



Oman Arab Bank SAOG

CONDENSED INTERIM FINANCIAL STATEMENTS

As at and for the nine months period ended 30 September 2021

CONTENTS

	PAGE
CHAIRMAN'S REPORT	1 – 5
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	6
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	7 – 8
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	9 – 12
CONDENSED INTERIM STATEMENT OF CASH FLOWS	13
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	14 – 50



Chairman's report- Q3 2021

Dear shareholders,

I am delighted to share the financial results of Oman Arab Bank Group for the third quarter, ended, 30 September 2021.

With global economic growth relatively recovering and gradually gaining momentum, the demand for oil has witnessed a significant improvement. This has driven expectations regarding the recovery of the oil market during the current year, supported by vaccination roll-out and a decline in COVID-19 cases. As per S&P, the economic and fiscal pressures on Oman are easing, as the effects of the sharp drop in oil prices in 2020 and the COVID19 pandemic abate. S&P projects that the Sultanate's reform program will reduce the pace of net government debt accumulation over the next 3 years and therefore have revised outlook on Oman from Stable to Positive.

In light of this improvement, economic activities in the Sultanate have begun a phase of partial recovery, in addition to the opening of border crossings and the end of the closure phase for all activities. We expect the recovery phase to take several months before we return to the previous normal state. This is supported by the high vaccination rates for both Omanis and residents at the national level, reaching around 75 percent at the end of the third quarter of this year.

The Bank has continued its efforts to support clients and employees during these challenging times while simultaneously ensuring business continuity. This was made possible through the implementation of strategic initiatives, combined with ongoing coordination with relevant stakeholders. At the beginning of September 2021, the management has decided to have employees return to work at 100% capacity in line with the directives of the supreme committee. This is post-completion of the two-dose vaccination process for all employees and their family members, aged 12 and over, with the costs being fully covered by the Bank. The



Bank also continued to provide facilities to ease debt burdens, provide appropriate support and liquidity to customers

Financial Overview

- The Group posted a strong YoY growth of 17% in operating profit, which is OMR 35.6 million for the period ended 30 September 2021 compared to OMR 30.4 million for the same period in 2020. The trend in operating income is positive as the Group continued to record an increase in current quarter with the markets opening up from the restrictions of lockdown.
- The Group achieved a consolidated net profit of OMR 11.3 million for the period ended 30 September 2021, a decline of 18 per cent from OMR 13.7 million for the same period in 2020 as the Bank maintained a prudent approach towards liquidity and also booked additional provisions considering the market conditions and economic downturn since quarter 2 of 2020.
- Non-interest income excluding net income from Islamic financing for the period ended 30 September 2021 increased by 137 per cent to OMR 27.7 million, from OMR 11.7 million for the same period in 2020 mainly due to recognition of the insurance claim and improving business and transaction volumes.
- Net interest income from conventional banking and income from Islamic financing amounted to OMR 63.6 million for the period ended 30 September 2021, a growth of 3 per cent as compared to OMR 61.7 million for the same period in 2020. The impact of higher level of liquidity and the Bank's compliance with the Central Bank of Oman measures with regard to deferment of loan installments for individuals and companies has resulted in the lower growth.
- Operating expenses for the period ended 30 September 2021, reached OMR 55.7 million, as compared to OMR 43 million for the same period in 2020, an increase of 30 per cent which is mainly due to the consolidation of expenses of nine months of Alizz Islamic Bank in 2021 however, the comparative only includes expenses for the three months period.



- Net impairment for credit and other losses for the period ended 30 September 2021 was OMR 21.9 million as compared to OMR 13.7 million for the same period in 2020. This increase is on account of the additional provisions due to the impact of the pandemic and ensuing market conditions on business.
- Net loans and advances including Islamic financing, for the period ended 30 September 2021, increased by 6 per cent to OMR 2,748.2 million, compared to OMR 2,596.8 million in 30 September 2020 with a higher growth in the Islamic financing.
- Customer deposits stood at OMR 2,706.7 million by the end of Q3 2021, with a marginal decline of 0.1 per cent as compared to OMR 2,709.5 million as of 30 September 2020 due to changes in the normal course of business.

Alizz Islamic Bank

Alizz Islamic Bank (AIB) continued to achieve good results and profits during 2021. AIB reported a net profit of OMR 3.2 million for the period ended 30 September 2021, as compared to a net loss of OMR 0.3 million for the period ended 30 September 2020. The financing receivables grew by 11 per cent to OMR 783 million in the third quarter of 2021 from OMR 707 million as at 31 December 2020. While customer deposits amounted to OMR 837 million with a growth of 16 per cent compared to 2020 year end. The Bank is pursuing a well-defined growth strategy with the full support of its shareholders and is delivering consistent results.

Customer experience

During the third quarter of the year, the Bank launched its new 'iSend' feature for money remittance. This introduction further enhances the portfolio of innovative digital banking facilities and products provided by the Bank. The new service is a secure, fast, and easy way of sending money internationally, anywhere and at any time, through the OAB Online App. In comparison to the traditional SWIFT method, 'iSend' offers more convenience and value addition to customers. Moreover, the service is in line with OAB's key strategy of enhancing financial inclusion digitally and is also underpinned by MasterCard's proprietary remittance solution – MasterCard Send.



As part of its support for the campaign to recruit national competencies in the public and private sectors, the Bank launched a special programme for financial facilities for new employees, which includes reduced interest rates on several loan products.

In addition to its ongoing efforts towards reinforcing the retail customers experience, Oman Arab Bank also continues to support its SME customers to overcome any challenges they have faced during the current situation by providing them with many incentives and various banking facilities that are all in line with the directives of the government and the Central bank of Oman.

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

In line with its commitment to safeguarding the health and safety of its employees, the Bank has started its internal vaccination campaign. During the third quarter of 2021 OAB and Alizz Islamic Bank, undertook a vaccination drive in coordination with the Ministry of Health. This initiative was extremely well received by the employees and their families.

Sustainability and Social Responsibility

As part of its strategy to activate sustainability in various areas of business, which is based on three main pillars: environmental responsibility, community partnership and financial inclusion, the Bank continued its sustainability efforts and activities during the third quarter of the year. It started by signing a partnership agreement with Innotech to contribute to a project to provide schools all over the Sultanate with 3D printers. The programme, implemented by Innotech in cooperation with the Ministry of Education, aims to introduce 3D printing into the tenth-grade curricula in all government schools in the Sultanate. The Bank will support this pilot project by covering the costs of printers for 22 schools, one for boys and one for girls in each governorate.

The Bank also implemented many sustainable environmental initiatives such as providing containers for waste recycling in all public areas of the Bank.



As part of its role in serving the community and enhancing the capacity of the national human capital, the Bank launched recently an advanced programme to provide graduates of the colleges and banking & financial institutes with knowledge and practical skills to enhance their chances of obtaining suitable training opportunities and job rotation in the various fields in the Bank. This two-year programme comes within the framework of the Bank's strategy to support national competencies by providing them with the practical experience necessary to achieve success in their future career, which will positively reflect on economic development plans by investing in national competencies, promoting sustainability, transferring knowledge and technologies among these competencies.

