of equity instruments upon de- recognition	-	-	-	-	682	-	(682)	-	-	-
Dividends paid for 2018	-	-	-	-	-	-	(11,896)	(11,896)	-	(11,896)
Issue of Perpetual Tier1 Capital Securities	-	-	-	-	-	-	-	-	100,000	100,000
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	(3,843)	(3,843)	-	(3,843)
Issue expenses - Additional Tier 1 capital	-	-	-	-	-	-	(226)	(226)	-	(226)
Reclassification of fair value of debt instruments to investment securities	-	-	-	-	(23)	-	-	(23)	-	(23)
<b>Balance as at 30 June 2019</b>	<b>198,265</b>	<b>18,037</b>	<b>24,375</b>	<b>988</b>	<b>(2,155)</b>	<b>7,000</b>	<b>40,820</b>	<b>287,330</b>	<b>200,000</b>	<b>487,330</b>



**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**  
**(Unaudited)**  
**(RO'000)**

	30 June 2020	30 June 2019
<b>OPERATING ACTIVITIES</b>		
Profit before tax	15,477	21,201
Adjustments for:		
Depreciation	1,458	1,191
Loan impairment charges and other credit risk provisions, net	10,702	5,709
Net losses on investments held at fair value through profit or loss (FVTPL)	-	376
Profit on sale of fixed assets	-	(2)
Income from Islamic investment activities	(684)	(613)
Interest on investments	(9,370)	(8,310)
Interest accrued on subordinated loans and compulsorily convertible bonds	1,222	1,215
<b>Cash from operating activities before changes in operating assets and liabilities</b>	<b>18,906</b>	<b>20,767</b>
Due from banks and other money market placements	(322)	2,288
Loans, advances and financing	793	(165,295)
Investment held at fair value through profit or loss (FVTPL)	2,871	(22,389)
Other assets	(39,026)	(510)
Due to banks and other money market borrowings	129,597	(394,752)
Customer deposits	143,433	128,179
Other liabilities	25,617	(22,241)
<b>Cash from operating activities</b>	<b>281,869</b>	<b>(453,953)</b>
Income tax paid	(4,232)	(1,296)
<b>Net cash from/(used in) operating activities, net of tax</b>	<b>277,637</b>	<b>(455,249)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments, net	(42,377)	(19,285)
Proceeds from sale/redemption of investments	324	605
Acquisition of property, equipment and fixtures	(5,157)	(16,518)
Income from Islamic investment activities	686	856
Interest received on investments	9,370	8,310
<b>Net cash used in investing activities</b>	<b>(37,154)</b>	<b>(26,032)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(7,091)	(11,896)
Interest paid on subordinated loans	(1,229)	(1,223)
Issue of perpetual Tier 1 capital securities	-	100,000
Interest paid on perpetual Tier 1 capital securities	(7,604)	(3,843)
Issue expenses of perpetual Tier 1 capital securities	-	(226)
<b>Net cash (used in)/from financing activities</b>	<b>(15,924)</b>	<b>82,812</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>224,560</b>	<b>(398,469)</b>
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD</b>	<b>278,474</b>	<b>344,710</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>503,034</b>	<b>(53,759)</b>
<b>REPRESENTING:</b>		
Cash and balances with Central Bank (other than capital deposit) (note B1)	131,567	85,369
Due from banks and other money market placements with OM of 90 days (note B2)	165,176	62,740
Investments securities with original maturity (OM) of 90 days (note B4.b)	334,178	274,090
Due to banks and other money market borrowings with OM of 90 days (note B8)	(127,887)	(475,958)
	<b>503,034</b>	<b>(53,759)</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)****A1 Legal status and principal activities**

Bank Sohar SAOG ("the Bank") was established in the Sultanate of Oman on 4 March 2007 as a public joint stock company and is primarily engaged in commercial, investment and Islamic banking through a network of thirty commercial banking branches and eight Islamic banking branches within the Sultanate of Oman. The Bank operates under commercial, investment and an Islamic banking licence issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank started commercial operations from 9 April 2007. The registered address of the Bank is PO Box 44, Hai Al Mina, Postal Code 114, Muscat, Sultanate of Oman. The Bank has its primary listing on the Muscat Securities Market.

With effect from 30 April 2013, the Bank obtained a license to operate an Islamic Banking Window ("Sohar Islamic"). Sohar Islamic offers a full range of Islamic banking services and products. The principal activities of the window include accepting Shari'a compliant customer deposits, providing Shari'a compliant financing based on Murabaha, Mudaraba, Musharaka, Ijarah, Istisna'a, Salam and providing commercial banking services, investment and other activities permitted under Islamic Banking Regulatory Framework (IBRF).

On 18 December 2018, an extraordinary meeting of the shareholders of Bank Sohar SAOG was held and the shareholders of the bank passed a resolution to amend Section (1) of the Articles of Association of the Bank to change the name of the Bank from 'Bank Sohar SAOG' to 'Sohar International Bank SAOG' (hereinafter referred to as the 'Bank'). This has been confirmed by Ministry of Commerce and Industry on 14 January 2019 by issuing new set of Company documents.

The Bank employed 882 employees as of 30 June 2020 (31 December 2019: 871, 30 June 2019: 854).

**A2 Basis of preparation**

These interim condensed financial statements are prepared in accordance with International Accounting Standard No.34 - "Interim Financial Reporting", relevant disclosure requirements of the Commercial Companies Law of Oman, Capital Market Authority and the applicable regulations of the CBO. Since these are interim condensed financial statements, they do not contain all information and disclosures for the full financial statements prepared in accordance with IFRS. Therefore, it should be read in conjunction with the Bank's annual financial statements as at 31 December 2019.

**A2.1 Statement of compliance**

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019 except for securities sold with a commitment to repurchase (repos) mentioned below.

Securities sold with a commitment to repurchase (repos) at a specified future date are recognised in the statement of financial position and are measured in accordance with accounting policies for trading securities or investment securities. The counterparty liability for amounts received under these agreements is included in 'due to banks and other money market borrowings'. The difference between the sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement.

The financial results of the Islamic Banking Window have been reflected in these financial statements for reporting purposes after eliminating inter branch transactions / balances. A complete set of standalone financial statements of Sohar Islamic, prepared under AAOIFI, is included in the Bank's annual report.

**A2.2 Basis of measurement**

The financial statements have been prepared under the historical cost convention except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments classified as at fair value through profit or loss (FVTPL) are measured at fair value;
- financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value;

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

**A2.3 Functional and presentation currency**

These financial statements are presented in Rial Omani, which is the Bank's functional currency. All financial information presented in Rial Omani has been rounded to the nearest thousands, unless otherwise indicated.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 JUNE 2020

(RO'000)

### A2 Basis of preparation (continued)

#### A2.4 Use of estimates and judgements

In preparation of the Bank's financial statements, management is required to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired loans and receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### A3 Application of new and revised International Financial Reporting Standards (IFRS)

For the period ended 30 June 2020, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2020.

### A4 Covid-19 and Expected Credit Loss (ECL)

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

The Bank has included within its June 30, 2020 ECL an element of management overlay in response to expected credit deterioration due to the economic impact of COVID-19 and lower oil prices. The impact of such an uncertain economic environment is judgmental and the Bank will continue to assess its ECL taking into account initiatives by the Central Bank of Oman as well as guidance issued by the International Accounting Standards Board (IASB) on 27 March 2020.

The Central Bank of Oman initiatives directly related to ECL include a) accepting requests for deferment of loan /interest/profit for affected borrowers particularly SMEs for a period of 6 months without adversely impacting the risk classification of such loans b) deferring the risk classification of loans pertaining to government projects for the period of 12 months. In response the Bank has initiated a program of payment relief for its SME customer base to address their short-term cash flow requirements. The relief offered to customers may indicate a significant increase in credit risk (SICR), however the Bank believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as such relief assists borrowers to resume regular payments. At this stage sufficient information is not available to enable the Bank to individually differentiate between a borrowers' short term cash flow constraints and a change in its lifetime credit risk.

The Bank continues to assess borrowers for other indications of default, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or of a longer term nature. The Bank continues to assess significant corporate exposures to adequately safeguard against any adverse movements due to Covid-19 in addition to industry specific account level adjustments for retail exposures with regards to specific industry sectors whose employees are expected to be most impacted. The Bank has considered the accounting for modified and concessions granted to borrower and has concluded that the effect on the interim condensed financial statements is immaterial.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)**
**B1 Cash and balances with Central Bank**

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Cash	33,344	26,967	24,049
Capital deposit with CBO	501	505	501
Balance with CBO	98,223	62,100	61,320
	<u>132,068</u>	<u>89,572</u>	<u>85,870</u>

- (i) The Capital deposit with CBO cannot be withdrawn without CBO approval.
- (ii) During the period average minimum balance to be kept with CBO as statutory reserves is RO 82.64 million (31 December 2019: RO 76.89 million, 30 June 2019: RO 69.89 million).

