

National Bank of Oman SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2021 (UNAUDITED)



PO Box 751 PC 112 Ruwi Sultanate of Oman.

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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021 (unaudited)

		<i>30/09/2021</i>	<i>30/09/2020</i>	<i>Audited</i> <i>31/12/2020</i>
	<i>Notes</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Assets				
Cash and balances with Central Banks	3	213,927	175,925	192,457
Due from banks and other money market placements (net)	4	97,954	94,159	94,716
Loans, advances and Islamic financing assets (net)	5	3,032,579	2,903,285	2,887,862
Financial investments	6	455,944	356,133	342,203
Property and equipment	7	60,843	63,523	62,568
Other assets	8	56,113	51,619	52,845
Total assets		3,917,360	3,644,644	3,632,651
Liabilities and equity				
Liabilities				
Due to banks and other money market deposits	9	330,672	260,051	288,723
Customers' deposits and unrestricted investment accounts	10	2,749,879	2,577,393	2,527,179
Euro medium term notes	11	192,500	192,500	192,500
Other liabilities	12	80,213	74,060	84,448
Taxation	13	11,909	9,245	9,568
Total liabilities		3,365,173	3,113,249	3,102,418
Equity				
Share capital		162,595	162,595	162,595
Share premium		34,465	34,465	34,465
Legal reserve		54,198	54,198	54,198
Other reserves	14	4,218	1,392	1,564
Retained earnings		181,211	163,245	161,911
Total equity attributable to the shareholders of the bank		436,687	415,895	414,733
Tier 1 perpetual bond	15	115,500	115,500	115,500
Total equity		552,187	531,395	530,233
Total liabilities and equity		3,917,360	3,644,644	3,632,651

The interim condensed financial statements were authorised for issue on 27th October 2021 in accordance with a resolution of the Board of Directors.

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

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period ended 30 September 2021 (unaudited)

	Notes	<u>Nine months ended</u>		<u>Three months ended</u>	
		<u>30 September</u>		<u>30 September</u>	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
		<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>
Interest income	17	123,531	122,286	41,855	40,587
Interest expense	18	(59,013)	(57,384)	(20,337)	(18,817)
NET INTEREST INCOME		64,518	64,902	21,518	21,770
Income from Islamic financing and Investment activities		7,279	6,568	2,464	2,200
Unrestricted investment account holders' share of profit		(3,999)	(3,581)	(1,218)	(1,267)
NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES		3,280	2,987	1,246	933
NET INTEREST INCOME AND NET INCOME FROM ISLAMIC FINANCING AND INVESTMENT ACTIVITIES		67,798	67,889	22,764	22,703
Other operating income	19	24,241	20,276	6,957	6,029
OPERATING INCOME		92,039	88,165	29,721	28,732
Staff costs	20	(28,090)	(28,949)	(8,564)	(9,568)
Other operating expenses	21	(13,689)	(14,106)	(4,763)	(4,430)
Depreciation	7	(4,643)	(4,942)	(1,499)	(1,696)
TOTAL OPERATING EXPENSES		(46,422)	(47,997)	(14,826)	(15,694)
PROFIT FROM OPERATIONS BEFORE IMPAIRMENT LOSSES AND TAX		45,617	40,168	14,895	13,038
TOTAL IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	22.4	(17,830)	(20,011)	(5,589)	(10,643)
PROFIT BEFORE TAX		27,787	20,157	9,306	2,395
Taxation	13	(4,283)	(3,300)	(1,449)	(563)
PROFIT FOR THE PERIOD		23,504	16,857	7,857	1,832
OTHER COMPREHENSIVE INCOME/(LOSS)					
Items that will not be reclassified subsequently to profit or loss					
Equity investments at FVOCI – net change in fair value		2,435	(5,265)	(701)	386
Tax effect of equity investments at FVOCI – net change in fair value		(294)	501	(62)	(108)
Items that will be reclassified subsequently to profit or loss					
Debt instruments at FVOCI – net change in fair value		100	(418)	(51)	(56)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		2,241	(5,182)	(814)	222
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		25,745	11,675	7,043	2,054
Earnings per share:					
Basic and diluted, earnings for the period attributable to equity holders		0.012	0.008	0.005	0.001

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the period ended 30 September 2021 (unaudited)

	Notes	Nine months ended	
		30 September	
		2021	2020
		RO'000	RO'000
Profit before taxation		27,787	20,157
Adjustments for:			
Depreciation	7	4,643	4,942
Provision for credit losses (net)		17,600	20,459
Provision for credit loss Bank loans/Investments (net)		230	(448)
Profit on sale of fixed assets		(787)	(5)
(Profit)/loss on sale of investments		(218)	84
Amortisation of Premium/discount (net)		(492)	(447)
Translation difference		-	1
Investment income		(1,160)	(1,517)
Operating profit before changes in operating assets and liabilities		47,603	43,226
Due from banks and other money market deposits		6,630	30,438
Due to banks and other money market placements		40,462	51,971
Loans and advances to customers		(162,317)	(122,187)
Other assets		(3,268)	(10,873)
Customer deposits		222,700	45,875
Other liabilities		(4,235)	4,241
Cash from operations activities		147,575	42,691
Tax paid		(1,945)	(7,666)
Net cash from operating activities		145,630	35,025
Investing activities			
Purchase of investments		(123,090)	(69,488)
Proceeds from sale of investments		12,289	7,768
Purchase of property and equipment	7	(3,065)	(3,420)
Proceeds from sale of property and equipment		934	9
Investment income	19	1,160	1,517
Net cash used in investing activities		(111,772)	(63,614)
Financing activities			
Payment of Dividends		-	(27,316)
Proceeds from tier 1 capital		115,500	-
Redemption of tier 1 capital		(115,500)	-
Interest and other cost on tier 1 perpetual bond		(4,092)	(4,548)
Net cash used in financing activities		(4,092)	(31,864)
Increase/(decrease) in cash and cash equivalents		29,766	(60,453)
Cash and cash equivalents at the beginning of the period		101,343	254,073
Cash and cash equivalents at the end of the period		131,109	193,620
Representing:			
Cash and balances with Central Bank	3	213,427	175,425
Due from Bank (maturing within 3 months)		86,404	89,598
Due to Bank (maturing within 3 months)		(168,722)	(71,403)
		131,109	193,620

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

As at 30 September 2021 (unaudited)

(RO'000)