Conclusion

On behalf of the Board of Directors, I would like to thank our Government for the distinguished role it plays, especially with regard to the economy, health and society. My sincere thanks extends to Central Bank of Oman and Capital Market Authority for their continuous support to the financial sector. I would like also to thank all our shareholders, customers and employees for their continued trust and commitment to Oman Arab Bank Group. We pray to the Almighty to protect Oman, its people and its leader and to give us the strength to navigate safely through this pandemic.

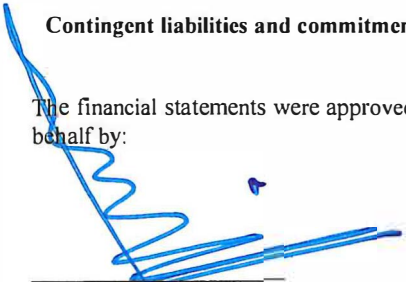
Rashad Al Zubair

Chairman

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	Notes	Consolidated		Parent Company	
		Unaudited 30-Sep-21 RO'000	Audited 31-Dec-20 RO'000	Unaudited 30-Sep-21 RO'000	Audited 31-Dec-20 RO'000
ASSETS					
Cash and balances with the Central Bank of Oman	4	144,871	220,975	57,078	173,652
Due from banks	5	84,523	72,782	82,030	70,995
Loans, advances and financing activities for customers	6	2,748,236	2,643,478	1,965,675	1,934,925
Investment securities	7	295,706	240,218	233,241	176,700
Investment in subsidiary		-	-	107,144	107,144
Intangibles	8	6,505	6,505	-	-
Property and equipment		45,153	46,605	41,922	42,479
Other assets	9	85,302	69,480	52,972	49,228
Total assets		3,410,296	3,300,043	2,540,062	2,555,123
LIABILITIES					
Due to banks	10	82,834	14,421	78,406	10,571
Deposits from customers	11	2,706,744	2,755,310	1,869,361	2,030,762
Other liabilities	12	81,273	74,228	56,072	57,697
Subordinated debt	13	-	20,000	-	20,000
Taxation		4,229	4,507	4,229	4,507
Total liabilities		2,875,080	2,868,466	2,008,068	2,123,537
EQUITY					
Share capital		166,941	166,941	166,941	166,941
Share premium		36,565	36,565	36,565	36,565
Legal reserve		46,178	46,178	46,178	46,178
General reserve		25,560	25,560	25,560	25,560
Subordinated debt reserve	14	-	20,000	-	20,000
Special reserve		3,837	3,837	3,837	3,837
Fair value reserve		(1,054)	(1,793)	(1,367)	(2,062)
Impairment reserve		9,130	9,130	9,130	9,130
Retained earnings		79,256	52,606	76,347	52,884
Total equity attributable to the equity holders of the Bank		366,413	359,024	363,191	359,033
Perpetual Tier 1 capital bonds	15	168,803	72,553	168,803	72,553
Total equity		535,216	431,577	531,994	431,586
Total equity and liabilities		3,410,296	3,300,043	2,540,062	2,555,123
Net assets value per share (RO)	27(b)	0.219	0.215	0.218	0.215
Contingent liabilities and commitments	26(a)	438,218	470,678	330,110	402,692

The financial statements were approved and authorized for issue by the board of directors on 11-Nov-2021 and were signed on their behalf by:


Chairman


Director


Acting Chief Executive Officer

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

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021 (Unaudited)**

	Notes	Consolidated Unaudited		Consolidated Unaudited	
		<u>Nine months ended</u> 30-Sep-21 RO'000	<u>Three months ended</u> 30-Sep-21 RO'000	<u>Nine months ended</u> 30-Sep-20 RO'000	<u>Three months ended</u> 30-Sep-20 RO'000
Interest income	16	88,669	30,687	89,381	29,595
Interest expense	17	(38,493)	(12,056)	(33,968)	(12,257)
Net interest income		50,176	18,631	55,413	17,338
Net income from Islamic financing	18	15,694	5,317	6,244	4,656
Net fee and commission income	19	13,172	4,126	7,524	2,790
Net income / (loss) from investment securities	20	3,247	(21)	-	-
Other operating income	21	9,025	1,023	4,210	1,057
Total income		91,314	29,076	73,391	25,841
Operating expenses	22	(55,715)	(19,779)	(43,021)	(17,257)
Net allowance for credit losses		(21,884)	(7,872)	(13,690)	(4,453)
Profit before tax		13,715	1,425	16,680	4,131
Income tax expense		(2,412)	(609)	(2,964)	(800)
Net profit for the period		11,303	816	13,716	3,331
Other comprehensive income / (loss):					
<i>Items that will not be reclassified to profit or loss in the subsequent periods:</i>					
Equity investment at FVOCI – net change in fair value		327	(108)	(713)	29
<i>Items that are or may be reclassified to profit or loss in the subsequent periods:</i>					
Debt investment at FVOCI – net change in fair value		(490)	(853)	-	-
Debt investment at FVOCI – reclassified to profit or loss		6	-	-	-
Other comprehensive income / (loss) for the period		(157)	(961)	(713)	29
Total comprehensive income / (loss) for the period		11,146	(145)	13,003	3,360
Earnings per share:					
Basic and diluted (RO)	27 (a)	0.005	0.0004	0.008	0.002

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

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021 (Unaudited)**

	Notes	Parent Company Unaudited		Parent Company Unaudited	
		<u>Nine months ended</u> 30-Sep-21 RO'000	<u>Three months ended</u> 30-Sep-21 RO'000	<u>Nine months ended</u> 30-Sep-20 RO'000	<u>Three months ended</u> 30-Sep-20 RO'000
Interest income	16	88,669	30,687	89,381	29,595
Interest expense	17	(38,493)	(12,056)	(33,968)	(12,257)
Net interest income		50,176	18,631	55,413	17,338
Net income from Islamic financing	18	-	-	1,589	-
Net fee and commission income	19	10,287	3,209	7,524	2,790
Net income / (loss) from investment securities	20	3,247	(21)	-	-
Other operating income	21	8,734	942	4,210	1,057
Total income		72,444	22,761	68,736	21,185
Operating expenses	22	(42,038)	(15,127)	(38,770)	(13,955)
Net allowance for credit losses		(19,878)	(6,978)	(12,981)	(3,893)
Profit before tax		10,528	656	16,985	3,337
Income tax expense		(2,412)	(609)	(2,964)	(800)
Net profit for the period		8,116	47	14,021	2,537
Other comprehensive income / (loss):					
<i>Items that will not be reclassified to profit or loss in the subsequent periods:</i>					
Equity investment at FVOCI – net change in fair value		327	(108)	(618)	29
<i>Items that are or may be reclassified to profit or loss in the subsequent periods:</i>					
Debt investment at FVOCI – net change in fair value		(528)	(865)	-	-
Debt investment at FVOCI – reclassified to profit or loss		-	-	-	-
Other comprehensive income / (loss) for the period		(201)	(973)	(618)	29
Total comprehensive income / (loss) for the period		7,915	(926)	13,403	2,566
Earnings per share:					
Basic and diluted (RO)	27(a)	0.003	(0.00001)	0.008	0.002