**B2 Due from banks and other money market placements**

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
<i>Local currency:</i>			
Money market placements	15,006	5,001	-
	<u>15,006</u>	<u>5,001</u>	<u>-</u>
<i>Foreign currency:</i>			
Money market placements	124,249	179,042	44,318
Lending to banks	2,882	2,543	6,355
Demand balances	23,920	12,467	18,432
	<u>151,051</u>	<u>194,052</u>	<u>69,105</u>
	<u>166,057</u>	<u>199,053</u>	<u>69,105</u>
Expected credit loss allowance	(225)	(816)	(407)
	<u>165,832</u>	<u>198,237</u>	<u>68,698</u>

The analysis of changes in the gross carrying amount and corresponding ECL allowance on due from banks and other money market placements is as follows:

<b>Gross carrying amount</b>	<b>30 June 2020 (Unaudited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
As at 1 January	198,129	924	-	199,053
New assets originated or purchased	22,805	-	-	22,805
Assets derecognised or matured	(54,877)	(924)	-	(55,801)
<b>As at 30 June 2020</b>	<u>166,057</u>	<u>-</u>	<u>-</u>	<u>166,057</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)**
**B2 Due from banks and other money market placements (continued)**

ECL	30 June 2020				31 December	30 June
	Stage 1	(Unaudited) Stage 2	Stage 3	Total	2019 (Audited) Total	2019 (Unaudited) Total
As at 1 January	787	29	-	816	442	442
Net (release)/charge for the year (C6)	(562)	(29)	-	(591)	374	(35)
<b>As at 30 June 2020</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>225</b>	<b>816</b>	<b>407</b>

**B3 Loans, advances and financing, net**

	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Corporate	1,656,353	1,668,479	1,680,351
Retail	899,638	901,006	829,778
Gross loans, advances and financing	2,555,991	2,569,485	2,510,129
Expected credit loss allowance	(94,908)	(99,668)	(85,985)
Contractual interest not recognised	(19,229)	(15,664)	(12,066)
	(114,137)	(115,332)	(98,051)
<b>Net loans, advances and financing</b>	<b>2,441,854</b>	<b>2,454,153</b>	<b>2,412,078</b>

Gross loans, advances and financing include RO 234.46 million (31 December 2019: RO 216.59 million, 30 June 2019: RO 198.06 million) under Islamic mode of financing through Sohar Islamic financing activities.

Loans, advances and financing comprise:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Loans	2,307,326	2,316,094	2,228,941
Overdrafts	108,967	106,406	122,608
Loans against trust receipts	86,330	94,104	106,650
Bills discounted	53,368	52,881	51,930
Gross loans, advances and financing	2,555,991	2,569,485	2,510,129
Expected credit loss allowance	(94,908)	(99,668)	(85,985)
Contractual interest not recognised	(19,229)	(15,664)	(12,066)
	(114,137)	(115,332)	(98,051)
<b>Net loans, advances and financing</b>	<b>2,441,854</b>	<b>2,454,153</b>	<b>2,412,078</b>



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)**
**B3 Loans, advances and financing, net (continued)**

The analysis of changes in the gross carrying amount and corresponding ECL allowance on loans, advances and financing is as follows:

**30 June 2020**
**(Unaudited)**

<b>Gross carrying amount</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
As at 1 January 2020	2,092,096	353,416	123,973	2,569,485
New assets originated or purchased	379,585	22,233	10,167	411,985
Assets derecognised or repaid	(363,352)	(37,200)	(8,660)	(409,212)
Loans written off	-	(259)	-	(259)
Loans transferred to memoranda portfolio	-	-	(16,091)	(16,091)
Loans brought back from memoranda portfolio	-	-	83	83
Transfers to Stage 1	48,281	(47,973)	(308)	-
Transfers to Stage 2	(94,996)	95,571	(575)	-
Transfers to Stage 3	(2,519)	(37,774)	40,293	-
<b>At 30 June 2020</b>	<b>2,059,095</b>	<b>348,014</b>	<b>148,882</b>	<b>2,555,991</b>
<b>ECL</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
As at 1 January 2020	10,811	41,745	47,112	99,668
Expected credit losses recognised	1,072	5,283	9,015	15,370
Recoveries from expected credit losses	(3,124)	(324)	(417)	(3,865)
Loans written off	-	(259)	-	(259)
Loans transferred to memoranda portfolio	-	-	(16,091)	(16,091)
Loans brought back from memorandum portfolio	-	-	83	83
Transfers to Stage 1	2,416	(2,292)	(124)	-
Transfers to Stage 2	(2,307)	2,573	(264)	-
Transfers to Stage 3	(138)	(4,909)	5,047	-
<b>At 30 June 2020</b>	<b>8,730</b>	<b>41,817</b>	<b>44,361</b>	<b>94,908</b>

**31 December 2019**
**(Audited)**

<b>Gross carrying amount</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
As at 1 January 2019	1,825,751	437,926	76,983	2,340,660
New assets originated or purchased	822,094	169,490	18,212	1,009,796
Assets derecognised or repaid	(580,440)	(180,869)	(19,662)	(780,971)
Transfers to Stage 1	124,726	(123,077)	(1,649)	-
Transfers to Stage 2	(71,109)	72,820	(1,711)	-
Transfers to Stage 3	(28,926)	(22,874)	51,800	-
<b>At 31 December 2019</b>	<b>2,092,096</b>	<b>353,416</b>	<b>123,973</b>	<b>2,569,485</b>
<b>ECL</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
As at 1 January 2019	12,695	33,629	33,025	79,349
Expected credit losses recognised	3,028	20,995	11,781	35,804
Recoveries from expected credit losses	(9,856)	(6,046)	(280)	(16,182)
Loans brought back from memorandum portfolio	-	-	697	697
Transfers to Stage 1	6,286	(5,756)	(530)	-
Transfers to Stage 2	(913)	1,675	(762)	-
Transfers to Stage 3	(429)	(2,752)	3,181	-
<b>At 31 December 2019</b>	<b>10,811</b>	<b>41,745</b>	<b>47,112</b>	<b>99,668</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**AS AT 30 June 2020**
**(RO'000)**
**B3 Loans, advances and financing, net (continued)**

30 June 2019

(Unaudited)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	1,825,751	437,926	76,983	2,340,660
New assets originated or purchased	555,538	115,668	10,401	681,607
Assets derecognised or repaid	(397,404)	(102,584)	(12,150)	(512,138)
Transfers to Stage 1	101,154	(100,770)	(384)	-
Transfers to Stage 2	(124,063)	125,618	(1,555)	-
Transfers to Stage 3	(617)	(4,001)	4,618	-
At 30 June 2019	<u>1,960,359</u>	<u>471,857</u>	<u>77,913</u>	<u>2,510,129</u>
ECL	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
As at 1 January 2019	12,695	33,629	33,025	79,349
Expected credit losses recognised	1,620	16,052	2,420	20,092
Recoveries from expected credit losses	(6,723)	(3,562)	(3,171)	(13,456)
Transfers to Stage 1	4,234	(3,990)	(244)	-
Transfers to Stage 2	(1,173)	1,910	(737)	-
Transfers to Stage 3	(57)	(979)	1,036	-
At 30 June 2019	<u>10,596</u>	<u>43,060</u>	<u>32,329</u>	<u>85,985</u>

The analysis of the changes in contractual interest not recognised is as follows:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
<b>Contractual interest not recognised</b>			
Balance at beginning of year	<b>15,664</b>	9,381	9,381
Not recognised during the period	<b>5,309</b>	7,960	4,454
Written back due to recovery	<b>(1,744)</b>	(1,677)	(1,769)
Balance at end of the period	<u><b>19,229</b></u>	<u>15,664</u>	<u>12,066</u>

All loans and advances require payment of interest, some at fixed rates and others at rates that reprice prior to maturity. Interest reserve account is maintained to comply with rules, regulations and guidelines issued by CBO on loans, advances and financing that are impaired. As of 30 June 2020, loans and advances on which interest was not being accrued or where interest was reserved amounted to RO 148.88 million. (31 December 2019: RO 123.973 million, 30 June 2019: 77.913).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)**
**B3 Loans, advances and financing, net (continued)**

Additional disclosures on non-performing financial assets impairment coverage as per CBO circular BM 1149 is given below:

<b>30 June 2020 (Unaudited)</b>	<b>CBO</b>	<b>IFRS 9</b>	<b>Difference</b>
Impairment loss charged to statement of comprehensive income	10,754	10,702	(52)
<b>Provisions</b>	<b>120,875</b>	<b>118,607</b>	<b>(2,268)</b>
Gross NPL ratio (percentage)*	5.83	5.82	(0.01)
Net NPL ratio (percentage)*	2.50	3.49	0.99

\*NPL ratios are calculated on the basis of funded non-performing loans and advances.