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve*</i>	<i>Other reserves</i>	<i>Proposed cash dividend</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Tier 1 perpetual bond</i>	<i>Total equity</i>
Balance at 1 January 2021	162,595	34,465	54,198	1,564	-	161,911	414,733	115,500	530,233
Net Profit for the year	-	-	-	-	-	23,504	23,504	-	23,504
Other comprehensive income for the period	-	-	-	2,241	-	-	2,241	-	2,241
Net gains on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	-	-	301	301	-	301
Transfer to retained earnings	-	-	-	413	-	(413)	-	-	-
Issuance cost on tier 1 perpetual bonds	-	-	-	-	-	(250)	(250)	-	(250)
Payment of tier 1 perpetual bonds	-	-	-	-	-	(3,842)	(3,842)	-	(3,842)
Balance at 30 September 2021	162,595	34,465	54,198	4,218	-	181,211	436,687	115,500	552,187
Balance at 1 January 2020	162,595	34,465	54,198	(764)	27,316	158,893	436,703	115,500	552,203
Net profit for the period	-	-	-	-	-	16,857	16,857	-	16,857
Other comprehensive loss for the period	-	-	-	(5,182)	-	-	(5,182)	-	(5,182)
Net losses on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	-	-	(619)	(619)	-	(619)
Dividend paid during the period	-	-	-	-	(27,316)	-	(27,316)	-	(27,316)
Payment of tier 1 perpetual bonds	-	-	-	-	-	(4,548)	(4,548)	-	(4,548)
Transfer to impairment reserve	-	-	-	7,338	-	(7,338)	-	-	-
Balance at 30 September 2020	162,595	34,465	54,198	1,392	-	163,245	415,895	115,500	531,395
Balance at 1 October 2020	162,595	34,465	54,198	1,392	-	163,245	415,895	115,500	531,395
Net profit for the period	-	-	-	-	-	1,291	1,291	-	1,291
Other comprehensive income for the period	-	-	-	2,471	-	-	2,471	-	2,471
Net losses on de-recognition of financial assets measured at FVOCI (net of tax)	-	-	-	-	-	(376)	(376)	-	(376)
Transfer to retained earnings	-	-	-	(480)	-	480	-	-	-
Payment of interest on tier 1 perpetual bond	-	-	-	-	-	(4,548)	(4,548)	-	(4,548)
Transfer from impairment reserve	-	-	-	(1,819)	-	1,819	-	-	-
Balance at 31 December 2020	162,595	34,465	54,198	1,564	-	161,911	414,733	115,500	530,233

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 September 2021 (unaudited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

National Bank of Oman SAOG ("NBO", "the Bank") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail, wholesale, investment and Islamic banking services within the Sultanate of Oman and through overseas branches in the United Arab Emirates and Egypt. In Oman the Bank operates under banking license issued by the Central Bank of Oman and is covered by its deposit insurance scheme, whereas in the United Arab Emirates and in Egypt the branches operate under a commercial bank licenses given by the respective Central Banks. The Bank is in the process of closing down its operations in Egypt and it is expected that the closure process will be completed during the year 2021. The Bank is head quartered at Azaiba, Governorate of Muscat, Sultanate of Oman and its registered address is PO Box 751, Ruwi, Postal Code 112, Muscat, Sultanate of Oman. The Bank's equity shares are listed on the Muscat Stock Exchange. Perpetual bonds and bonds issued under EMTN programme are listed in the Euronext Dublin.

The bank employed 1,470 employees as of 30 September 2021 (30 September 2020 – 1,580 employees / 31 December 2020 - 1,573)

2 SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and the relevant disclosure requirements of the Capital Market Authority ("CMA"). The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020.

The condensed interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the nine months ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The condensed interim financial statements are prepared in Rial Omani, rounded to the nearest thousands, except as indicated. The functional currencies of the bank's operations are as follows:

Sultanate of Oman:	Rial Omani
United Arab Emirates:	UAE Dirham
Egypt:	US Dollar

The interim condensed financial statements are prepared under the historical cost convention, modified to include measurement of derivative financial instruments and certain investments, either through profit and loss account or through other comprehensive Income, at fair value.

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates (refer note 32).

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

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

Interest Rate Benchmark Reform:

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Rate Benchmark Reform (continued):

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

IBOR reform exposes the Bank to various risks. These risks include but are not limited to the following:

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

Interest Rate Benchmark Reform - Phase 2 amendments

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

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

The Bank is in discussion with counterparties in relation to exposure to cash flow and fair value hedges and non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2021. The Bank has embarked on project to enable transition from LIBOR to a alternate reference rate and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

3 CASH AND BALANCES WITH CENTRAL BANKS

	30/09/2021	30/09/2020	31/12/2020
	RO'000	RO'000	RO'000
Cash	42,554	42,471	38,921
Other balances with Central Banks	170,873	132,954	153,036
Cash and cash equivalents	213,427	175,425	191,957
Capital deposit with Central Bank of Oman	500	500	500
Cash and balances with Central Banks	213,927	175,925	192,457

- (i) At 30 September 2021, cash and balances with Central Bank of Oman included balances amounting to RO 500,000 (30 September 2020 – RO 500,000, 31 December 2020 – RO 500,000) as capital deposit. This deposit cannot be withdrawn without the Central Bank of Oman approval.
- (ii) Minimum cash reserve to be maintained with Central Bank of Oman as of 30 September 2021 is 3% of total deposits and for Central bank of UAE, is 1% of time deposits and 7% of all other deposits.
- (iii) ECL on the cash and balances with Central Banks is not material and accordingly no adjustment has been accounted by the Bank.

4 DUE FROM BANKS AND OTHER MONEY MARKET PLACEMENTS (NET)

	30/09/2021	30/09/2020	31/12/2020
	RO'000	RO'000	RO'000
Loans and advances to banks	15,400	11,743	14,823
Placements with bank	27,143	10,214	27,640
Demand balances	55,496	72,286	52,340
Due from banks and other money market placement	98,039	94,243	94,803
Less: allowance for credit losses	(85)	(84)	(87)
Net due from banks and other money market placement	97,954	94,159	94,716

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

	9 months ended	9 months ended	12 months ended
	30/09/2021	30/09/2020	31/12/2020
	RO'000	RO'000	RO'000
Balance at beginning of period / year	87	471	471
Released during the period / year	(2)	(387)	(384)
Balance at end of period / year	85	84	87

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

5 LOANS, ADVANCES AND FINANCING ACTIVITIES FOR CUSTOMERS (NET)

	30/09/2021	<i>30/09/2020</i>	<i>31/12/2020</i>
	RO'000	<i>RO'000</i>	<i>RO'000</i>
Overdrafts	81,674	98,738	93,793
Personal loans	1,384,385	1,399,355	1,396,881
Other loans	1,710,380	1,547,788	1,553,080
Gross loans, advances and financing activities for customers	3,176,439	3,045,881	3,043,754
Less: allowance for credit losses	(143,860)	(142,596)	(155,892)
Net loans and advances	3,032,579	2,903,285	2,887,862

Gross loans, advances and financing activities for customers include RO 137 million due from related parties at 30 September 2021 (30 September 2020 – RO 113 million, 31 December 2020 – RO 121 million).