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

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

Consolidated (Unaudited)	Share capital	Share premium	Legal reserve	General reserve	Subordinated debt reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2021	166,941	36,565	46,178	25,560	20,000	3,837	(1,793)	9,130	52,606	359,024	72,553	431,577
Total comprehensive income												
Net profit for the period	-	-	-	-	-	-	-	-	11,303	11,303	-	11,303
Other comprehensive income												
Unrealised gain on FVOCI investments	-	-	-	-	-	-	(163)	-	-	(163)	-	(163)
Realised loss on FVOCI investments	-	-	-	-	-	-	902	-	(896)	6	-	6
Transaction with equity holders of the Bank												
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	-	-	(2,758)	(2,758)	-	(2,758)
Transfer to subordinated debt reserve (note 14)	-	-	-	-	(20,000)	-	-	-	20,000	-	-	-
Issuance of Perpetual Tier 1 capital bonds (note 15a)	-	-	-	-	-	-	-	-	-	-	96,250	96,250
Issuance cost on Perpetual Tier 1 capital bonds (note 15a)	-	-	-	-	-	-	-	-	(999)	(999)	-	(999)
At 30 September 2021	166,941	36,565	46,178	25,560	-	3,837	(1,054)	9,130	79,256	366,413	168,803	535,216

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

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

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

Parent Company (Unaudited)	Share capital	Share premium	Legal reserve	General reserve	Subordinated debt reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub total	Perpetual Tier 1 capital bonds	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2021	166,941	36,565	46,178	25,560	20,000	3,837	(2,062)	9,130	52,884	359,033	72,553	431,586
Total comprehensive income												
Net profit for the period	-	-	-	-	-	-	-	-	8,116	8,116	-	8,116
Other comprehensive income												
Unrealised gain on FVOCI investments	-	-	-	-	-	-	(201)	-	-	(201)	-	(201)
Realised loss on FVOCI investments	-	-	-	-	-	-	896	-	(896)	-	-	-
Transaction with equity holders of the Bank												
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	-	-	(2,758)	(2,758)	-	(2,758)
Transfer to subordinated debt reserve (note 14)	-	-	-	-	(20,000)	-	-	-	20,000	-	-	-
Issuance of Perpetual Tier 1 capital bonds (note 15a)	-	-	-	-	-	-	-	-	-	-	96,250	96,250
Issuance cost on Perpetual Tier 1 capital bonds (note 15a)	-	-	-	-	-	-	-	-	(999)	(999)	-	(999)
At 30 September 2021	166,941	36,565	46,178	25,560	-	3,837	(1,367)	9,130	76,347	363,191	168,803	531,994

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

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

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

Consolidated (Unaudited)	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	General reserve RO'000	Subordinated debt reserve RO'000	Special reserve RO'000	Fair value reserve RO'000	Impairment reserve RO'000	Retained earnings RO'000	Sub total RO'000	Perpetual Tier 1 capital bonds RO'000	Total RO'000
Balance at 1 January 2020	134,620	-	44,746	25,560	16,000	3,915	(1,951)	9,130	64,270	296,290	72,553	368,843
Total comprehensive income												
Net profit for the period	-	-	-	-	-	-	-	-	13,716	13,716	-	13,716
Other comprehensive income												
Unrealised loss on FVOCI investments	-	-	-	-	-	-	(713)	-	-	(713)	-	(713)
Realised loss on FVOCI investments	-	-	-	-	-	-	605	-	(605)	-	-	-
<i>Transaction with equity holders of the Bank</i>												
Issue of share premium	-	36,565	-	-	-	-	-	-	-	36,565	-	36,565
Issue of share capital	32,321	-	-	-	-	-	-	-	-	32,321	-	32,321
Disposal of Al Yusr	-	-	-	-	-	(78)	-	-	78	-	-	-
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	-	-	(2,758)	(2,758)	-	(2,758)
Dividend paid	-	-	-	-	-	-	-	-	(14,808)	(14,808)	-	(14,808)
At 30 September 2020	166,941	36,565	44,746	25,560	16,000	3,837	(2,059)	9,130	59,893	360,613	72,553	433,166

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

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

Parent Company (Unaudited)	Share capital RO'000	Share premium RO'000	Legal reserve RO'000	General reserve RO'000	Subordinated debt reserve RO'000	Special reserve RO'000	Fair value reserve RO'000	Impairment reserve RO'000	Retained earnings RO'000	Sub total RO'000	Perpetual Tier 1 capital bonds RO'000	Total RO'000
Balance at 1 January 2020	134,620	-	44,746	25,560	16,000	3,915	(1,951)	9,130	64,270	296,290	72,553	368,843
Total comprehensive income												
Net profit for the period	-	-	-	-	-	-	-	-	14,021	14,021	-	14,021
Other comprehensive income												
Unrealised loss on FVOCI investments	-	-	-	-	-	-	(618)	-	-	(618)	-	(618)
Realised loss on FVOCI investments	-	-	-	-	-	-	605	-	(605)	-	-	-
<i>Transaction with equity holders of the Bank</i>												
Issue of share premium	-	36,565	-	-	-	-	-	-	-	36,565	-	36,565
Issue of share capital	32,321	-	-	-	-	-	-	-	-	32,321	-	32,321
Disposal of Al Yusr	-	-	-	-	-	(78)	-	-	78	-	-	-
Interest distribution of Perpetual Tier 1 capital bonds	-	-	-	-	-	-	-	-	(2,758)	(2,758)	-	(2,758)
Dividend paid	-	-	-	-	-	-	-	-	(14,808)	(14,808)	-	(14,808)
At 30 September 2020	166,941	36,565	44,746	25,560	16,000	3,837	(1,964)	9,130	60,198	361,013	72,553	433,566

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

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021 (Unaudited)

	Notes	Consolidated		Parent Company	
		30-Sep-21 RO'000	30-Sep-20 RO'000	30-Sep-21 RO'000	30-Sep-20 RO'000
Operating activities					
Profit before tax		13,715	16,680	10,528	16,985
Adjustments:					
Depreciation	22	6,254	4,989	5,223	4,712
Impairment for credit losses		21,884	16,856	19,878	16,146
Income from held to maturity securities		(10,566)	(10,360)	(8,277)	(9,735)
Dividend Income	20	(132)	(78)	(132)	(71)
Loss on sale of property and equipment		-	39	-	39
Foreign exchange revaluation		-	330	-	330
Interest on subordinated debt	17	452	826	452	826
Changes in fair value of financial assets at fair value through profit or loss	20	(65)	27	(65)	27
Before changes in operating assets and liabilities		31,542	29,309	27,607	29,259
Loans and advances and financing to customers		(126,282)	(173,146)	(50,268)	(59,892)
Due from banks		13,000	-	13,000	701
Financial assets at fair value through profit or loss		-	170	-	170
Other assets		(15,414)	(9,784)	(3,744)	(3,679)
Deposits from customers		(48,566)	223,731	(161,401)	74,253
Other liabilities		6,637	808	(1,625)	(252)
Cash (used in) / from operations		(139,083)	71,088	(176,431)	40,560
Tax paid		(2,690)	(5,481)	(2,690)	(5,481)
Net cash (used in) / from operating activities		(141,773)	65,607	(179,121)	35,079
Investing activities					
Purchase of investments		(94,157)	(17,077)	(94,132)	(17,077)
Disposals and redemptions		38,218	6,091	37,095	1,005
Income from investments at amortized cost		10,566	7,195	8,277	6,570
Purchase of property and equipment		(4,803)	(10,821)	(4,666)	(5,640)
Dividend Income		132	78	132	71
Investment made in the subsidiary		-	-	-	(12,000)
Net cash used in investing activities		(50,044)	(14,534)	(53,294)	(27,071)
Financing activities					
Proceeds from perpetual Tier 1 capital bonds		96,250	-	96,250	-
Subordinated debt repayment		(20,000)	-	(20,000)	-
Interest on subordinated debt		(452)	(826)	(452)	(826)
Interest on Perpetual Tier 1 capital bonds		(2,758)	(2,758)	(2,758)	(2,758)
Additional Tier 1 cost		(999)	-	(999)	-
Dividends paid		-	(14,808)	-	(14,808)
Net cash from / (used in) financing activities		72,041	(18,392)	72,041	(18,392)
Net (decrease) / increase in cash and cash equivalents		(119,776)	32,681	(160,374)	(10,384)
Cash and cash equivalents at the beginning of period		265,311	244,136	220,576	178,501
Cash and cash equivalents at the end of the Period	23	145,535	276,817	60,202	168,117