In accordance with CBO requirements, where the aggregate provision on portfolio & specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS9, the difference, net of impact of taxation, will be transferred to an impairment reserve as an appropriation from the retained earnings. The Bank generally transfers this amount annually at year end.

The breakup of expected credit loss allowance for all financial assets is as below:

	<b>CBO</b>	<b>IFRS 9</b>
Gross loans advances and financing	101,632	94,908
Due from Banks	14	225
Investment securities(amortised cost)	-	1,610
Investment securities (FVOCI)	-	28
Loan commitments and financial guarantees	-	2,607
<b>Total</b>	<b>101,646</b>	<b>99,378</b>
Contractual interest not recognised	19,229	19,229
<b>Total</b>	<b>120,875</b>	<b>118,607</b>

The analysis of changes in the ECL allowance on due from banks and other money market placements, loans, advances and financing (excluding contractual interest not recognised), investments and loan commitments and financial guarantees is as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
As at 1 January 2020	<b>14,061</b>	<b>43,727</b>	<b>47,153</b>	<b>104,941</b>
Expected credit losses recognised	<b>3,083</b>	<b>5,403</b>	<b>9,029</b>	<b>17,515</b>
Recoveries from expected credit losses	<b>(5,151)</b>	<b>(570)</b>	<b>(1,092)</b>	<b>(6,813)</b>
Loans written off	-	<b>(259)</b>	-	<b>(259)</b>
Loans transferred to memoranda	-	-	<b>(16,091)</b>	<b>(16,091)</b>
Loans brought back from memorandum portfolio	-	-	<b>83</b>	<b>83</b>
Transfers to Stage 1	<b>2,465</b>	<b>(2,341)</b>	<b>(124)</b>	<b>0</b>
Transfers to Stage 2	<b>(2,351)</b>	<b>2,617</b>	<b>(264)</b>	<b>-</b>
Transfers to Stage 3	<b>(140)</b>	<b>(5,582)</b>	<b>5,722</b>	<b>-</b>
<b>At 30 June 2020</b>	<b>11,967</b>	<b>42,995</b>	<b>44,416</b>	<b>99,378</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
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**B3 Loans, advances and financing, net (continued)**

The following table compares the provision held as per IFRS 9 versus CBO circular BM 977

**30 June 2020  
(Unaudited)**
**Classification:**

CBO	IFRS 9	Gross Carrying amount	CBO Provision	IFRS9 Provisions	Difference	Net carrying amount	IFRS9 Reserve interest	CBO Reserve interest
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Standard	Stage 1	2,036,365	23,385	8,490	14,895	2,027,875	-	-
	Stage 2	112,186	1,113	9,044	(7,931)	103,142	-	-
	Stage 3	1,004	-	170	(170)	834	11	11
<b>Sub Total</b>		<b>2,149,555</b>	<b>24,498</b>	<b>17,704</b>	<b>6,794</b>	<b>2,131,851</b>	<b>-</b>	<b>11</b>
Special mention	Stage 1	21,930	264	230	34	21,700	-	-
	Stage 2	235,332	8,114	32,648	(24,534)	202,684	-	-
	Stage 3	124	-	33	(33)	91	-	-
<b>Sub Total</b>		<b>257,386</b>	<b>8,378</b>	<b>32,911</b>	<b>(24,533)</b>	<b>224,475</b>	<b>-</b>	<b>-</b>
Sub standard	Stage 1	2	-	-	-	2	-	-
	Stage 2	3	-	-	-	3	-	-
	Stage 3	17,359	2,627	6,382	(3,755)	10,977	229	229
<b>Sub Total</b>		<b>17,364</b>	<b>2,627</b>	<b>6,382</b>	<b>(3,755)</b>	<b>10,982</b>	<b>229</b>	<b>229</b>
Doubtful	Stage 1	464	-	7	(7)	457	-	-
	Stage 2	6	-	-	-	6	-	-
	Stage 3	87,611	41,946	26,184	15,762	61,427	4,933	4,933
<b>Sub Total</b>		<b>88,081</b>	<b>41,946</b>	<b>26,191</b>	<b>15,755</b>	<b>61,890</b>	<b>4,933</b>	<b>4,933</b>
Loss	Stage 1	334	-	3	(3)	331	-	-
	Stage 2	487	-	125	(125)	362	-	-
	Stage 3	42,784	24,183	30,821	(6,638)	11,963	14,056	14,056
<b>Sub Total</b>		<b>43,605</b>	<b>24,183</b>	<b>30,949</b>	<b>(6,766)</b>	<b>12,656</b>	<b>14,056</b>	<b>14,056</b>
<b>Gross Loans, advances and financing</b>								
	<b>Stage 1</b>	<b>2,059,095</b>	<b>23,649</b>	<b>8,730</b>	<b>14,919</b>	<b>2,050,365</b>	<b>-</b>	<b>-</b>
	<b>Stage 2</b>	<b>348,014</b>	<b>9,227</b>	<b>41,817</b>	<b>(32,590)</b>	<b>306,197</b>	<b>-</b>	<b>-</b>
	<b>Stage 3</b>	<b>148,882</b>	<b>68,756</b>	<b>63,590</b>	<b>5,166</b>	<b>85,292</b>	<b>19,229</b>	<b>19,229</b>
<b>Sub Total</b>		<b>2,555,991</b>	<b>101,632</b>	<b>114,137</b>	<b>(12,505)</b>	<b>2,441,854</b>	<b>19,229</b>	<b>19,229</b>
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	1,544,167	14	3,237	(3,223)	1,540,930	-	-
	Stage 2	114,340	-	1,178	(1,178)	113,162	-	-
	Stage 3	5,104	-	55	(55)	5,049	-	-
<b>Total</b>		<b>1,663,611</b>	<b>14</b>	<b>4,470</b>	<b>(4,456)</b>	<b>1,659,141</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>Stage 1</b>	<b>3,603,262</b>	<b>23,663</b>	<b>11,967</b>	<b>11,696</b>	<b>3,591,295</b>	<b>-</b>	<b>-</b>
	<b>Stage 2</b>	<b>462,354</b>	<b>9,227</b>	<b>42,995</b>	<b>(33,768)</b>	<b>419,359</b>	<b>-</b>	<b>-</b>
	<b>Stage 3</b>	<b>153,986</b>	<b>68,756</b>	<b>63,645</b>	<b>5,111</b>	<b>90,341</b>	<b>19,229</b>	<b>19,229</b>
	<b>Total</b>	<b>4,219,602</b>	<b>101,646</b>	<b>118,607</b>	<b>(16,961)</b>	<b>4,100,995</b>	<b>19,229</b>	<b>19,229</b>

\*Other items not covered under CBO circular BM 977 and related instructions

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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**B3 Loans, advances and financing, net (continued)**

 31 December 2019  
(Audited)

Classification:								
CBO	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000	IFRS9 Reserve interest RO'000	CBO Reserve interest RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Standard	Stage 1	2,048,238	26,718	9,297	17,421	2,038,941	-	-
	Stage 2	96,916	1,269	7,263	(5,994)	89,653	-	-
	Stage 3	219	2	78	(76)	141	-	-
Sub Total		2,145,373	27,989	16,638	11,351	2,128,735	-	-
Special mention	Stage 1	39,108	460	1,400	(940)	37,708	-	-
	Stage 2	260,068	7,305	34,511	(27,206)	225,557	-	-
	Stage 3	9	-	2	(2)	7	-	-
Sub Total		299,185	7,765	35,913	(28,148)	263,272	-	-
Sub standard	Stage 1	4	-	-	-	4	-	-
	Stage 2	12	-	2	(2)	10	-	-
	Stage 3	35,321	8,568	9,727	(1,159)	25,594	1,164	1,164
Sub Total		35,337	8,568	9,729	(1,161)	25,608	1,164	1,164
Doubtful	Stage 1	448	-	5	(5)	443	-	-
	Stage 2	24	-	3	(3)	21	-	-
	Stage 3	27,148	11,230	9,105	2,125	18,043	531	531
Sub Total		27,620	11,230	9,113	2,117	18,507	531	531
Loss	Stage 1	369	-	4	(4)	365	-	-
	Stage 2	325	-	71	(71)	254	-	-
	Stage 3	61,276	37,668	43,864	(6,196)	17,412	13,969	13,969
Sub Total		61,970	37,668	43,939	(6,271)	18,031	13,969	13,969
<b>Gross Loans, advances and financing</b>								
Sub Total	Stage 1	2,088,167	27,178	10,706	16,472	2,077,461	-	-
	Stage 2	357,345	8,574	41,850	(33,276)	315,495	-	-
	Stage 3	123,973	57,468	62,776	(5,308)	61,197	15,664	15,664
Sub Total		2,569,485	93,220	115,332	(22,112)	2,454,153	15,664	15,664
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	1,424,740	12	3,250	(3,238)	1,421,490	-	-
	Stage 2	109,776	-	1,982	(1,982)	107,794	-	-
	Stage 3	1,339	-	41	(41)	1,298	-	-
Total		1,535,855	12	5,273	(5,261)	1,530,582	-	-
Total	Stage 1	3,512,907	27,190	13,956	13,234	3,498,951	-	-
	Stage 2	467,121	8,574	43,832	(35,258)	423,289	-	-
	Stage 3	125,312	57,468	62,817	(5,349)	62,495	15,664	15,664
	Total		4,105,340	93,232	120,605	(27,373)	3,984,735	15,664