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

	9 months ended	<i>9 month ended</i>	<i>12 months ended</i>
	30/09/2021	<i>30/09/2020</i>	<i>31/12/2020</i>
	RO'000	<i>RO'000</i>	<i>RO'000</i>
Balance at beginning of period / year	155,892	118,289	118,289
Provided during the period / year	26,404	31,060	46,403
Recovered/ released during the period / year	(2,403)	(2,731)	(3,328)
Written off during the period / year	(36,033)	(4,022)	(5,472)
Balance at end of period / year	143,860	142,596	155,892

Provided during the period/year includes contractual interest reserved for RO 5.54 million (30 September 2020 – RO 4.86 million and 31 December 2020 – RO 6.67 million).

Recovered/released during the period/year includes recovery of reserved interest at RO 1.1 million (30 September 2020 – RO 0.7 million and 31 December 2020 – RO 0.9 million).

All loans and advances require payment of interest based on agreed tenors, some at fixed rates and others at rates that re-price prior to maturity. Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the interim condensed statement of comprehensive income.

As of 30 September 2021, loans and advances on which interest is not being accrued or where interest has been reserved amounted to RO 155 million (30 September 2020 – RO 169 million and 31 December 2020 – RO 169 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

30 September 2021 (unaudited)

6 FINANCIAL INVESTMENTS

	30/09/2021	30/09/2020	31/12/2020
	RO'000	RO'000	RO'000
<i>Investments measured at Fair value through profit and loss (FVTPL)</i>			
Quoted investments-Oman	558	4,636	474
Quoted investments-Foreign	351	373	398
Unquoted investments	2,515	2,487	2,683
Total FVTPL	3,424	7,496	3,555
<i>Investments measured at Fair value through other comprehensive income (FVOCI)</i>			
FVOCI – Equity investments			
Quoted investments-Oman	14,221	12,324	14,526
Quoted investments-Foreign	20,112	16,717	18,218
Unquoted investments	324	355	324
Total FVOCI – equity instruments	34,657	29,396	33,068
FVOCI - Debt instruments			
Government development bonds-Oman	4,010	3,544	3,917
Total FVOCI – debt instruments	4,010	3,544	3,917
Total FVOCI	38,667	32,940	36,985
<i>Investments measured at amortised cost</i>			
Government development bonds-Oman	272,255	240,861	241,077
Government Sukuk-Oman	16,433	16,440	16,417
Treasury Bills	103,740	38,000	20,000
Certificate of Deposits	-	-	3,669
Quoted investments-Oman	21,975	16,075	16,077
Government development bonds-foreign	-	4,767	4,741
Total – amortised cost	414,403	316,143	301,981
Total financial investments	456,494	356,579	342,521
Less: Impairment	(550)	(446)	(318)
Total financial investments	455,944	356,133	342,203

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

	30/09/2021	30/09/2020	31/12/2020
	RO'000	RO'000	RO'000
Balance at beginning of period / year	318	507	507
Provided/(released) during the period / year	232	(61)	(189)
Balance at end of period / year	550	446	318

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

30 September 2021 (unaudited)

6 FINANCIAL INVESTMENTS (CONTINUED)

Details of significant investments

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

	<i>Bank's portfolio</i> %	<i>Carrying value</i> RO'000
30/09/2021		
Government Development Bonds-Oman	64%	292,698
Treasury Bills	23%	103,740
30/09/2020		
Government Development Bonds-Oman	73%	260,845
Treasury Bills	11%	38,000
31/12/2020		
Government Development Bonds-Oman	76%	261,411

The Bank received dividends of RO 1.16 million from its FVOCI equities for 30 September 2021, recorded as other operating income. (30 September 2020 – RO 1.52 million and 31 December 2020 – RO 1.61 million).

7 PROPERTY AND EQUIPMENT

	<i>Freehold land and buildings and leasehold improvements RO'000</i>	<i>Motor vehicles, furniture and equipment RO'000</i>	<i>Capital work in progress RO'000</i>	<i>Right to use assets RO'000</i>	<i>Total RO'000</i>
Reconciliation of carrying amount:					
Balance as at 1 January 2021, net of accumulated depreciation	45,852	12,330	1,240	3,146	62,568
Additions	19	782	1,126	1,138	3,065
Disposals	(122)	(5)	(20)	-	(147)
Transfers	96	930	(1,026)	-	-
Translation difference	-	-	-	-	-
Depreciation	(982)	(2,269)	-	(1,392)	(4,643)
Balance at 30 September 2021, net of accumulated depreciation	44,863	11,768	1,320	2,892	60,843
At cost	60,728	46,656	1,320	5,677	114,381
Accumulated depreciation	(15,865)	(34,888)	0	(2,785)	(53,538)
Net carrying value at 30 September 2021	44,863	11,768	1,320	2,892	60,843
Reconciliation of carrying amount:					
Balance as at 1 January 2020, net of accumulated depreciation	46,915	13,709	1,017	3,406	65,047
Additions	18	1,008	973	1,421	3,420
Disposals	-	(4)	-	-	(4)
Transfers	229	518	(747)	-	-
Translation difference	2	-	-	-	2
Depreciation	(1,077)	(2,405)	-	(1,460)	(4,942)
Balance at 30 September 2020, net of accumulated depreciation	46,087	12,826	1,243	3,367	63,523
At cost	63,758	44,926	1,243	6,339	116,266
Accumulated depreciation	(17,671)	(32,100)	-	(2,972)	(52,743)
Net carrying value at 30 September 2020	46,087	12,826	1,243	3,367	63,523
Net carrying value at 31 December 2020	45,852	12,330	1,240	3,146	62,568

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

7 PROPERTY AND EQUIPMENT (continued)

From 1 January 2020, the Bank elected to change the method of accounting for building classified as property and equipment from the revaluation model to the cost model and as a result the revaluation reserves has been reduced by RO 4.385 million, property and equipment has been reduced by RO 1.64 million and retained earnings has been increased by RO 2.74 million with no impact on the reported profits, for the corresponding quarter ended 30 September 2020. The resulting changes are reflected in the Bank's financial statements including the primary statements. For further details, please refer to note 2.7 of the annual financial statements for the year 2020.