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021 (Unaudited)

1 Legal status and principal activities

Oman Arab Bank SAOG (the Parent Company) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock company. On 6 July 2020, Oman Arab Bank SAOC was listed on Muscat Securities Market (MSM) and consequently the name was changed from Oman Arab Bank SAOC to Oman Arab Bank SAOG. The Parent Company is principally engaged in commercial and investment banking activities through a network of branches in the Sultanate of Oman. The registered head office of the Bank is North Al Ghoubra, P.O. Box 2240, Al-Udhayabah, Postal Code 130, Muscat, Sultanate of Oman. The Parent Company was a subsidiary of Oman International Development and Investment Company SAOG up to 29 June 2020 and now is the subsidiary of Arab Bank PLC, an entity based in Jordan.

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

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

These condensed interim financial statements which includes consolidated condensed interim statement of profit or loss and other comprehensive income, statement of cashflows and statement of changes in equity for the nine months period ended 30 September 2021 comprises of the results of the Parent company after disposal of Al Yusr and the Subsidiary from date of acquisition. Comparative condensed interim financial statements includes 3 months results of Alizz i.e. from 1 July to 30 September 2020 as date of control transferred being 30 June 2020 and 9 months results of Al Yusr.

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

The Group employed 1,538 [Parent Company: 1,163] staff as at 30 September 2021 [30 September 2020: 1,540 (Parent Company 1,158) staff].

2 Basis of preparation and accounting policies

2.1 Basis of preparation

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021 (Unaudited)

2 Basis of preparation and accounting policies (continued)

2.2 Use of judgements and estimates

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

2.3 New standards, implementations and amendments in existing standards

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

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

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

Interest Rate Benchmark Reform:

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

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

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

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

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

Interest Rate Benchmark Reform - Phase 2 amendments

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021 (Unaudited)

2 Basis of preparation and accounting policies (continued)

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

Interest Rate Benchmark Reform - Phase 2 amendments (continued)

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

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

Standard Issued but not yet Effective

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

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

In line with other global regulators, the Central Bank of Oman (CBO) has taken several measures to overcome the prevailing economic conditions such as accepting deferment of loan instalments / interest / profit for affected borrowers particularly SMEs. Initially, the CBO granted deferrals till September 30, 2020 which was extended till September 31, 2021 via circulars. The CBO vide its circular BDD/CBS/CB/FLCs/2021/3296 dated September 30, 2021 further extended the deferrals till 31 December 2021, without impacting the IFRS 9 risk classification of such loans, deferring the risk classification of loans pertaining to government projects for a period of 6 months etc., However, CBO has also clarified that the Banks and FLCs should continue to assess the obligor's likelihood of payment of the amounts due after the end of deferment period. Additionally, CBO seeks to facilitate additional lending and liquidity capacity of banks, through the relief of existing capital and liquidity buffers.

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021 (Unaudited)

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

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

As at 30 September 2021:

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

As at 31 December 2020:

Key drivers	ECL scenario and assigned weightage	Present	Year 1	Year 2	Year 3	Year 4
GDP growth (% change)	Base (50%)	1.80%	0.60%	-5.30%	2.95%	3.41%
	Upside (25%)	6.81%	5.63%	3.91%	4.00%	4.10%
	Downside (25%)	2.06%	2.06%	2.06%	2.09%	2.83%
Oil revenue (% GDP)	Base (50%)	19.56%	12.22%	13.67%	27.84%	29.65%
	Upside (25%)	43.15%	38.49%	31.63%	32.02%	32.41%
	Downside (25%)	24.30%	24.30%	24.30%	24.43%	27.36%

In response to COVID 19, the Bank continues to monitor and respond to all liquidity and funding requirements. As at the reporting date the liquidity, funding and capital position of the Bank remains strong and is well placed to absorb the impact of the current disruption.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

4 Cash and balances with Central Bank of Oman

	Consolidated		Parent Company	
	Unaudited 30-Sep-21 RO' 000	Audited 31-Dec-20 RO' 000	Unaudited 30-Sep-21 RO' 000	Audited 31-Dec-20 RO' 000
Cash in hand	37,541	39,892	30,528	31,165
Balances with the Central Bank of Oman:				
- Clearing account	94,755	132,125	16,425	99,637
- Placements	11,550	47,933	9,625	42,350
- Capital deposit	1,025	1,025	500	500
	<u>144,871</u>	<u>220,975</u>	<u>57,078</u>	<u>173,652</u>

- (i) The capital deposit cannot be withdrawn without the approval of the Central Bank of Oman. The capital deposit earns an annual interest at 1.5% as at 30 September 2021 (31 December 2020: 1.5%) for the Parent company. CBO does not pay any interest to the Islamic Banks in Oman, therefore, no such interest was earned by the Subsidiary during the period.
- (ii) Cash and balances with Central Bank is classified under stage 1 as per IFRS 9. However, there are no expected credit losses and hence no provision has been recognised.

5 Due from banks

	Consolidated		Parent Company	
	Unaudited 30-Sep-21 RO'000	Audited 31-Dec-20 RO'000	Unaudited 30-Sep-21 RO'000	Audited 31-Dec-20 RO'000
Placements	57,163	33,000	57,163	33,000
Current accounts	27,602	39,879	25,103	38,091
Due from banks and other money market placements	84,765	72,879	82,266	71,091
Less: allowance for credit losses	(242)	(97)	(236)	(96)
	<u>84,523</u>	<u>72,782</u>	<u>82,030</u>	<u>70,995</u>

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

	Consolidated		Parent Company	
	Unaudited 30-Sep-21 RO'000	Audited 31-Dec-20 RO'000	Unaudited 30-Sep-21 RO'000	Audited 31-Dec-20 RO'000
Balance at the beginning of the period	97	354	96	354
Acquisition related adjustments	-	1	-	-
Charge during the period	145	(258)	140	(258)
Balance at the end of the period	<u>242</u>	<u>97</u>	<u>236</u>	<u>96</u>