\*Other items not covered under CBO circular BM 977 and related instructions



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)**
**B3 Loans, advances and financing, net (continued)**

 30 June 2019  
(Unaudited)

Classification:		Gross carrying amount	CBO Provision	IFRS 9 Provisions	Difference between CBO and IFRS 9 (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)	IFRS 9 Reserve interest	CBO Reserve interest
CBO	IFRS 9	(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Standard	Stage 1	1,959,244	23,721	10,586	13,135	1,948,658	-	-
	Stage 2	232,506	2,787	18,294	(15,507)	214,212	-	-
	Stage 3	328	4	98	(94)	230	-	-
Sub Total		2,192,078	26,512	28,978	(2,466)	2,163,100	-	-
Special mention	Stage 1	16	-	-	-	16	-	-
	Stage 2	239,116	10,584	24,728	(14,144)	214,388	-	-
	Stage 3	58	1	14	(13)	44	-	-
Sub Total		239,190	10,585	24,742	(14,157)	214,448	-	-
Substandard	Stage 1	53	-	-	-	53	-	-
	Stage 2	86	-	26	(26)	60	-	-
	Stage 3	3,463	909	1,427	(518)	2,036	62	62
Sub Total		3,602	909	1,453	(544)	2,149	62	62
Doubtful	Stage 1	290	-	3	(3)	287	-	-
	Stage 2	59	-	2	(2)	57	-	-
	Stage 3	13,803	4,861	3,347	1,514	10,456	212	212
Sub Total		14,152	4,861	3,352	1,509	10,800	212	212
Loss	Stage 1	756	-	7	(7)	749	-	-
	Stage 2	90	-	10	(10)	80	-	-
	Stage 3	60,261	37,842	39,509	(1,667)	20,752	11,792	11,792
Sub Total		61,107	37,842	39,526	1,684	21,581	11,792	11,792
<b>Gross loans, advances and financing</b>								
Sub Total	Stage 1	1,960,359	23,721	10,596	13,125	1,949,763	-	-
	Stage 2	471,857	13,371	43,060	(29,689)	428,797	-	-
	Stage 3	77,913	43,617	44,395	(778)	33,518	12,066	12,066
Sub Total		2,510,129	80,709	98,051	(17,342)	2,412,078	12,066	12,066
<b>*On:</b>								
Due from banks	Stage 1	862,330	31	2,175	(2,144)	860,155	-	-
	Stage 2	192,754	-	3,427	(3,427)	189,327	-	-
Investment securities	Stage 3	1,093	-	21	(21)	1,072	-	-
Loan commitments & financial guarantees	Total	1,056,177	31	5,623	(5,592)	1,050,554	-	-
	Stage 1	2,822,689	23,752	12,771	10,981	2,809,918	-	-
Total	Stage 2	664,611	13,371	46,487	(33,116)	618,124	-	-
	Stage 3	79,006	43,617	44,416	(799)	34,590	12,066	12,066
	Total	3,566,306	80,740	103,674	(22,934)	3,462,632	12,066	12,066

\*Other items not covered under CBO circular BM 977 and related instructions

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)**
**B3 Loans, advances and financing, net (continued)**
**Restructured loans**

Loans with renegotiated terms are defined as loans that have been restructured due to deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

**30 June 2020  
(Unaudited)**
**Classification:**

CBO	IFRS 9	Gross Carrying amount	CBO Provision	IFRS9 Provisions	Difference	Net carrying amount	IFRS9 Reserve interest	CBO Reserve interest
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Classified as performing	Stage 1	63,580	416	361	55	63,219	-	-
	Stage 2	156,231	6,704	22,670	(15,966)	133,561	-	-
	Stage 3	-	-	-	-	-	-	-
<b>Sub Total</b>		<b>219,811</b>	<b>7,120</b>	<b>23,031</b>	<b>(15,911)</b>	<b>196,780</b>	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
<b>Sub Total</b>		-	-	-	-	-	-	-
<b>Total</b>	Stage 1	<b>63,580</b>	<b>416</b>	<b>361</b>	<b>55</b>	<b>63,219</b>	-	-
	Stage 2	<b>156,231</b>	<b>6,704</b>	<b>22,670</b>	<b>(15,966)</b>	<b>133,561</b>	-	-
	Stage 3	-	-	-	-	-	-	-
<b>Total</b>		<b>219,811</b>	<b>7,120</b>	<b>23,031</b>	<b>(15,911)</b>	<b>196,780</b>	-	-

**31 December 2019  
(Audited)**

Classification:	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000	IFRS9 Reserve interest RO'000	CBO Reserve interest RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Classified as performing	Stage 1	63,495	410	175	235	63,320	-	-
	Stage 2	165,690	7,849	24,182	(16,333)	141,508	-	-
	Stage 3	-	-	-	-	-	-	-
<b>Sub Total</b>		<b>229,185</b>	<b>8,259</b>	<b>24,357</b>	<b>(16,098)</b>	<b>204,828</b>	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
<b>Sub Total</b>		-	-	-	-	-	-	-
<b>Total</b>	Stage 1	<b>63,495</b>	<b>410</b>	<b>175</b>	<b>235</b>	<b>63,320</b>	-	-
	Stage 2	<b>165,690</b>	<b>7,849</b>	<b>24,182</b>	<b>(16,333)</b>	<b>141,508</b>	-	-
	Stage 3	-	-	-	-	-	-	-
<b>Total</b>		<b>229,185</b>	<b>8,259</b>	<b>24,357</b>	<b>(16,098)</b>	<b>204,828</b>	-	-

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)**
**B3 Loans, advances and financing, net (continued)**
**Restructured loans (continued)**

30 June 2019

(Unaudited)

CBO classification	IFRS 9 classification	Gross carrying amount RO'000	CBO Provision RO'000	IFRS 9 Provisions RO'000	Difference between CBO and IFRS 9 RO'000	Net carrying amount RO'000	IFRS 9 Reserve interest RO'000	CBO Reserve interest RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)	(9)
	Stage 1	-	-	-	-	-	-	-
Classified as performing	Stage 2	84,891	7,867	14,232	(6,365)	70,659	-	-
	Stage 3	-	-	-	-	-	-	-
<b>Sub Total</b>		<b>84,891</b>	<b>7,867</b>	<b>14,232</b>	<b>(6,365)</b>	<b>70,659</b>	-	-
	Stage 1	-	-	-	-	-	-	-
Classified as non-performing	Stage 2	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-
<b>Sub Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	-	-
	Stage 1	-	-	-	-	-	-	-
	Stage 2	84,891	7,867	14,232	(6,365)	70,659	-	-
	Stage 3	-	-	-	-	-	-	-
<b>Total</b>		<b>84,891</b>	<b>7,867</b>	<b>14,232</b>	<b>(6,365)</b>	<b>70,659</b>	-	-

**B4 Investment securities**

	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Held at FVTPL (Fair value through profit and loss)	90,191	101,268	120,609
Held at FVOCI (Fair value through other comprehensive income)	345,818	336,355	291,853
Held at amortised cost	242,128	199,852	159,458
	<b>678,137</b>	<b>637,475</b>	<b>571,920</b>

**B4.a Held at FVTPL**

	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Government development bonds – Oman	87,583	88,871	108,940
Sukuk trust certificates – secured	-	8,105	8,103
Unquoted securities	2,500	2,500	2,500
Others	108	1,792	1,066
<b>Total</b>	<b>90,191</b>	<b>101,268</b>	<b>120,609</b>

- As at 30 June 2020, unquoted securities includes an investment of RO 2.50 million in the Oman Development Fund SAOC ("Fund"). The Fund was incorporated on 7 May 2014 under license no. 1196427 with the Bank being the founder shareholder. The purpose of the Fund is to identify mid-segment industrial and manufacturing sectors that leverage Oman's unique advantages such as its infrastructure, tax treaties, geography and natural mineral resources for potential investment opportunities. The Bank currently holds a 12.66% stake in the Fund (31 December 2019: 12.66%, 30 June 2019: 12.66%). The Bank has an Investment Management Agreement with the Fund.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)**
**B4 Investment securities (continued)**
**B4.b Held at FVOCI**