8 OTHER ASSETS

	<i>30/09/2021</i>	<i>30/09/2020</i>	<i>31/12/2020</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Interest receivable and others	25,717	26,981	25,956
Positive fair value of derivatives (note 30)	4,076	5,623	4,525
Customers' indebtedness for acceptances (note 12)	26,320	18,957	22,364
Deferred tax asset (note 13)	-	58	-
	56,113	51,619	52,845

9 DUE TO BANKS AND OTHER MONEY MARKET DEPOSITS

	<i>30/09/2021</i>	<i>30/09/2020</i>	<i>31/12/2020</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Borrowings	326,839	254,050	282,217
Other balances	3,833	6,001	6,506
	330,672	260,051	288,723

10 CUSTOMERS' DEPOSITS AND UNRESTRICTED INVESTMENT ACCOUNTS

	<i>30/09/2021</i>	<i>30/09/2020</i>	<i>31/12/2020</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Current accounts	1,189,341	932,448	862,055
Savings accounts	638,178	635,967	636,437
Term deposits	922,360	1,008,978	1,028,687
	2,749,879	2,577,393	2,527,179

11 EURO MEDIUM TERM NOTES

The Bank has established Euro medium term notes programme for USD 1,500 million. These Bonds are listed in the Irish Stock Exchange and governed by English law. As at reporting date, the Bank has an issuance for RO 192.5 million (USD 500 million) (30 September 2020 – RO 192.5 million – USD 500 million and 31 December 2020 – RO 192.5 million – USD 500 million), maturing in Sep 2023.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

12 OTHER LIABILITIES

	<i>30/09/2021</i> <i>RO'000</i>	<i>30/09/2020</i> <i>RO'000</i>	<i>31/12/2020</i> <i>RO'000</i>
Interest payable and other accruals	45,179	44,533	53,200
Lease commitment	2,106	2,298	2,139
Allowances for credit losses for loan commitments and Financial guarantees (refer below)	2,860	3,801	2,850
Negative fair value of derivatives (note 30)	3,444	4,471	3,879
Liabilities under acceptances (note 8)	26,320	18,957	22,364
Deferred tax liability (note 13)	304	-	16
	80,213	74,060	84,448

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

	<i>9 months</i> <i>ended</i> <i>30/09/2021</i> <i>RO'000</i>	<i>9 months</i> <i>ended</i> <i>30/09/2020</i> <i>RO'000</i>	<i>12 months</i> <i>ended</i> <i>31/12/2020</i> <i>RO'000</i>
Balance at beginning of period / year	2,850	6,026	6,026
Provided / (released) during the period / year	10	(2,225)	(3,176)
Balance at end of period / year	2,860	3,801	2,850

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)
13 TAXATION

	30/09/2021	30/09/2020	31/12/2020
	RO'000	RO'000	RO'000
Statement of comprehensive income			
Current tax expense for the period/year	4,289	3,189	3,700
Deferred tax	(6)	111	(40)
	4,283	3,300	3,660

The Bank is liable to income tax at the following rates:

- Sultanate of Oman: 15% of taxable income
- United Arab Emirates: 20% of taxable income
- Egypt: 22.5% of taxable income

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

	30/09/2021	30/09/2020	31/12/2020
	RO'000	RO'000	RO'000
Accounting profit	27,787	20,157	21,808
Tax at applicable rate	4,168	3,024	3,271
Non-deductible expenses	86	491	988
Tax exempt revenues	(212)	(368)	(1,506)
Others	247	42	947
Total	4,289	3,189	3,700

The Bank's liabilities for taxation in the Sultanate of Oman have been assessed and agreed up to the year ended 31 December 2013.

The tax assessments of the Egypt operations in respect of the different taxes applicable are at different stages of completion with the respective tax authorities. The Bank's liability in respect of its branches in UAE has been agreed with the tax authorities up to 31 December 2020.

	30/09/2021	30/09/2020	31/12/2020
	RO'000	RO'000	RO'000
Income tax liability			
Through comprehensive income	4,289	3,189	3,700
Through prior years	7,620	6,056	5,974
Through retained earnings	-	-	(106)
	11,909	9,245	9,568

	30/09/2021	30/09/2020	31/12/2020
	RO'000	RO'000	RO'000
Recognised deferred tax (liability)/asset			
Deferred tax assets are attributable to the following:			
Deductible temporary differences relating to comprehensive income	54	(101)	50
Deductible temporary differences relating to other comprehensive income	(358)	159	(66)
	(304)	58	(16)

	30/09/2021	30/09/2020	31/12/2020
	RO'000	RO'000	RO'000
Movement of deferred tax (liability)/asset			
Balance at the beginning of the year	(16)	(332)	(332)
Charge during the period/year through profit and Loss	6	(111)	40
Tax effect of movement in FVOCI investments	(294)	501	276
	(304)	58	(16)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

14 OTHER RESERVES

	<i>FVOCI reserve RO '000</i>	<i>Impairment Reserve RO '000</i>	<i>Total RO '000</i>
At 1 January 2021	(9,016)	10,580	1,564
Net movement on FVOCI investments	2,535	-	2,535
Tax effect of investments at FVOCI – net change in fair value	(294)	-	(294)
Transfer to retained earnings – realised FVOCI	413	-	413
At 30 September 2021	(6,362)	10,580	4,218
At 30 September 2020	(11,007)	12,399	1,392
At 31 December 2020	(9,016)	10,580	1,564

- (i) The Impairment reserve represents in accordance with CBO requirements, where the aggregate provision on portfolio and specific basis computed as per CBO norms is higher than the impairment allowance computed under IFRS9, the difference, net of the impact of taxation, is transferred to an impairment reserve as an appropriation from the retained earnings.

15 TIER 1 PERPETUAL BOND

The bank has following Perpetual Tier 1 Capital Securities (the “Tier 1 Securities”). The Tier 1 Securities constitute direct, unconditional, subordinated and unsecured obligations of the bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 Securities do not have a fixed or final maturity date. They are redeemable by the bank at its sole discretion on any interest payment date on or after the first call date subject to the prior consent of the Central Bank of Oman.

Issuance Month/Year	Issued Amount	Coupon Rate
Apr 2021	USD 300 million (OMR 115.5 million)	Fixed interest rate of 8% with a reset after 5 years

These securities form part of Tier 1 Capital of the bank and comply with Basel-3 and Central Bank of Oman regulations (BM 1114).

The bank has exercised its option to call back the following notes in May 2021 and as a result these have been repaid in full.

Issuance Month/Year	Issued Amount	Coupon Rate
Nov 2015	USD 300 million (OMR 115.5 million)	Fixed interest rate of 6.625% with a reset after 5 years

16 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30/09/2021 RO'000</i>	<i>30/09/2020 RO'000</i>	<i>31/12/2020 RO'000</i>
Guarantees	289,249	290,649	281,967
Documentary letters of credit	50,842	44,596	38,940
Undrawn commitment to lend	255,643	194,893	176,623
	595,734	530,138	497,530

- (i) The allowances for credit losses for commitments and financial guarantees amounts to RO 2.9 million (30 September 2020 – RO 3.8 million and December 2020 – 2.9 million) and is included under note 12.