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

6 Loans, advances and financing activities for customers

	Consolidated		Parent Company	
	Unaudited 30-Sep-21 RO' 000	Audited 31-Dec-20 RO' 000	Unaudited 30-Sep-21 RO' 000	Audited 31-Dec-20 RO' 000
Corporate loans				
Term loans	1,157,386	1,091,803	1,157,386	1,091,803
Overdrafts	133,042	139,265	133,042	139,265
Bills discounted	43,228	53,572	43,228	53,572
Islamic finance	477,278	420,196	-	-
	<u>1,810,934</u>	<u>1,704,836</u>	<u>1,333,656</u>	<u>1,284,640</u>
Personal loans				
Consumer loans	393,112	402,871	393,112	402,871
Mortgage loans	328,168	314,161	328,168	314,161
Overdrafts	2,990	1,830	2,990	1,830
Credit cards	3,684	3,617	3,684	3,617
Islamic finance	339,821	320,380	-	-
	<u>1,067,775</u>	<u>1,042,859</u>	<u>727,954</u>	<u>722,479</u>
Gross loans and advances	<u>2,878,709</u>	<u>2,747,695</u>	<u>2,061,610</u>	<u>2,007,119</u>
Less: allowance for loan impairment and contractual interest not recognised	<u>(130,473)</u>	<u>(104,217)</u>	<u>(95,935)</u>	<u>(72,194)</u>
Net loans, advances and financing activities for customers	<u><u>2,748,236</u></u>	<u><u>2,643,478</u></u>	<u><u>1,965,675</u></u>	<u><u>1,934,925</u></u>

Allowance for loan impairment and contractual interest not recognised

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

30 September 2021 (Unaudited) Consolidated	Allowance for credit losses RO' 000	Contractual interest not recognised RO' 000	Total RO' 000
Balance at 1 January 2021	92,494	11,723	104,217
Provided during the period	25,563	7,555	33,118
Amounts written off during the period	(1,009)	(1,828)	(2,837)
Amounts released / recovered during the period	(3,241)	(784)	(4,025)
Balance at end of 30 September 2021	<u><u>113,807</u></u>	<u><u>16,666</u></u>	<u><u>130,473</u></u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 September 2021

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

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

30 September 2021 (Unaudited)	Contractual		
Parent Company	Allowance for	interest not	Total
	credit losses	recognised	RO' 000
	RO' 000	RO' 000	RO' 000
Balance at 1 January 2021	62,197	9,997	72,194
Provided during the period	23,543	7,018	30,561
Amounts written off during the period	(967)	(1,828)	(2,795)
Amounts released / recovered during the period	(3,241)	(784)	(4,025)
Balance at end of 30 September 2021	<u>81,532</u>	<u>14,403</u>	<u>95,935</u>

Total allowance for the expected credit loss on the performing loans as at 30 September 2021 is RO 50,704 thousand (31 December 2020: 39,395 thousand [Consolidated]); 30 September 2021: RO: 36,867 thousand (31 December 2020: 26,954 thousand (Parent Company)).

As at 30 September 2021, the gross non-performing financial assets amounts to RO 132,996 thousand (31 December 2020: 123,644 thousand (Consolidated)); (30 September 2021: RO 106,692 thousand (31 December 2020: 97,151 thousand [Parent Company])).

Islamic financing

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

30 September 2021 (Unaudited)

	Corporate	Retail	Total
	RO'000	RO'000	RO'000
Musharaka	174,691	139,762	314,453
Murabaha	52,142	59,567	111,709
Ijarah Muntahia Bittamleek	100,859	137,753	238,612
Wakala	149,586	600	150,186
Others	-	2,139	2,139
Balance at end of 30 September 2021	<u>477,278</u>	<u>339,821</u>	<u>817,099</u>

31 December 2020 (Audited)

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

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

6 a) Movement in Expected credit losses (ECL)

30 September 2021

Consolidated (Unaudited)	Stage 1 RO 000	Stage 2 RO 000	Stage 3 RO 000	Total RO 000
Exposure subject to ECL				
- Loans and Advances to Customers and interest receivables	2,181,024	597,275	132,384	2,910,683
- Investment Securities (Debt)	91,285	-	377	91,662
- Loan Commitments and Financial Guarantees	451,806	179,459	235	631,500
- Due from Banks, Central Banks and Other Financial Assets	294,148	-	-	294,148
	3,018,263	776,734	132,996	3,927,993
Opening balance as at 1 January 2021				
- Loans and Advances to Customers and interest receivables	9,820	29,193	52,529	91,542
- Investment Securities (Debt)	67	-	403	470
- Loan Commitments and Financial Guarantees	203	179	504	886
- Due from Banks, Central Banks and Other Financial Assets	97	-	-	97
	10,187	29,372	53,436	92,995
Net transfer between stages				
- Loans and Advances to Customers and interest receivables	(71)	(300)	437	66
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	(71)	(300)	437	66
Charge for the period (net)				
- Loans and Advances to Customers and interest receivables	244	11,204	10,987	22,435
- Investment Securities (Debt)	227	-	(26)	201
- Loan Commitments and Financial Guarantees	142	90	(345)	(113)
- Due from Banks, Central Banks and Other Financial Assets	145	-	-	145
	758	11,294	10,616	22,668
- Write Off	-	-	(1,009)	(1,009)
Closing balance as at 30 September 2021				
- Loans and Advances to Customers and interest receivables	9,993	40,097	62,944	113,034
- Investment Securities (Debt)	294	-	377	671
- Loan Commitments and Financial Guarantees	345	269	159	773
- Due from Banks, Central Banks and Other Financial Assets	242	-	-	242
	10,874	40,366	63,480	114,720

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

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

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

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

30 September 2021

Parent Company (Unaudited)	Stage 1 RO' 000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL				
- Loans and Advances to Customers and interest receivables	1,511,393	467,258	106,692	2,085,343
- Investment Securities (Debt)	28,689	-	-	28,689
- Loan Commitments and Financial Guarantees	347,371	175,338	-	522,709
- Due from Banks and Other Financial Assets	249,026	-	-	249,026
	2,136,479	642,596	106,692	2,885,767
Opening Balance- as at 1 January 2021				
- Loans and Advances to Customers and interest receivables	7,168	19,523	35,176	61,867
- Investment Securities (Debt)	67	-	-	67
- Loan Commitments and Financial Guarantees	138	125	-	263
- Due from Banks and Other Financial Assets	96	-	-	96
	7,469	19,648	35,176	62,293
Net transfer between stages				
- Loans and Advances to Customers and interest receivables	675	(728)	120	67
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	-	-	-	-
- Due from Banks and Other Financial Assets	-	-	-	-
	675	(728)	120	67
Charge for the period (net)				
- Loans and Advances to Customers and interest receivables	425	9,368	10,336	20,129
- Investment Securities (Debt)	220	-	-	220
- Loan Commitments and Financial Guarantees	91	82	-	173
- Due from Banks and Other Financial Assets	140	-	-	140
	876	9,450	10,336	20,662
- Write Off	-	-	(967)	(967)
Closing Balance as at 30 September 2021				
- Loans and Advances to Customers and interest receivables	8,268	28,163	44,665	81,096
- Investment Securities (Debt)	287	-	-	287
- Loan Commitments and Financial Guarantees	229	207	-	436
- Due from Banks and Other Financial Assets	236	-	-	236
	9,020	28,370	44,665	82,055

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

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

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

30 September 2020

Consolidated (Unaudited)