	Carrying / fair value 30 June 2020 (Unaudited)	Cost 30 June 2020 (Unaudited)	Carrying / fair value 31 December 2019 (Audited)	Cost 31 December 2019 (Audited)	Carrying / fair value 30 June 2019 (Unaudited)	Cost 30 June 2019 (Unaudited)
Unquoted securities	-	34	-	34	-	34
Quoted securities	11,668	15,855	6,357	8,535	17,763	19,918
	<u>11,668</u>	<u>15,889</u>	<u>6,357</u>	<u>8,569</u>	<u>17,763</u>	<u>19,952</u>
Treasury bills	334,178	334,223	330,026	330,572	274,113	274,818
Expected credit loss allowance	(28)	-	(28)	-	(23)	-
	<u>334,150</u>	<u>334,223</u>	<u>329,998</u>	<u>330,572</u>	<u>274,090</u>	<u>274,818</u>
	<u><u>345,818</u></u>	<u><u>350,112</u></u>	<u><u>336,355</u></u>	<u><u>339,141</u></u>	<u><u>291,853</u></u>	<u><u>294,770</u></u>

The analysis of changes in the ECL allowance on debt investments classified as FVOCI is as follows:

ECL	30 June 2020				31 December 2019 (Audited)	30 June 2019 (Unaudited)
	(Unaudited)					
	Stage 1	Stage 2	Stage 3	Total		
As at 1 January	28	-	-	28	23	23
Expected credit losses recognised	-	-	-	-	5	-
<b>As at 30 June 2020</b>	<u><u>28</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>28</u></u>	<u><u>28</u></u>	<u><u>23</u></u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2020**  
**(RO'000)**
**B4 Investment securities (continued)****B4.c Held at amortised cost**

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Quoted	<b>243,738</b>	201,360	161,036
Expected credit loss allowance	<b>(1,610)</b>	(1,508)	(1,578)
<b>Total</b>	<b>242,128</b>	199,852	159,458

The analysis of changes in the fair value and the corresponding ECL allowance on debt investments classified as held at amortised cost is as follows:

<b>Gross carrying amount</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>		
Balance as at 1 January 2020	173,329	28,031	-	201,360		
New assets originated or purchased	40,376	2,002	-	42,378		
<b>At 30 June 2020</b>	<b>213,705</b>	<b>30,033</b>	-	<b>243,738</b>		

<b>ECL</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	31 December 2019	30 June 2019
Balance as at 1 January 2020	618	890	-	1,508	996	996
Expected credit losses recognised	126	(24)	-	102	512	582
<b>At 30 June 2020</b>	<b>744</b>	<b>866</b>	-	<b>1,610</b>	1,508	1,578



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2020**  
**(RO'000)**

**B5 Other assets**

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Acceptances	<b>80,581</b>	64,381	16,178
Prepayments	<b>2,371</b>	2,120	4,974
Receivables	<b>2,496</b>	75	-
Positive fair value of derivatives (B13)	<b>5,478</b>	6,108	3,857
Right-to-use assets	<b>5,813</b>	3,827	9,079
Others	<b>24,241</b>	7,868	10,927
	<b>120,980</b>	84,379	45,015

**B6 Due to banks and other money market borrowings**

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	<b>44,044</b>	7,650	-
Demand balances	<b>13,490</b>	5,748	4,037
	<b>57,534</b>	13,398	4,037
<i>Foreign currency:</i>			
Money market borrowings	<b>499,327</b>	624,979	471,860
Demand balances	<b>80</b>	-	61
Syndicated borrowings	<b>96,691</b>	96,884	212,779
	<b>596,098</b>	721,863	684,700
	<b>653,632</b>	735,261	688,737

Local money market borrowings as at 30 June 2020 include RO 44 million borrowed under repurchase agreements (31 December 2019: Nil, 30 June 2019: Nil).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2020**  
**(RO'000)**

**B7 Customer deposits**

	<b>30 June 2020</b> <b>(Unaudited)</b>		
	<b>Conventional banking</b>	<b>Islamic banking</b>	<b>Total</b>
Term deposits	924,732	136,770	1,061,502
Demand deposits	748,937	64,030	812,967
Saving deposits	264,388	32,552	296,940
Margin deposits	64,437	4,896	69,333
<b>Total</b>	<b>2,002,494</b>	<b>238,248</b>	<b>2,240,742</b>

	<b>31 December 2019</b> <b>(Audited)</b>		
	<b>Conventional banking</b>	<b>Islamic banking</b>	<b>Total</b>
Term deposits	833,134	109,203	942,337
Demand deposits	797,715	61,999	859,714
Saving deposits	254,009	29,182	283,191
Margin deposits	6,942	5,126	12,068
<b>Total</b>	<b>1,891,800</b>	<b>205,510</b>	<b>2,097,310</b>

	<b>30 June 2019</b> <b>(Unaudited)</b>		
	<b>Conventional banking</b>	<b>Islamic banking</b>	<b>Total</b>
Term deposits	889,803	106,155	995,958
Demand deposits	586,494	61,393	647,887
Saving deposits	250,122	35,955	286,077
Margin deposits	9,502	7,111	16,613
<b>Total</b>	<b>1,735,921</b>	<b>210,614</b>	<b>1,946,535</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2020**  
**(RO'000)**
**B8 Other liabilities**

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Acceptances	<b>80,581</b>	64,381	16,178
Staff entitlements	<b>1,518</b>	5,441	3,605
Income tax payable	<b>7,689</b>	9,677	6,278
Negative fair value of derivatives (B13)	<b>255</b>	408	555
Deferred tax liabilities	<b>702</b>	621	515
Other accruals and provisions	<b>23,171</b>	14,483	23,087
Expected credit loss allowance on loan commitments and financial guarantees	<b>2,607</b>	2,921	3,615
Lease liability on right of use assets	<b>4,946</b>	2,592	9,158
<b>Total</b>	<b>121,469</b>	100,524	62,991

The analysis of changes in the gross carrying amount and corresponding ECL allowance on credit related commitments, financial guarantees, documentary letters of credit and acceptances is as follows:

<b>Outstanding exposure</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balance as at 1 January 2020	750,257	53,821	1,338	805,416
New assets originated or purchased	371,014	12,409	104	383,527
Assets derecognised or repaid	(261,378)	(15,434)	(4,613)	(281,425)
Transfers to Stage 1	9,914	(9,901)	(13)	-
Transfers to Stage 2	(24,527)	24,531	(4)	-
Transfers to Stage 3	(175)	(8,119)	8,294	-
Amounts written off	-	-	-	-
<b>At 30 June 2020</b>	<b>845,105</b>	<b>57,307</b>	<b>5,106</b>	<b>907,518</b>

**30 June 2020**

<b>ECL</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	31 December 2019	30 June 2019
Balance as at 1 January 2020	1,817	1,063	41	2,921	4,612	4,612
Expected credit losses recognised	2,011	120	14	2,145	364	1,021
Recoveries from expected credit losses	(1,591)	(193)	(675)	(2,459)	(2,055)	(2,018)
Transfers to Stage 1	49	(49)	-	-	-	-
Transfers to Stage 2	(44)	44	-	-	-	-
Transfers to Stage 3	(2)	(673)	675	-	-	-
<b>At 30 June 2020</b>	<b>2,240</b>	<b>312</b>	<b>55</b>	<b>2,607</b>	2,921	3,615

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 JUNE 2020 (RO'000)

### B9 Share capital and Share premium

The authorised share capital of the Bank is 4,000,000,000 shares (31 December 2019: 4,000,000,000). The issued shares of the Bank are 2,434,506,735 shares (31 December 2019: 2,363,598,772 shares, 30 June 2019: 1,982,646,391 shares). The paid up share capital of the Bank is RO 245.355 million (31 December 2019: RO 236.360 million, 30 June 2019: RO 198.265 million).

During the period ended 30 June 2020, the Bank distributed 70,907,963 bonus shares equal to 3% of the issued shares as at 31 December 2019, resulting in increase in share capital by RO 7.091 million. No bonus shares were issued in the comparative period last year.

During the period the Bank has reclassified an amount of RO 1.904 million from Share Premium to Share Capital.

As of 30 June 2020, the following shareholders held 10% or more of the Bank's capital, either individually or together with related parties:

	<i>Number of shares</i>	<i>% Holding</i>
Oman Investment & Finance Co. SAOG	<b>374,161,440</b>	<b>15.37</b>
The Royal Court of Affairs	<b>354,684,105</b>	<b>14.57</b>

### B10 Perpetual Tier 1 Capital Securities

The Bank issued its first Perpetual Tier 1 Capital Securities amounting to RO 100 million on 25 September 2017. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.75% with interest rate reset at five year intervals. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

On 14 March 2019, the Bank issued its second Perpetual Tier 1 Capital Securities amounting to RO 100 million. These securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.50% with interest rate reset at five year intervals. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

Both the securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. They do not have a fixed or final maturity date. The Bank may at its discretion and after prior consent from the relevant regulatory authority, exercise its option to redeem the securities in full (not in part) on the first Call Date, i.e. the 5th anniversary of the Issue Date, and on every fifth anniversary thereafter, again subject to the prior consent of the regulatory authorities. The Bank at its sole discretion may elect not to distribute interest. This is not considered as an event of default. If the Bank does not pay interest, on a scheduled interest payment date (for whatever reason), it cannot make any other distribution or payment on or with respect to its ordinary shares or any of its other Common Equity Tier 1 instruments or securities, ranking junior to or pari-passu with the Perpetual Tier 1 Capital Securities unless and until it has paid one interest payment in full on the securities. The terms of the Perpetual Tier 1 Capital Securities issuance allow the Bank to write-down (in whole or in part) any amounts due to the holders of the securities under certain circumstances.