- (ii) Guarantees include RO 14.0 million (30 September 2020 – RO 5.8 million and 31 December 2020 - 6.9 million) relating to non-performing loans.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)
17 INTEREST INCOME

	9 months ended 30/09/2021 RO'000	9 months ended 30/09/2020 RO'000	3 months ended 30/09/2021 RO'000	3 months ended 30/09/2020 RO'000
Interest from Loans and advances	110,099	109,131	37,176	36,374
Interest from banks	458	1,714	162	162
Interest from investments	12,974	11,441	4,517	4,051
	123,531	122,286	41,855	40,587

18 INTEREST EXPENSE

	9 months ended 30/09/2021 RO'000	9 months ended 30/09/2020 RO'000	3 months ended 30/09/2021 RO'000	3 months ended 30/09/2020 RO'000
Interest to customer deposits	43,599	41,263	15,010	14,087
Interest to banks	6,952	7,662	2,506	1,911
Interest to EMTN	8,462	8,459	2,821	2,819
	59,013	57,384	20,337	18,817

19 OTHER OPERATING INCOME

	9 months ended 30/09/2021 RO'000	9 months ended 30/09/2020 RO'000	3 months ended 30/09/2021 RO'000	3 months ended 30/09/2020 RO'000
Net gains from foreign exchange dealings	4,783	5,336	1,729	1,400
Fees and commissions	14,415	9,500	4,228	3,006
Profit/(Loss) on investments at FVTPL	218	(84)	116	287
Dividend income	1,160	1,517	78	29
Other Income	3,665	4,007	806	1,307
	24,241	20,276	6,957	6,029

20 STAFF COSTS

	9 months ended 30/09/2021 RO'000	9 months ended 30/09/2020 RO'000	3 months ended 30/09/2021 RO'000	3 months ended 30/09/2020 RO'000
Employees' salaries	21,057	22,299	6,832	7,440
Contribution to social insurance schemes	1,907	1,809	628	604
Other staff costs	5,126	4,841	1,104	1,524
	28,090	28,949	8,564	9,568

21 OTHER OPERATING EXPENSES

	9 months ended 30/09/2021 RO'000	9 months ended 30/09/2020 RO'000	3 months ended 30/09/2021 RO'000	3 months ended 30/09/2020 RO'000
Establishment costs	3,061	3,113	1,098	1,056
Operating and administration expenses	10,227	10,793	3,555	3,315
Directors remuneration and sitting fees	401	200	110	59
	13,689	14,106	4,763	4,430

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

22 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

22.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 30 September 2021:

Impairment charge and provision held as of 30 September 2021

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	19,772	NA
Provisions required as per CBO norms/ held as per IFRS 9	161,461	147,355	(14,106)
Gross non-performing loan ratio (percentage)	-	4.89	4.89
Net non-performing loan ratio (percentage)	-	4.45	4.45

Mapping of IFRS 9 and CBO norms

Amounts in RO'000

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Standard	Stage 1	2,435,820	33,339	9,161	24,178	2,426,659	-
	Stage 2	475,312	5,185	10,354	(5,169)	464,958	-
	Stage 3				-	-	-
Subtotal		2,911,132	38,524	19,515	19,009	2,891,617	-
Special Mention	Stage 1				-	-	-
	Stage 2	110,098	1,123	26,903	(25,780)	83,195	-
	Stage 3				-	-	-
Subtotal		110,098	1,123	26,903	(25,780)	83,195	-
Substandard	Stage 1				-	-	-
	Stage 2				-	-	-
	Stage 3	16,897	6,277	8,289	(1,880)	8,608	132
Subtotal		16,897	6,277	8,289	(1,880)	8,608	132
Doubtful	Stage 1				-	-	-
	Stage 2				-	-	-
	Stage 3	11,465	3,846	9,760	(5,598)	1,705	316
Subtotal		11,465	3,846	9,760	(5,598)	1,705	316
Loss	Stage 1				-	-	-
	Stage 2				-	-	-
	Stage 3	126,847	97,154	79,393	31,850	47,454	14,089
Subtotal		126,847	97,154	79,393	31,850	47,454	14,089
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	747,372	-	1,256	(1,256)	746,116	-
	Stage 2	94,580	-	2,239	(2,239)	92,341	-
	Stage 3				-	-	-
Subtotal		841,952	-	3,495	(3,495)	838,457	-
Total	Stage 1	3,183,192	33,339	10,417	22,922	3,172,775	-
	Stage 2	679,990	6,308	39,496	(33,188)	640,494	-
	Stage 3	155,209	107,277	97,442	24,372	57,767	14,537
	Total	4,018,391	146,924	147,355	14,106	3,871,036	14,537

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

22 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

22.1 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 30 September 2020:

Impairment charge and provision held as of 30 September 2020

Amounts in RO'000

	As per CBO Norms	As per IFRS 9	Difference
Impairment Loss charged to profit and loss	-	20,801	NA
Provisions required as per CBO norms/ held as per IFRS 9	159,206	146,927	(12,279)
Gross non-performing loan ratio (percentage)	-	5.55	5.55
Net non-performing loan ratio (percentage)	-	5.06	5.06

Mapping of IFRS 9 and CBO norms

Amounts in RO'000

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net Amount as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Standard	Stage 1	2,285,198	32,774	11,021	21,753	2,274,177	-
	Stage 2	492,232	4,765	9,608	(4,843)	482,624	-
	Stage 3	-	-	-	-	-	-
	Subtotal	2,777,430	37,539	20,629	16,910	2,756,801	-
Special Mention	Stage 1	-	-	-	-	-	-
	Stage 2	99,453	971	13,220	(12,249)	86,233	-
	Stage 3	-	-	-	-	-	-
	Subtotal	99,453	971	13,220	(12,249)	86,233	-
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	10,652	2,644	4,290	(1,567)	6,362	79
	Subtotal	10,652	2,644	4,290	(1,567)	6,362	79
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	32,738	13,597	13,981	476	18,757	860
	Subtotal	32,738	13,597	13,981	476	18,757	860
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	125,608	88,911	90,477	13,039	35,131	14,605
	Subtotal	125,608	88,911	90,477	13,039	35,131	14,605
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	579,388	-	1,448	(1,448)	577,940	-
	Stage 2	123,260	-	2,882	(2,882)	120,378	-
	Stage 3	-	-	-	-	-	-
	Subtotal	702,648	-	4,330	(4,330)	698,318	-
Total	Stage 1	2,864,586	32,774	12,469	20,305	2,852,117	-
	Stage 2	714,945	5,736	25,710	(19,974)	689,235	-
	Stage 3	168,998	105,152	108,748	11,948	60,250	15,544
	Total	3,748,529	143,662	146,927	12,279	3,601,602	15,544

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

22 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

22.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 30 September 2021:

Restructured loans

Amounts in RO'000

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Classified as performing	Stage 1	-	-	-	-	-	-
	Stage 2	58,608	1,046	4,351	(3,305)	54,257	-
	Stage 3	-	-	-	-	-	-
Subtotal		58,608	1,046	4,351	(3,305)	54,257	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	36,415	31,590	26,297	9,749	10,118	4,456
Sub total		36,415	31,590	26,297	9,749	10,118	4,456
Total	Stage 1	-	-	-	-	-	-
	Stage 2	58,608	1,046	4,351	(3,305)	54,257	-
	Stage 3	36,415	31,590	26,297	9,749	10,118	4,456
	Total	95,023	32,636	30,648	6,444	64,375	4,456

22.2 Comparison of impairment provisions in accordance with IFRS 9 and regulatory provision under Central Bank of Oman's (CBO) requirement as at 30 September 2020:

Restructured loans

Amounts in RO'000

Asset classification as per CBO's Norms	Asset classification as per IFRS 9	Gross carrying amount	Provision required as per CBO's norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held under IFRS 9	Net carrying amount as per IFRS 9	Reserve interest as per CBO's norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)+(8)	(7) = (3)-(5)	(8)
Classified as performing	Stage 1	-	-	-	-	-	-
	Stage 2	41,950	39,188	2,773	36,415	39,177	-
	Stage 3	-	-	-	-	-	-
Subtotal		41,950	39,188	2,773	36,415	39,177	-
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	37,911	20,929	16,750	6,950	21,161	2,771
Sub total		37,911	20,929	16,750	6,950	21,161	2,771
Total	Stage 1	-	-	-	-	-	-
	Stage 2	41,950	39,188	2,773	36,415	39,177	-
	Stage 3	37,911	20,929	16,750	6,950	21,161	2,771
	Total	79,861	60,117	19,523	43,365	60,338	2,771

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

22 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

22.3 Movement in Expected credit losses (ECL) as at 30 September 2021

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO' 000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Exposure subject to ECL				
- Loans and Advances to Customers	2,435,820	585,410	155,209	3,176,439
- Investment Securities (Debt)	450,719	5,775		456,494
- Loan Commitments and Financial Guarantees	501,154	94,580		595,734
- Due from Banks, Central Banks and Other Financial Assets	98,039			98,039
	3,485,732	685,765	155,209	4,326,706
Opening Balance - as at 1 January 2021				
- Loans and Advances to Customers	11,840	31,626	112,426	155,892
- Investment Securities (Debt)	318			318
- Loan Commitments and Financial Guarantees	910	1,940		2,850
- Due from Banks, Central Banks and Other Financial Assets	87			87
	13,155	33,566	112,426	159,147
Net transfer between stages				
- Loans and Advances to Customers	(162)	(7,547)	7,709	-
- Investment Securities (Debt)	(119)	119		-
- Loan Commitments and Financial Guarantees	-	-		-
- Due from Banks, Central Banks and Other Financial Assets				-
	(281)	(7,428)	7,709	-
Charge for the Period (net)				
- Loans and Advances to Customers	(2,517)	13,178	13,340	24,001
- Investment Securities (Debt)	105	127	-	232
- Loan Commitments and Financial Guarantees	(43)	53	-	10
- Due from Banks, Central Banks and Other Financial Assets	(2)	-	-	(2)
	(2,457)	13,358	13,340	24,241
Write off for the period				
- Loans and Advances to Customers	-	-	(36,033)	(36,033)
	-	-	(36,033)	(36,033)
Closing Balance - as at 30 September 2021				
- Loans and Advances to Customers	9,161	37,257	97,442	143,860
- Investment Securities (Debt)	304	246	-	550
- Loan Commitments and Financial Guarantees	867	1,993	-	2,860
- Due from Banks, Central Banks and Other Financial Assets	85	-	-	85
	10,417	39,496	97,442	147,355

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

22 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

22.3 Movement in Expected credit losses (ECL) as at 30 September 2020

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>RO' 000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Exposure subject to ECL				
- Loans and Advances to Customers	2,285,198	591,685	168,998	3,045,881
- Investment Securities (Debt)	356,579	-	-	356,579
- Loan Commitments and Financial Guarantees	406,878	123,260	-	530,138
- Due from Banks, Central Banks and Other Financial Assets	94,243	--	-	94,243
	3,142,898	714,945	168,998	4,026,841
Opening Balance - as at 1 January 2020				
- Loans and Advances to Customers	12,395	17,445	88,449	118,289
- Investment Securities (Debt)	507	-	-	507
- Loan Commitments and Financial Guarantees	1,114	4,912	-	6,026
- Due from Banks, Central Banks and Other Financial Assets	471	-	-	471
	14,487	22,357	88,449	125,293
Net transfer between stages				
- Loans and Advances to Customers	(1,266)	(11,506)	12,772	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	575	(575)	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	(691)	(12,081)	12,772	-
Charge for the Period (net)				
- Loans and Advances to Customers	(110)	16,889	11,543	28,322
- Investment Securities (Debt)	(61)	-	-	(61)
- Loan Commitments and Financial Guarantees	(771)	(1,454)	-	(2,225)
- Due from Banks, Central Banks and Other Financial Assets	(387)	-	-	(387)
	(1,329)	15,435	11,543	25,649
Write off for the period				
- Loans and Advances to Customers	-	-	(4,015)	(4,015)
	-	-	(4,015)	(4,015)
Closing Balance - as at 30 September 2020				
- Loans and Advances to Customers	11,019	22,828	108,749	142,596
- Investment Securities (Debt)	446	-	-	446
- Loan Commitments and Financial Guarantees	918	2,883	-	3,801
- Due from Banks, Central Banks and Other Financial Assets	84	-	-	84
	12,467	25,711	108,749	146,927

22.4 Movement in impairment credit losses for the period ended 30 September 2021

	9 months ended	9 months ended	3 months ended	3 months ended
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RO'000	RO'000	RO'000	RO'000
(Impairment)/reversal of impairment for credit losses:				
Due from Banks	2	387	(15)	36
Loans and advances to customers	(20,861)	(26,205)	(6,833)	(14,084)
Investments	(232)	61	(86)	11
Financial guarantees	(10)	2,225	496	1,855
Total	(21,101)	(23,532)	(6,438)	(12,182)
Recoveries and releases from:				
Provision for credit losses	1,329	2,051	337	762
Loans and advances written off	1,942	1,470	512	777
Total	3,271	3,521	849	1,539
Net Impairment losses	(17,830)	(20,011)	(5,589)	(10,643)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

23 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	9 months ended 30/09/2021 RO'000	9 months ended 30/09/2020 RO'000	3 months ended 30/09/2021 RO'000	3 months ended 30/09/2020 RO'000
Profit after tax (RO'000s)	23,504	16,857	7,857	1,832
Less: Interest on Tier1 perpetual bond	(3,842)	(4,548)	-	-
Profit attributable to shareholders	19,662	12,309	7,857	1,832
Weighted average number of shares outstanding during the year (in '000s)	1,625,946	1,625,946	1,625,946	1,625,946
Earnings per share (RO)	0.012	0.008	0.005	0.001