	Stage 1 RO 000	Stage 2 RO 000	Stage 3 RO 000	Total RO 000
Exposure subject to ECL				
- Loans and Advances to Customers and interest receivables	2,070,065	554,206	107,546	2,731,817
- Investment Securities (Debt)	71,755	-	-	71,755
- Loan Commitments and Financial Guarantees	553,635	305,299	228	859,162
- Due from Banks, Central Banks and Other Financial Assets	307,804	-	-	307,804
	3,003,259	859,505	107,774	3,970,538
Opening balance as at 1 January 2020				
- Loans and Advances to Customers and interest receivables	7,001	14,973	24,489	46,463
- Investment Securities (Debt)	67	-	-	67
- Loan Commitments and Financial Guarantees	490	134	-	624
- Due from Banks, Central Banks and Other Financial Assets	354	-	-	354
	7,912	15,107	24,489	47,508
Net transfer between stages				
- Loans and Advances to Customers and interest receivables	(616)	(4,608)	5,224	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	(24)	24	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	(640)	(4,584)	5,224	-
Charge for the period (net)				
- Loans and Advances to Customers and interest receivables	2,763	5,942	5,352	14,057
- Investment Securities (Debt)	(3)	-	-	(3)
- Loan Commitments and Financial Guarantees	858	(390)	(40)	428
- Due from Banks, Central Banks and Other Financial Assets	(133)	-	-	(133)
	3,485	5,552	5,312	14,349
Acquisition related adjustments				
- Loans and Advances to Customers and interest receivables	1,687	11,665	13,023	26,375
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	64	53	504	621
- Due from Banks, Central Banks and Other Financial Assets	1	-	-	1
	1,752	11,718	13,527	26,997
Closing balance as at 30 September 2020				
- Loans and Advances to Customers and interest receivables	10,834	27,973	48,089	86,896
- Investment Securities (Debt)	64	-	-	64
- Loan Commitments and Financial Guarantees	1,389	(179)	464	1,674
- Due from Banks, Central Banks and Other Financial Assets	222	-	-	222
	12,509	27,794	48,553	88,856

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

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

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

30 September 2020

Parent Company (Unaudited)

	Stage 1 RO' 000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL				
- Loans and Advances to Customers and interest receivables	1,470,570	451,050	81,837	2,003,457
- Investment Securities (Debt)	9,377	-	-	9,377
- Loan Commitments and Financial Guarantees	493,245	269,436	-	762,681
- Due from Banks, Central Banks and Other Financial Assets	273,669	-	-	273,669
	2,246,861	720,486	81,837	3,049,184
Opening Balance – as at 1 January 2020				
- Loans and Advances to Customers and interest receivables	7,001	14,973	24,489	46,463
- Investment Securities (Debt)	67	-	-	67
- Loan Commitments and Financial Guarantees	490	134	-	624
- Due from Banks, Central Banks and Other Financial Assets	354	-	-	354
	7,912	15,107	24,489	47,508
Net transfer between stages				
- Loans and Advances to Customers and interest receivables	105	(713)	608	-
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	(24)	24	-	-
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	81	(689)	608	-
Charge for the period (net)				
- Loans and Advances to Customers and interest receivables	1,536	7,270	4,991	13,797
- Investment Securities (Debt)	(3)	-	-	(3)
- Loan Commitments and Financial Guarantees	(14)	(17)	-	(31)
- Due from Banks, Central Banks and Other Financial Assets	(123)	-	-	(123)
	1,396	7,253	4,991	13,640
Disposal related adjustments				
- Loans and Advances to Customers and interest receivables	(795)	(542)	(1,788)	(3,125)
- Investment Securities (Debt)	-	-	-	-
- Loan Commitments and Financial Guarantees	(2)	(1)	-	(3)
- Due from Banks, Central Banks and Other Financial Assets	-	-	-	-
	(797)	(543)	(1,788)	(3,128)
Closing Balance - as at 30 September 2020				
- Loans and Advances to Customers and interest receivables	7,846	20,989	28,301	57,136
- Investment Securities (Debt)	64	-	-	64
- Loan Commitments and Financial Guarantees	451	140	-	591
- Due from Banks, Central Banks and Other Financial Assets	231	-	-	231
	8,592	21,129	28,301	58,022

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

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

6 b) Impairment charge and provisions held

Consolidated (Unaudited)

30-Sep-21

	As per CBO Norms	As per IFRS 9	RO 000 Difference
Impairment loss charged to profit and loss account	21,884	21,884	-
Provisions required as per CBO norms/held as per IFRS 9	122,544	114,720	7,824
Gross NPL ratio	4.62%	4.62%	
Net NPL ratio	1.86%	2.41%	

Parent Company (Unaudited)

30-Sep-21

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	19,878	19,878	-
Provisions required as per CBO norms/held as per IFRS 9	91,185	82,055	9,130
Gross NPL ratio	5.18%	5.18%	
Net NPL ratio	2.26%	3.01%	

The CBO regulation requires that the allowance for credit losses should be in accordance with IFRS 9 and if the provision requirement in accordance with the CBO guidelines is higher than IFRS 9, the difference net of tax needs to be transferred to the "Impairment Reserve" as an appropriation from net profit after tax. However, as per circular BSD/CB/&FLCs/2021/002 dated 18 March 2021, CBO has suspended two-track approach / parallel run for the computation of additional provisions as per CBO norms for 2021 only. Accordingly, the management has not transferred the excess provision required in accordance with CBO guidelines amounting to RO 2,940 thousands to the "Impairment Reserve".

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

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

6 c) Available and Booked

30 September 2021

Consolidated (Unaudited)

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	1,971,606	25,741	8,777	16,964	1,945,865	1,962,829	-	-
	Stage 2	218,857	1,602	8,158	(6,556)	217,255	210,699	-	-
	Stage 3	-	-	-	-	-	-	-	-
		2,190,463	27,343	16,935	10,408	2,163,120	2,173,528	-	-
Special Mention	Stage 1	209,418	2,061	1,216	845	207,357	208,202	-	-
	Stage 2	378,418	13,621	31,939	(18,318)	364,797	346,479	-	-
	Stage 3	-	-	-	-	-	-	-	-
		587,836	15,682	33,155	(17,473)	572,154	554,681	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,886	853	1,692	(839)	3,813	3,194	-	220
		4,886	853	1,692	(839)	3,813	3,194	-	220
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	5,466	2,248	2,474	(226)	2,867	2,992	-	351
		5,466	2,248	2,474	(226)	2,867	2,992	-	351
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	122,032	76,183	58,778	17,405	29,754	63,254	-	16,095
		122,032	76,183	58,778	17,405	29,754	63,254	-	16,095
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	837,239	-	881	(881)	837,239	836,358	-	-
	Stage 2	179,459	-	269	(269)	179,459	179,190	-	-
	Stage 3	612	235	536	(301)	377	76	-	-
		1,017,310	235	1,686	(1,451)	1,017,075	1,015,624	-	-
Total	Stage 1	3,018,263	27,802	10,874	16,928	2,990,461	3,007,389	-	-
	Stage 2	776,734	15,223	40,366	(25,143)	761,511	736,368	-	-
	Stage 3	132,996	79,519	63,480	16,039	36,811	69,516	-	16,666
	Total	3,927,993	122,544	114,720	7,824	3,788,783	3,813,273	-	16,666