RO 7.604 million was paid as coupon during the period ended 30 June 2020 (31 December 2019: 11.531 million, 30 June 2019: 3.843 million) and is recognised in the statement of changes in equity.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2020**  
**(RO'000)**

**B11 Contingent liabilities and commitments**

**B11.a Contingent liabilities**

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers, contingent upon the failure of the customer to perform under the terms of a specified contract.

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Guarantees	<b>276,763</b>	303,402	339,466
Documentary letters of credit	<b>164,654</b>	89,308	75,758
	<u><b>441,417</b></u>	<u>392,710</u>	<u>415,224</u>

**B11.b Commitments**

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees that are designed to meet the requirements of the Bank's customers. Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses and require the payment of a fee. Since commitments may expire without being drawn upon, the total contracted amounts do not necessarily represent future cash obligations.

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Capital commitments	<b>16,402</b>	15,915	1,524
Credit related commitments	<b>385,520</b>	348,325	388,065
	<u><b>401,922</b></u>	<u>364,240</u>	<u>389,589</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2020**  
**(RO'000)**
**B12 Related party transactions**

In the ordinary course of business, the Bank enters into transactions with certain of its directors, shareholders, senior management, Shari'a supervisory board, Shari'a reviewer and companies in which they have a significant interest. These transactions are conducted on an arm's length basis and are approved by the Bank's management and Board of Directors.

The aggregate amount of balances and the income and expenses generated with such related parties are as follows:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
<b>Directors &amp; Senior management</b>			
Loans, advances and financing at the end of period	<b>2,568</b>	2,661	34,450
Loans disbursed during the period	<b>367</b>	538	37,151
Loans repaid during the period	<b>(225)</b>	(364)	(5,188)
Deposits at the end of the period	<b>794</b>	1,387	2,665
Deposits received during the period	<b>206</b>	614	1,528
Deposits matured/paid during the period	<b>(441)</b>	(646)	(749)
Interest income during the period	<b>54</b>	102	583
Interest expense during the period	<b>1</b>	14	6
Directors' sitting fees and remuneration	<b>176</b>	190	171
Shari'a Supervisory Board members	<b>25</b>	47	18
<b>Other related parties</b>			
Loans, advances and financing at the end of period	<b>40,468</b>	36,727	37,510
Loans disbursed during the period	<b>31,294</b>	17,142	16,492
Loans repaid during the period	<b>(11,804)</b>	(6,468)	(5,035)
Deposits at the end of the period	<b>4,128</b>	7,004	5,477
Deposits received during the period	<b>425</b>	6,589	3,157
Deposits matured/paid during the period	<b>(3,683)</b>	(2,914)	(309)
Interest income during the period	<b>1,082</b>	3,207	1,118
Interest expense during the period	<b>49</b>	55	15

**Key management compensation**

Key management comprises of 7 (2019:7) senior management executives. The Bank considers these members to be key management personnel for the purpose of IAS 24 Related Party Disclosures

In the ordinary course of business, the Bank conducts transactions with certain of its key management personnel and companies in which they have a significant interest. The balances in respect of these related parties as at the reporting date are as follows:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Loans as at end of the period	<b>309</b>	43	356
Deposits as at the end of the period	<b>92</b>	380	587
Interest Income (during the period)	<b>7</b>	2	8
Interest expense (during the period)	<b>1</b>	8	5
Salaries and other short term benefits	<b>668</b>	2,117	673
Post-employment benefits	<b>20</b>	24	23

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2020**  
**(RO'000)**

**B12 Related party transactions (continued)**

The aggregate amount of balances and the income and expenses generated with shareholders holding 10% or more of the Banks' shares are as follows:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)	30 June 2019 (Unaudited)
Loans, advances and financing at the end of the period	<b>8,839</b>	8,454	4,000
Loans disbursed during the period	<b>8,385</b>	8,453	4,000
Loans repaid during the period	-	-	-
Deposits at the end of the period	<b>2,027</b>	2,001	2,853
Deposits received during the period	<b>25</b>	1	458
Deposits matured/paid during the period	-	(395)	-
Interest income during the period	<b>242</b>	236	82
Interest expense during the period	<b>40</b>	85	43

As at 30 June 2020, no loans to related parties are classified under stage 3 (31 December 2019: nil, 30 June 2019; nil)

**B13 Fair value of financial instruments**

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

- i) In the accessible principal market for the asset or liability; or
- ii) In the absence of a principal market, in the most advantageous accessible market for the asset or liability.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices in active markets for the same instrument without modification or repacking;
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

The Bank considers that the fair value of financial instruments was not significantly different to their carrying value (including accrued interest) at each of those dates. The table below sets out the classification and fair value of each class of financial assets and liabilities including accrued interest.



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2020**  
**(RO'000)**
**B13 Fair value of financial instruments (continued)**

At 30 June 2020 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
<b>Assets</b>				
Cash and balances with Central Bank	132,068	-	-	132,068
Due from banks and other money market placements	165,832	-	-	165,832
Loans, advances and financing	2,441,854	-	-	2,441,854
Investments	242,128	345,818	90,191	678,137
Other assets (excluding prepayments)	118,609	-	-	118,609
<b>Total</b>	<b>3,100,491</b>	<b>345,818</b>	<b>90,191</b>	<b>3,536,500</b>
<b>Liabilities</b>				
Due to banks and other money market borrowings	653,632	-	-	653,632
Customer deposits	2,240,742	-	-	2,240,742
Other liabilities (excluding other accruals & provisions)	98,298	-	-	98,298
Subordinated loans	35,386	-	-	35,386
Certificates of deposit	509	-	-	509
<b>Total</b>	<b>3,028,567</b>	<b>-</b>	<b>-</b>	<b>3,028,567</b>

At 31 December 2019 (Audited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
<b>Assets</b>				
Cash and balances with Central Bank	89,572	-	-	89,572
Due from banks and other money market placements	198,237	-	-	198,237
Loans, advances and financing	2,454,153	-	-	2,454,153
Investments	199,852	336,355	101,268	637,475
Other assets (excluding prepayments)	82,259	-	-	82,259
<b>Total</b>	<b>3,024,073</b>	<b>336,355</b>	<b>101,268</b>	<b>3,461,696</b>
<b>Liabilities</b>				
Due to banks and other money market borrowings	735,261	-	-	735,261
Customer deposits	2,097,310	-	-	2,097,310
Other liabilities (excluding other accruals & provisions)	86,041	-	-	86,041
Subordinated loans	35,392	-	-	35,392
Certificates of deposit	509	-	-	509
<b>Total</b>	<b>2,954,513</b>	<b>-</b>	<b>-</b>	<b>2,954,513</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**(RO'000)**

**B13 Fair value of financial instruments (continued)**

At 30 June 2019 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying (including accrued interest)/fair value
<b>Assets</b>				
Cash and balances with Central Bank	85,870	-	-	85,870
Due from banks and other money market placements	68,698	-	-	68,698
Loans, advances and financing	2,412,078	-	-	2,412,078
Investments	159,458	291,853	120,609	571,920
Other assets (excluding prepayments)	40,041	-	-	40,041
<b>Total</b>	<b><u>2,766,145</u></b>	<b><u>291,853</u></b>	<b><u>120,609</u></b>	<b><u>3,178,607</u></b>
<b>Liabilities</b>				
Due to banks and other money market borrowings	688,737	-	-	688,737
Customers' deposits	1,946,535	-	-	1,946,535
Other liabilities (excluding other accruals & provisions)	39,904	-	-	39,904
Subordinated loans	35,385	-	-	35,385
Certificates of deposits	509	-	-	509
<b>Total</b>	<b><u>2,711,070</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,711,070</u></b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2020**  
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**B13 Fair value of financial instruments (continued)**

The table below analyses financial instruments measured at fair value at the end of the reporting period:

Financial instruments measured at fair value at the end of the reporting period:

<b>30 June 2020</b> (Unaudited)	<b>Investment securities</b>	<b>Positive fair value of derivatives</b>	<b>Negative fair value of derivatives</b>	<b>Total</b>
Level 1	6,083	-	-	6,083
Level 2	427,426	5,478	(255)	432,649
Level 3	2,500	-	-	2,500
	<u>436,009</u>	<u>5,478</u>	<u>(255)</u>	<u>441,232</u>

<b>31 December 2019</b> (Audited)	<b>Investments</b>	<b>Positive fair value of derivatives</b>	<b>Negative fair value of derivatives</b>	<b>Total</b>
Level 1	6,357	-	-	6,357
Level 2	428,766	6,108	(408)	434,466
Level 3	2,500	-	-	2,500
	<u>437,623</u>	<u>6,108</u>	<u>(408)</u>	<u>443,323</u>