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

24 ASSET LIABILITY MISMATCH

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

	Assets RO'000	Equity and liabilities RO'000	Mismatch RO'000
<i>Maturities as at 30 September 2021</i>			
0 - 3 month	904,109	1,014,830	(110,721)
3 - 12 month	254,353	1,038,249	(783,896)
1 - 5 years	953,594	798,560	155,034
More than 5 years	1,805,304	1,065,721	739,583
Total	3,917,360	3,917,360	-
<i>Maturities as at 30 September 2020</i>			
0 - 3 month	738,913	829,381	(90,468)
3 - 12 month	336,004	859,244	(523,240)
1 - 5 years	859,132	926,231	(67,099)
More than 5 years	1,710,595	1,029,788	680,807
Total	3,644,644	3,644,644	-
<i>Maturities as at 31 December 2020</i>			
0 - 3 month	768,771	813,909	(45,138)
3 - 12 month	296,043	876,050	(580,007)
1 - 5 years	888,045	974,270	(86,225)
More than 5 years	1,679,792	968,422	711,370
Total	3,632,651	3,632,651	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

30 September 2021 (unaudited)

25 RELATED PARTY TRANSACTIONS

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

	30/09/2021			31/12/2020		
	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Loans and advances	-	137,435	137,435	-	121,307	121,307
Customers' deposits	41,364	57,858	99,222	25,117	55,375	80,492
Due from banks	20,089	-	20,089	218	-	218
Due to banks	88	-	88	201	-	201
Letters of credit, guarantees and acceptances	1,388	8,977	10,365	1,063	13,074	14,137
Standby revolving credit facility	-	-	-	154,000	-	154,000
Investments	2,380	-	2,380	2,272	-	2,272

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

	30/09/2021			30/09/2020		
	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>	<i>Principal shareholder</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Interest income	2	4,999	5,001	19	5,278	5,297
Commission income	5	252	257	1	175	176
Interest expense	843	873	1,716	2,901	1,114	4,015
Other expenses	-	248	248	-	428	428

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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26 SHAREHOLDERS

As of 30 September 2021, the shareholders of the Bank who own 10% or more of the Bank's shares:

	<i>Number of shares '000</i>	<i>% Holding</i>
The Commercial Bank of Qatar	567,453	34.90%
Suhail Bahwan Group (Holdings) LLC	239,734	14.74%
Civil Service Employees Pension Fund	184,815	11.37%

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

27 CAPITAL ADEQUACY

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

	<i>30/09/2021</i>	<i>30/09/2020</i>	<i>31/12/2020</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Capital base			
Common equity Tier 1	399,641	384,376	402,817
Additional Tier 1 - capital	115,500	115,500	115,500
Tier 2 capital	29,967	24,901	33,939
Total capital base	545,108	524,777	552,256
Risk weighted assets			
Credit risk	3,205,097	3,028,653	3,072,484
Operational risk	233,953	243,431	233,953
Market risk	90,439	109,082	52,171
Total risk weighted assets	3,529,489	3,381,166	3,358,608
Common Equity Tier 1 Ratio	11.3%	11.4%	12.0%
Tier 1 Ratio	14.6%	14.8%	15.4%
Risk asset ratio (Basel II norms)	15.4%	15.5%	16.4%

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

28 SEGMENT REPORTING

For management purposes, the Bank is organised into four operating segments based on business units and are as follows:

- Retail banking offers various products and facilities to individual retail and high net worth customers to meet everyday banking needs. This includes asset products like Personal Loans, Housing Loan, Credit Cards and Term Loans and liability products like Savings account, Current account and Term Deposits.
- Wholesale banking delivers a variety of products and services to corporate customers that include lending, accepting deposits, trade finance, treasury and foreign exchange. It also includes Investment banking which offers investment products such as asset management, corporate advisory and brokerage services to retail customers and institutional clients.
- Commercial Banking covers the mid-tier corporate and SME customers offering the entire spectrum of products to suit their business needs.
- International operations include UAE and Egypt operations.
- Islamic Banking offers products as per Sharia principles.
- Funding Center – The Funding center is responsible for balancing and managing the liquidity of funds within the Bank. It acts as repository of funds by allocating funds transfer pricing to various business units for performance management purposes. The department also handles the Bank's investments in securities, asset/liability management and cash instruments.

Management monitors the operating results of these segments separately for the purpose of making decisions about resource allocation and performance assessment. The costs incurred by the central functions are managed on a group basis and are allocated to operating segments.

Segment information by business line is as follows:

	Retail Banking RO'000	Wholesale Banking RO'000	Commercial Banking RO'000	International Banking RO'000	Islamic Banking RO'000	Funding center RO'000	Total RO'000
30 September 2021							
Operating income	43,517	53,133	3,203	2,962	3,588	(14,364)	92,039
Net profit/(loss)	13,925	29,929	(2,418)	(205)	783	(18,510)	23,504
Total assets	1,321,580	1,817,575	38,248	145,037	187,240	407,680	3,917,360
30 September 2020							
Operating income	43,584	44,509	3,724	2,108	3,313	(9,073)	88,165
Net profit/(loss)	11,886	16,845	2,102	(2,517)	652	(12,111)	16,857
Total assets	1,316,316	1,613,613	86,170	110,374	186,679	331,492	3,644,644

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)
28 SEGMENT REPORTING (continued)

For management purposes the Bank also reports the segment information of its operations by the following geographical locations:

- i) Oman
- ii) United Arab Emirates (UAE)
- iii) Egypt

Transactions between the above segments are conducted at estimated market rates on an arm's length basis. Segment information by geography is as follows:

For the period ended 30 September 2021	<i>Oman</i> <i>RO'000</i>	<i>UAE</i> <i>RO'000</i>	<i>Egypt</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Interest income and Income from Islamic financing and Investment activities	66,165	1,627	6	67,798
Other operating income	22,912	584	745	24,241
Operating income	89,077	2,211	751	92,039
Operating expenses	(44,449)	(2,032)	59	(46,422)
Operating profit	44,628	179	810	45,617
Impairment losses (net) and taxation	(22,116)	3	-	(22,113)
Segment profit for the period	22,512	182	810	23,504

Other information

Segment assets	3,772,323	122,721	22,316	3,917,360
Segment capital expenses	1,915	12	-	1,927