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

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

6 c) Available and Booked (continued)

30 September 2021

Parent Company (Unaudited)

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	1,311,547	17,700	7,180	10,520	1,293,847	1,304,367	-	-
	Stage 2	155,472	1,549	2,649	(1,100)	153,923	152,823	-	-
	Stage 3	-	-	-	-	-	-	-	-
		1,467,019	19,249	9,829	9,420	1,447,770	1,457,190	-	-
Special Mention	Stage 1	199,846	1,960	1,088	872	197,886	198,758	-	-
	Stage 2	311,786	12,915	25,514	(12,599)	298,871	286,272	-	-
	Stage 3	-	-	-	-	-	-	-	-
		511,632	14,875	26,602	(11,727)	496,757	485,030	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,631	792	1,593	(801)	3,623	3,038	-	216
		4,631	792	1,593	(801)	3,623	3,038	-	216
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,839	1,973	2,140	(167)	2,541	2,699	-	325
		4,839	1,973	2,140	(167)	2,541	2,699	-	325
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	97,222	57,236	40,932	16,304	26,124	56,290	-	13,862
		97,222	57,236	40,932	16,304	26,124	56,290	-	13,862
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	625,086	-	752	(752)	625,086	624,334	-	-
	Stage 2	175,338	-	207	(207)	175,338	175,131	-	-
	Stage 3	-	-	-	-	-	-	-	-
		800,424	-	959	(959)	800,424	799,465	-	-
Total	Stage 1	2,136,479	19,660	9,020	10,640	2,116,819	2,127,459	-	-
	Stage 2	642,596	14,464	28,370	(13,906)	628,132	614,226	-	-
	Stage 3	106,692	60,001	44,665	15,336	32,288	62,027	-	14,403
	Total	2,885,767	94,125	82,055	12,070	2,777,239	2,803,712	-	14,403

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

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

6 c) Available and Booked (continued)

31 December 2020
Consolidated (Audited)

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	1,808,268	23,369	8,858	14,511	1,784,900	1,799,410	-	-
	Stage 2	264,674	2,686	7,748	(5,062)	261,990	256,926	-	-
	Stage 3	-	-	-	-	-	-	-	-
		2,072,942	26,055	16,606	9,449	2,046,890	2,056,336	-	-
Special Mention	Stage 1	195,921	1,922	995	927	193,999	194,926	-	-
	Stage 2	347,797	11,417	21,461	(10,044)	336,381	326,336	-	-
	Stage 3	-	-	-	-	-	-	-	-
		543,718	13,339	22,456	(9,117)	530,380	521,262	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	26,154	6,271	12,155	(5,884)	19,334	13,999	-	550
		26,154	6,271	12,155	(5,884)	19,334	13,999	-	550
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	13,863	5,846	7,513	(1,667)	7,238	6,350	-	778
		13,863	5,846	7,513	(1,667)	7,238	6,350	-	778
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	82,994	44,188	33,198	10,990	28,410	49,796	-	10,395
		82,994	44,188	33,198	10,990	28,410	49,796	-	10,395
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	813,349	-	334	(334)	813,349	813,015	-	-
	Stage 2	304,159	-	163	(163)	304,159	303,996	-	-
	Stage 3	633	229	570	(341)	404	63	-	-
		1,118,141	229	1,067	(838)	1,117,912	1,117,074	-	-
Total	Stage 1	2,817,538	25,291	10,187	15,104	2,792,248	2,807,351	-	-
	Stage 2	916,630	14,103	29,372	(15,269)	902,530	887,258	-	-
	Stage 3	123,644	56,534	53,436	3,098	55,386	70,208	-	11,723
		3,857,812	95,928	92,995	2,933	3,750,164	3,764,817	-	11,723

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

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

6 c) Available and Booked (continued)

31 December 2020
Parent Company (Audited)

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	1,215,660	16,870	6,205	10,665	1,198,790	1,209,455	-	-
	Stage 2	204,029	2,044	3,053	(1,008)	201,985	200,976	-	-
	Stage 3	-	-	-	-	-	-	-	-
		1,419,689	18,914	9,258	9,657	1,400,774	1,410,431	-	-
Special Mention	Stage 1	191,647	1,877	964	913	189,771	190,684	-	-
	Stage 2	292,572	10,796	16,470	(5,674)	281,777	276,102	-	-
	Stage 3	-	-	-	-	-	-	-	-
		484,219	12,673	17,434	(4,761)	471,546	466,786	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	24,565	5,978	11,556	(5,579)	18,072	13,008	-	516
		24,565	5,978	11,556	(5,579)	18,072	13,008	-	516
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,500	1,763	1,207	(556)	2,544	3,292	-	192
		4,500	1,763	1,207	(556)	2,544	3,292	-	192
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	68,086	32,095	22,413	9,682	26,702	45,673	-	9,289
		68,086	32,095	22,413	9,682	26,702	45,673	-	9,289
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	647,603	-	300	(300)	647,603	647,302	-	-
	Stage 2	300,761	-	125	(125)	300,761	300,636	-	-
	Stage 3	-	-	-	-	-	-	-	-
		948,364	-	425	(425)	948,364	947,938	-	-
Total	Stage 1	2,054,910	18,757	7,469	11,277	2,036,164	2,047,441	-	-
	Stage 2	797,362	12,841	19,648	(6,807)	784,521	777,714	-	-
	Stage 3	97,151	39,836	35,176	4,660	47,318	61,973	-	9,997
	Total	2,949,423	71,423	62,293	9,130	2,868,003	2,887,128	-	9,997

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

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

Restructured loans

30-September-2021
Consolidated (Unaudited)

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying amount as per CBO norms	Net Carrying amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	1,120	102	4	98	1,018	1,116	-	-
	Stage 2	185,598	10,901	20,704	(9,803)	174,697	164,894	-	-
	Stage 3	-	-	-	-	-	-	-	-
		186,718	11,003	20,708	(9,705)	175,715	166,010	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	32,042	27,547	18,486	9,061	1,813	13,556	-	2,682
		32,042	27,547	18,486	9,061	1,813	13,556	-	2,682
Total	Stage 1	1,120	102	4	98	1,018	1,116	-	-
	Stage 2	185,598	10,901	20,704	(9,803)	174,697	164,894	-	-
	Stage 3	32,042	27,547	18,486	9,061	1,813	13,556	-	2,682
	Total	218,760	38,550	39,194	(644)	177,528	179,566	-	2,682

Parent Company (Unaudited)

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	140,223	10,848	16,133	(5,285)	129,375	124,090	-	-
	Stage 3	-	-	-	-	-	-	-	-
		140,223	10,848	16,133	(5,285)	129,375	124,090	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	26,975	23,034	14,807	8,227	1,713	12,168	-	2,228
		26,975	23,034	14,807	8,227	1,713	12,168	-	2,228
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	140,223	10,848	16,133	(5,285)	129,375	124,090	-	-
	Stage 3	26,975	23,034	14,807	8,227	1,713	12,168	-	2,228
	Total	167,198	33,882	30,940	2,942	131,088	136,258	-	2,228

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

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

Restructured loans (continued)

31-Dec-2020

Consolidated (Audited)

(Amounts in RO'000)