<b>30 June 2019</b> (Unaudited)	<b>Investment securities</b>	<b>Positive fair value of derivatives</b>	<b>Negative fair value of derivatives</b>	<b>Total</b>
Level 1	6,213	-	-	6,213
Level 2	403,749	3,857	(555)	407,051
Level 3	2,500	-	-	2,500
	<u>412,462</u>	<u>3,857</u>	<u>(555)</u>	<u>415,764</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)**
**B14 Derivatives**

The table below sets out the positive and negative fair values of derivative financial instruments, together with their notional amounts, analysed by term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

As at 30 June 2020 (Un audited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	34	208	658,819	96,161	357,486	205,172
Forward foreign exchange sales contracts	5,444	47	654,926	96,118	358,609	200,200

As at 31 December 2019 (Audited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	27	380	691,991	333,734	34,913	323,344
Forward foreign exchange sales contracts	6,081	28	686,984	333,797	34,650	318,537

As at 30 June 2019 (Un audited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	29	527	263,461	73,629	99,591	90,241
Forward foreign exchange sales contracts	3,828	28	228,339	63,988	76,671	87,680

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
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**(Unaudited)**
**(RO'000)**

<b>C1 Interest income</b>	<b>For the six months ended</b>		<b>For the three months ended</b>	
	<b>30 June 2020</b>	30 June 2019	<b>30 June 2020</b>	30 June 2019
Loans and advances to customers	<b>62,969</b>	61,240	<b>31,843</b>	30,906
Due from banks and other money market placements	<b>816</b>	1,228	<b>289</b>	481
Investments	<b>9,370</b>	8,310	<b>4,677</b>	4,306
	<u><b>73,155</b></u>	<u>70,778</u>	<u><b>36,809</b></u>	<u>35,693</u>
<b>C2 Interest expense</b>	<b>For the six months ended</b>		<b>For the three months ended</b>	
	<b>30 June 2020</b>	30 June 2019	<b>30 June 2020</b>	30 June 2019
Customer deposits	<b>27,197</b>	24,226	<b>13,586</b>	12,749
Subordinated loans	<b>1,222</b>	1,215	<b>611</b>	611
Due to banks and other money market borrowings	<b>8,305</b>	14,370	<b>3,667</b>	6,978
	<u><b>36,724</b></u>	<u>39,811</u>	<u><b>17,864</b></u>	<u>20,338</u>
<b>C3 Net income earned from Islamic financing and investing activities</b>				
<b>C3.a Gross income earned from Islamic financing and investing activities</b>	<b>For the six months ended</b>		<b>For the three months ended</b>	
	<b>30 June 2020</b>	30 June 2019	<b>30 June 2020</b>	30 June 2019
Financing to customers	<b>6,038</b>	4,979	<b>3,103</b>	2,591
Due from banks and other money market placements	<b>41</b>	244	<b>38</b>	140
Investments	<b>684</b>	613	<b>341</b>	307
	<u><b>6,763</b></u>	<u>5,836</u>	<u><b>3,482</b></u>	<u>3,038</u>
<b>C3.b Profit paid to depositors / money market borrowings</b>	<b>For the six months ended</b>		<b>For the three months ended</b>	
	<b>30 June 2020</b>	30 June 2019	<b>30 June 2020</b>	30 June 2019
Profit paid to depositors	<b>3,876</b>	2,821	<b>2,190</b>	1,481
Profit paid to banks and other money market borrowings	<b>206</b>	324	<b>92</b>	155
	<u><b>4,082</b></u>	<u>3,145</u>	<u><b>2,282</b></u>	<u>1,636</u>
<b>Net income from Islamic financing and investing activities</b>	<u><b>2,681</b></u>	<u>2,691</u>	<u><b>1,200</b></u>	<u>1,402</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
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**(Unaudited)**
**(RO'000)**
**C4 Other operating income**

	For the six months ended		For the three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Fees and commission	7,233	11,281	3,717	5,196
Net gains from foreign exchange dealings	1,020	4,112	696	2,194
Dividend income	278	875	18	155
Losses from FVTPL investments	(6)	(376)	(26)	(199)
Others	(22)	2	(5)	-
	<u>8,503</u>	<u>15,894</u>	<u>4,400</u>	<u>7,346</u>

**C5 Other operating expenses**

	For the six months ended		For the three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Operating and administration costs	5,512	5,254	2,758	2,543
Occupancy cost	1,776	1,541	801	802
Directors remuneration	156	146	156	-
Directors sitting fees	20	25	8	13
Shari'a supervisory board remuneration and sitting fees	25	18	12	14
	<u>7,489</u>	<u>6,984</u>	<u>3,735</u>	<u>3,372</u>

**C6 Loan impairment charges and other credit risk provisions, net**

	For the six months ended		For the three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Impairment charges provided/(released) on:				
Loans, advance and financing (B3)	11,505	6,636	5,660	4,847
Loan commitments and financial guarantees (B8)	(314)	(997)	(52)	(1,833)
Due from banks and other money market placements(B2)	(591)	(35)	82	224
Debt securities at amortised cost(B4)	102	582	(12)	230
Debt securities at FVOCI(B4)	-	-	-	1
Loans written back during the period	-	(477)	-	(297)
	<u>10,702</u>	<u>5,709</u>	<u>5,678</u>	<u>3,172</u>
<b>Loan impairment charges and other credit risk provisions under IFRS 9, net</b>				

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
**AS AT 30 JUNE 2020**
**(Unaudited)**
**(RO'000)**
**C7 Basic earnings per share**

Basic earnings per share are calculated by dividing net profit for the year by the weighted average number of shares outstanding during the period.

	For the six months ended		For the three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Profit for the period	13,175	18,584	7,000	8,432
Less: Additional Tier 1 Coupon	(7,603)	(3,843)	-	-
Less: issue expenses – Additional Tier 1 capital	-	(226)	-	(35)
Profit for the period attributable to equity holders of the Bank after coupon and issuance cost on Additional Tier 1 capital securities	5,572	14,515	7,000	8,397
Weighted average number of shares outstanding during the period (in thousands)	2,434,507	2,053,554	2,434,507	2,053,554
Basic earnings per share for the period (baizas)	2.289	7.068	2.875	4.089



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**
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**(RO'000)**
**D Financial risk management**
**D1 Exposure to liquidity risk**

The Bank also monitors the liquidity through Liquidity Coverage ratio (LCR), Net Stable Funding Ratio (NSFR) and Leverage Ratio. Current levels of these ratios are given below:

	<b>30 June 2020</b>	<b>31 December 2019</b>	<b>30 June 2019</b>
LCR	163.5%	147.2%	181.1%
LCR (average for the quarter)	134.8%	155.5%	189.9%
NSFR	115.9%	107.4%	106.1%
Leverage ratio	14.0%	14.5%	14.5%

The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) is calculated in accordance with Basel III framework and guidelines adopted by CBO vide circular BM 1127 and BM 1147. The complete disclosures required under these circulars are available on the Investor Relations page of the Bank's website.

The table below summarises the maturity profile of the Bank's liabilities as on the reporting date based on contractual repayment arrangements. The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

<b>30 June 2020</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Within 3 months</b>	<b>3 - 12 months</b>	<b>Over 1 year</b>
<b>Non – derivative liabilities</b>					
Due to banks and other money market borrowings	653,632	664,597	233,115	295,174	136,308
Customer deposits	2,240,742	2,275,482	1,095,101	439,846	740,535
Other liabilities	121,469	121,469	121,469	-	-
Subordinated loans	35,386	42,621	352	2,099	40,170
Certificates of deposit	509	530	6	18	506
<b>Total</b>	<b>3,051,738</b>	<b>3,104,699</b>	<b>1,450,043</b>	<b>737,137</b>	<b>917,519</b>

<b>31 December 2019</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Within 3 months</b>	<b>3 - 12 months</b>	<b>Over 1 year</b>
<b>Non – derivative liabilities</b>					
Due to banks and other money market borrowings	735,261	756,394	248,583	303,065	204,746
Customer deposits	2,097,310	2,116,992	1,199,732	428,995	488,265
Other liabilities	100,524	100,524	100,524	-	-
Subordinated loans	35,392	43,846	350	2,107	41,389
Certificates of deposit	509	542	6	18	518
<b>Total</b>	<b>2,968,996</b>	<b>3,018,298</b>	<b>1,549,195</b>	<b>734,185</b>	<b>734,918</b>

<b>30 June 2019</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Within 3 months</b>	<b>3 - 12 months</b>	<b>Over 1 year</b>
<b>Non – derivative liabilities</b>					
Due to banks and other money market borrowings	688,737	770,774	235,926	13,860	520,988
Customer deposits	1,946,535	2,089,737	1,003,767	648,328	437,642
Other liabilities	62,991	62,991	53,833	-	9,158
Subordinated loans	35,385	45,077	351	2,105	42,621
Certificates of deposit	509	554	6	18	530
<b>Total</b>	<b>2,734,157</b>	<b>2,969,133</b>	<b>1,293,883</b>	<b>664,311</b>	<b>1,010,939</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**(RO'000)**
**D Financial risk management (continued)****D2 Capital management****D2.1 Regulatory capital**

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off balance sheet exposures weighted according to broad categories of risk.