For the period ended 30 September 2020	<i>Oman</i> <i>RO'000</i>	<i>UAE</i> <i>RO'000</i>	<i>Egypt</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Interest income and Income from Islamic financing and Investment activities	66,366	1,411	112	67,889
Other operating income	19,691	573	12	20,276
Operating income	86,057	1,984	124	88,165
Operating expenses	(45,288)	(2,363)	(346)	(47,997)
Operating profit	40,769	(379)	(222)	40,168
Impairment losses (net) and taxation	(22,646)	(427)	(238)	(23,311)
Segment profit for the period	18,123	(806)	(460)	16,857

Other information

Segment assets	3,534,270	88,740	21,634	3,644,644
Segment capital expenses	1,960	39	-	1,999

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)
29 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Valuation models

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following table shows an analysis of financial instruments other than derivatives instruments recorded at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
30 September 2021			
Investment measured at FVTPL			
Quoted equities	909	-	909
Unquoted equities	-	2,515	2,515
Total	909	2,515	3,424
Investment measured at FVOCI			
Quoted equities	38,343	-	38,343
Unquoted equities	-	324	324
Total	38,343	324	38,667
TOTAL FINANCIAL INVESTMENTS	39,252	2,839	42,091

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
30 September 2020			
Investment measured at FVTPL			
Quoted equities	5,009	-	5,009
Unquoted equities	-	2,487	2,487
Total	5,009	2,487	7,496
Investment measured at FVOCI			
Quoted equities	32,585	-	32,585
Unquoted equities	-	355	355
Total	32,585	355	32,940
TOTAL FINANCIAL INVESTMENTS	37,594	2,842	40,436

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

Derivative financial instrument at level 2 are valued based on counter party valuation, quoted forward rates and yield curves (see note 30).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

30 September 2021 (unaudited)

30 DERIVATIVES

	<i>Positive fair value (Note 8) RO'000</i>	<i>Negative fair value (Note 12) RO'000</i>	<i>Notional amount total RO'000</i>	<u>Notional amounts by term to maturity</u>		
				<u>Within 3 months RO'000</u>	<u>3 – 12 months RO'000</u>	<u>Above 1 Year RO'000</u>
<i>30 September 2021</i>						
Interest rate swaps	3,245	(3,245)	458,120	5,574	23,623	428,923
Forward foreign exchange purchase contracts	-	(195)	234,484	81,373	127,958	25,153
Forward foreign exchange sales contracts	831	(4)	234,484	81,562	127,291	25,631
Total	4,076	(3,444)	927,088	168,509	278,872	479,707
<i>30 September 2020</i>						
Interest rate swaps	4,365	(4,365)	182,848	13,081	40,602	129,165
Forward purchase contracts	45	(61)	173,115	109,507	31,151	32,457
Forward sales contracts	1,213	(45)	173,115	108,870	30,800	33,445
Total	5,623	(4,471)	529,078	231,458	102,553	195,067
<i>31 December 2020</i>						
Interest rate swaps	3,871	(3,871)	178,163	13,082	39,389	125,692
Forward purchase contracts	85	-	89,882	50,874	36,390	2,618
Forward sales contracts	569	(8)	89,882	50,604	36,043	3,235
Total	4,525	(3,879)	357,927	114,560	111,822	131,545

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

31 LIQUIDITY COVERAGE RATIO

The Liquidity coverage ratio (LCR) is a short time ratio designed to increase resilience against a liquidity shortage of up to 30 days. The LCR is computed as per CBO requirement under the circular BM1127 (BASEL III: Framework on Liquidity coverage ratio and LCR disclosure standards). It is applicable from January 1, 2015 with a minimum ratio of 60% and increasing by 10% every year thereafter till it reaches a minimum required level of 100% on 1 January, 2019.

	September 2021		September 2020	
	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000	Total Unweighted Value (average) RO'000	Total Weighted Value (average) RO'000
High quality liquid assets				
Total High Quality Liquid Assets (HQLA)	-	635,997	-	484,535
Cash outflows				
Stable deposits	647,604	32,380	639,821	31,991
Less stable deposits	131,110	13,111	129,215	12,922
Retail deposits and deposits from small business customers	778,714	45,491	769,036	44,913
Unsecured wholesale funding, of which:				
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,229,623	488,512	965,749	390,156
Additional requirements, of which:				
Credit and liquidity facilities	50,690	5,069	43,717	4,372
Other contractual funding obligations	-	1,437	-	-
Other contingent funding obligations	408,649	54,476	386,645	34,930
Total cash outflows	2,467,676	594,985	2,165,147	474,371
Cash inflows				
Inflows from fully performing exposures	287,772	173,307	275,269	196,233
Other cash inflows	16,116	49,346	19,950	19,950
Total cash inflows	303,888	222,653	295,219	216,183
Total high quality liquid assets	-	635,997	-	484,535
Total net cash outflows	-	372,332	-	258,188
Liquidity coverage ratio (%)	-	170.81	-	187.67

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

32 ESTIMATES AND JUDGMENTS

IMPACT OF COVID-19

Outbreak of Coronavirus (COVID-19)

The World Health Organization officially declared COVID-19 as a global pandemic on 11 March 2020. From the latter half of Q1-2020, the economic environment and business landscape of the Bank have witnessed rapid changes as a result of the unprecedented outbreak of Coronavirus pandemic coupled with the moderately low global crude oil prices. Tightening of market conditions, lockdowns, restrictions on trade and movement of people have caused significant disruptions to businesses and economic activities globally and across industries and sectors.

Government measures

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. Many GCC economies have already commenced the vaccination drive. The Central Banks in Oman and in the UAE had instituted a host of measures to protect the stability of country's economy. These measures include deferral of loan instalments for the affected borrowers (particularly the corporates and SMEs), deferment and waiver of interest/profit for affected Omani nationals employed in private sector, waiver of certain fees, providing capital relief and increasing the lending ratio etc. Some of these measures have been extended until 31 December 2021.

Impact of COVID-19 on the Bank

The assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are based on reasonable and supportable information that is available without undue cost or effort. In assessing forecast conditions, consideration has been given both to the effects of COVID-19 and the significant government support measures being undertaken. Relief measures, such as payment holidays, will not automatically lead to loans being measured on the basis of lifetime losses and considerable judgment has been exercised to measure ECLs at this time. When it is not possible to reflect such information in the models, management overlays or adjustments has been considered. This is also broadly consistent with guidelines issued by other regulators within the GCC. The Central Bank of Oman has issued further IFRS 9 related guidances.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)
30 September 2021 (unaudited)

32 ESTIMATES AND JUDGMENTS (continued)

Impact of COVID-19 on the Bank (continued)

The IFRS 9 Steering Committee of the Bank is primarily responsible for overseeing the Bank's adequacy on ECL. It closely monitors the impact of COVID-19 by an ongoing review of the portfolio including a review of all individually significant exposures in the directly impacted industries and sectors. The impacts of COVID-19 on the bank is as follows;

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

33 COMPARATIVE AMOUNTS

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