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

	<b>30 June 2020</b>	31 December 2019	30 June 2019
<b>CET 1 capital</b>			
Ordinary share capital	245,355	236,360	198,265
Share premium	18,038	19,942	18,037
Legal reserve	28,519	28,519	24,375
General reserve	988	988	988
Subordinated loan reserve	14,000	14,000	7,000
Retained earnings	16,207	31,422	40,820
Fair value losses	(4,164)	(2,213)	(2,164)
<b>Total CET 1 capital</b>	<b>318,943</b>	329,018	287,321
<b>Additional Tier 1 capital</b>			
Perpetual Tier 1 Capital Securities	200,000	200,000	200,000
<b>Total Tier 1 capital</b>	<b>518,943</b>	529,018	487,321
<b>Tier 2 capital</b>			
Impairment allowance on portfolio basis	28,150	25,062	24,646
Fair value gains	1	-	4
Subordinated loan	21,000	21,000	28,000
<b>Total Tier 2 capital</b>	<b>49,151</b>	46,062	52,650
<b>Total regulatory capital</b>	<b>568,094</b>	575,080	539,971
<b>Risk weighted assets</b>			
Credit and market risks	2,739,833	2,870,164	2,745,363
Operational risk	179,749	179,749	157,920
<b>Total risk weighted assets</b>	<b>2,919,582</b>	3,049,913	2,903,283
<b>Capital adequacy ratio</b>			
Total regulatory capital expressed as a percentage of total risk weighted assets	<b>19.46%</b>	18.86 %	18.60%
Total tier I capital expressed as a percentage of total risk weighted assets	<b>17.77 %</b>	17.35 %	16.79%
Total CET 1 capital expressed as a percentage of total risk weighted assets	<b>10.92 %</b>	10.79 %	9.90%

The capital adequacy ratio is calculated in accordance with Basel II & Basel III requirements as adopted by CBO. Disclosures required under Basel III and circular BM-1114 dated 17 November 2013 issued by CBO are available on the Investor Relations page of the Bank's website.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 JUNE 2020 (RO'000)

### E Segmental information

Segmental information is presented for the Bank's operating segments. For management purposes the Bank is organised into the following operating segments:

#### **Retail banking:**

- Including loans to and deposits from retail customers, credit card and fund transfer facilities.

#### **Wholesale banking:**

- Corporates including loans to and deposits from large and mid-sector corporates, small & medium enterprises and trade finance customers
- Government and project finance syndication including loans to and deposits from government and financial institutions, project finance and syndicated loans.
- Investments including proprietary investments, correspondent and investment banking.
- Treasury including money market instruments, derivatives and foreign exchange products

#### **Head office**

- includes balance sheet, income and expense related items that are not directly related to the Bank's operating segments

#### **Islamic banking**

- Including Islamic financing activities, current accounts, unrestricted investment accounts and other products and services to corporate and individual customers under Shari'a principles.

The CEO monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer pricing between operating segments is on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external counterparty or customer amounted to 10% or more of the Bank's total revenue in 2020 or 2019.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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 (RO'000)**
**E1 Segmental information (continued)**

	<i>Retail banking</i>	<i>Wholesale banking</i>	<i>Head Office</i>	<i>Islamic banking</i>	<i>Total</i>
<b>30 June 2020</b>					
<b>Income Statement</b>					
Interest income	21,441	51,714	-	-	73,155
Interest expense	(10,934)	(25,790)	-	-	(36,724)
Net interest income	10,507	25,924	-	-	36,431
Net income from Islamic financing and investing activities	-	-	-	2,681	2,681
Other operating income	2,773	5,405	-	325	8,503
<b>Total Operating income</b>	<b>13,280</b>	<b>31,329</b>	<b>-</b>	<b>3,006</b>	<b>47,615</b>
<b>Total Operating expenses</b>	<b>(9,990)</b>	<b>(9,051)</b>	<b>-</b>	<b>(2,395)</b>	<b>(21,436)</b>
<b>Net Operating Income</b>	<b>3,290</b>	<b>22,278</b>	<b>-</b>	<b>611</b>	<b>26,179</b>
Impairment on FVOCI investments	-	(102)	-	(1)	(103)
Loan impairment charges and other credit risk provisions, net	(2,290)	(8,028)	-	(281)	(10,599)
<b>Segment Profit / (loss)</b>	<b>1,000</b>	<b>14,148</b>	<b>-</b>	<b>329</b>	<b>15,477</b>
Income tax expense	(157)	(2,096)	-	(49)	(2,302)
<b>Profit / (loss) for the period</b>	<b>843</b>	<b>12,052</b>	<b>-</b>	<b>280</b>	<b>13,175</b>
<b>Balance sheet</b>					
<b>Assets</b>					
Cash and balances with Central Bank	-	125,758	-	6,310	132,068
Due from banks and other money market placements	-	150,332	-	15,500	165,832
Loans, advances and financing, net	767,396	1,443,491	-	230,967	2,441,854
Investment securities	-	657,232	-	20,905	678,137
Property, equipment and fixtures	-	-	41,117	971	42,088
Investment properties	-	-	2,900	-	2,900
Other assets	-	-	122,072	(1,092)	120,980
<b>TOTAL ASSETS</b>	<b>767,396</b>	<b>2,376,813</b>	<b>166,089</b>	<b>273,561</b>	<b>3,583,859</b>
<b>Liabilities</b>					
Due to banks and other money market borrowings	-	651,552	-	2,080	653,632
Customer deposits	410,488	1,592,006	-	238,248	2,240,742
Other liabilities	-	-	117,672	3,797	121,469
Subordinated loans	-	-	35,386	-	35,386
Certificates of deposit	-	509	-	-	509
<b>TOTAL LIABILITIES</b>	<b>410,488</b>	<b>2,244,067</b>	<b>153,058</b>	<b>244,125</b>	<b>3,051,738</b>
<b>TOTAL EQUITY</b>	<b>-</b>	<b>-</b>	<b>500,213</b>	<b>31,908</b>	<b>532,121</b>
	<b>410,488</b>	<b>2,244,067</b>	<b>653,271</b>	<b>276,033</b>	<b>3,583,859</b>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2020  
(RO'000)**
**E1 Segmental information (continued)**

	<i>Retail banking</i>	<i>Wholesale banking</i>	<i>Head Office</i>	<i>Islamic banking</i>	<i>Total</i>
30 June 2020					
<i>Income Statement</i>					
Interest income	19,534	51,244	-	-	70,778
Interest expense	(10,312)	(29,499)	-	-	(39,811)
Net interest income	9,222	21,745	-	-	30,967
Net income from Islamic financing and investing activities	-	-	-	2,691	2,691
Other operating income	2,436	13,056	2	400	15,894
Total Operating income	11,658	34,801	2	3,091	49,552
Total Operating expenses	(11,636)	(9,047)	-	(1,959)	(22,642)
Net Operating Income	22	25,754	2	1,132	26,910
Impairment on FVOCI investments	-	(582)	-	15	(567)
Loan impairment charges and other credit risk provisions, net	1,371	(6,593)	-	80	(5,142)
Segment Profit / (loss)	1,393	18,579	2	1,227	21,201
Income tax expense	(170)	(2,263)	-	(184)	(2,617)
Profit / (loss) for the period	1,223	16,316	2	1,043	18,584
<i>Balance sheet</i>					
<i>Assets</i>					
Cash and balances with Central Bank	-	73,547	-	12,323	85,870
Due from banks and other money market placements	-	57,124	-	11,574	68,698
Loans, advances and financing, net	724,372	1,492,403	-	195,303	2,412,078
Investments	-	551,218	-	20,702	571,920
Property, equipment and fixtures	-	-	33,981	1,025	35,006
Investment properties	-	-	2,900	-	2,900
Other assets	-	-	42,244	2,771	45,015
TOTAL ASSETS	724,372	2,174,292	79,125	243,698	3,221,487
<i>Liabilities</i>					
Due to banks and other money market borrowings	-	688,737	-	-	688,737
Customer deposits	393,437	1,342,484	-	210,614	1,946,535
Other liabilities	-	-	57,205	5,786	62,991
Subordinated loans	-	-	35,385	-	35,385
Certificates of deposit	-	509	-	-	509
TOTAL LIABILITIES	393,437	2,031,730	92,590	216,400	2,734,157
TOTAL EQUITY	-	-	458,805	28,525	487,330
	393,437	2,031,730	551,395	244,925	3,221,487

**E2 Comparative figures**

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