Asset Classification as per CBO Norms (1)	Asset Classification as per IFRS 9 (2)	Gross Carrying Amount (3)	Provision required as per CBO Norms (4)	Provision held as per IFRS 9 (5)	Difference between CBO provision required and provision held (6) = (4)-(5)	Net Carrying Amount as per CBO norms (7)=(3)-(4)-(10)	Net Carrying Amount as per IFRS 9 (8) = (3)-(5)	Interest recognised in P&L as per IFRS 9 (9)	Reserve interest as per CBO norms (10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	149,534	9,526	14,450	(4,924)	140,009	135,084	-	-
	Stage 3	-	-	-	-	-	-	-	-
		149,534	9,526	14,450	(4,924)	140,008	135,084	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	30,147	9,977	15,128	(5,153)	19,332	15,018	-	839
		30,147	9,977	15,128	(5,153)	19,332	15,018	-	839
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	149,534	9,526	14,450	(4,924)	140,008	135,084	-	-
	Stage 3	30,147	9,977	15,128	(5,153)	19,331	15,018	-	839
	Total	179,681	19,503	29,578	(10,077)	159,339	150,102	-	839

Parent Company (Audited)

(Amounts in RO'000)

Asset Classification as per CBO Norms (1)	Asset Classification as per IFRS 9 (2)	Gross Carrying Amount (3)	Provision required as per CBO Norms (4)	Provision held as per IFRS 9 (5)	Difference between CBO provision required and provision held (6) = (4)-(5)	Net Carrying Amount as per CBO norms* (7)=(3)-(4)-(10)	Net Carrying Amount as per IFRS 9 (8) = (3)-(5)	Interest recognised in P&L as per IFRS 9 (9)	Reserve interest as per CBO norms (10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	115,638	9,488	11,005	(1,517)	106,150	104,633	-	-
	Stage 3	-	-	-	-	-	-	-	-
		115,638	9,488	11,005	(1,517)	106,150	104,633	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	25,206	7,672	11,085	(3,414)	17,072	14,121	-	462
		25,206	7,672	11,085	(3,414)	17,072	14,121	-	462
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	115,638	9,488	11,005	(1,517)	106,150	104,633	-	-
	Stage 3	25,206	7,672	11,085	(3,414)	17,072	14,121	-	462
	Total	140,844	17,160	22,090	(4,931)	123,222	118,754	-	462

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

7 Investment securities

	Consolidated		Parent Company	
	Unaudited	Audited	Unaudited	Audited
	Carrying value 30-Sep-21 RO'000	Carrying value 31-Dec-20 RO'000	Carrying value 30-Sep-21 RO'000	Carrying value 31-Dec-20 RO'000
Fair value through profit and loss (FVTPL)				
Quoted investments- Oman				
Banking and investment sector	294	250	294	250
	294	250	294	250
Quoted investments- Foreign				
Banking and investment sector	175	153	175	153
	175	153	175	153
Total Fair value through profit and loss	469	403	469	403
Equity investments measured at FVOCI				
Quoted investments- Oman				
Banking and investment sector	123	1,195	123	1,195
Manufacturing sector	376	842	376	842
Service sector	762	1,776	762	1,776
	1,261	3,813	1,261	3,813
Quoted investments- Foreign				
Banking and investment sector	-	174	-	174
Service sector	-	65	-	65
	-	239	-	239
Unquoted investments				
Banking and investment sector	168	168	168	168
Service sector	546	595	169	169
	714	763	337	337
Debt investments measured at FVOCI				
Government Sukuk	41,074	37,883	-	-
Government Development Bonds (GDBs)	19,944	-	19,944	-
Service sector	15,942	-	15,942	-
Banking and investment sector	3,303	4,346	-	-
	80,263	42,229	35,886	-
Total FVOCI	82,238	47,044	37,484	4,389
Amortized Cost				
Quoted investments- Oman				
Government Development Bonds (GDBs)	182,828	162,589	182,828	162,589
Government Sukuk	18,095	21,266	-	-
Service sector	12,747	9,386	12,747	9,386
Total Amortized Cost	213,670	193,241	195,575	171,975
Total Gross financial investments	296,377	240,688	233,528	176,767
Less: allowance for impairment	(671)	(470)	(287)	(67)
Total financial investments	295,706	240,218	233,241	176,700

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

7 Investment securities (continued)

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

Consolidated (Unaudited)

30-Sep-21	Level 1 RO'000	Level 3 RO'000	Total RO'000
<i>Investment measured at FVTPL</i>			
Quoted investments	469	-	469
<i>Equity investment measured at FVOCI</i>			
Quoted investments	1,261	-	1,261
Unquoted investments	-	714	714
<i>Debt investments measured at FVOCI</i>			
Quoted investments	80,263	-	80,263
<i>Investment measured at amortised cost</i>			
Quoted investments	213,670	-	213,670
Total gross financial investments	295,663	714	296,377
Less: allowance for impairment	(671)	-	(671)
Total financial investments	294,992	714	295,706

Consolidated (Audited)

31-Dec-20	Level 1 RO'000	Level 3 RO'000	Total RO'000
<i>Investment measured at FVTPL</i>			
Quoted investments	403	-	403
<i>Investment measured at FVOCI</i>			
Quoted investments	4,052	-	4,052
Unquoted investments	-	763	763
<i>Debt investments measured at FVOCI</i>			
Quoted investments	42,229	-	42,229
<i>Investment measured at amortised cost</i>			
Quoted investments	193,241	-	193,241
Unquoted investments	-	-	-
Total gross financial investments	239,925	763	240,688
Less: allowance for impairment	(470)	-	(470)
Total financial investments	239,455	763	240,218

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

7 Investment securities (continued)

Parent Company (Unaudited) 30-Sep-21	Level 1 RO'000	Level 3 RO'000	Total RO'000
<i>Investment measured at FVTPL</i>			
Quoted investments	469	-	469
<i>Investment measured at FVOCI</i>			
Quoted investments	1,261	-	1,261
Unquoted investments	-	337	337
<i>Debt investments measured at FVOCI</i>			
Quoted investments	35,886	-	35,886
<i>Investment measured at amortised cost</i>			
Quoted investments	195,575	-	195,575
Total gross financial investments	233,191	337	233,528
Less: allowance for impairment	(287)	-	(287)
Total financial investments	232,904	337	233,241

Parent Company (Audited) 31-Dec-20	Level 1 RO'000	Level 3 RO'000	Total RO'000
<i>Investment measured at FVTPL</i>			
Quoted investments	403	-	403
<i>Equity investment measured at FVOCI</i>			
Quoted investments	4,052	-	4,052
Unquoted investments	-	337	337
<i>Investment measured at amortised cost</i>			
Quoted investments	171,975	-	171,975
Total gross financial investments	176,430	337	176,767
Less: allowance for impairment	(67)	-	(67)
Total financial investments	176,363	337	176,700

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

8 Intangibles

During 2020, the Bank had recognized a provisional goodwill of RO 6.5 million (being the difference between purchase consideration and net assets) on acquisition of Alizz Islamic Bank (AIB). Based on the Purchase Price Allocation exercise (PPA) completed during the period, the provisional goodwill of RO 6.5 million is assigned into the identifiable intangible assets namely Core deposits intangible, Bank license and Brand in accordance with the requirements of IFRS 3 (Business Combinations).

Core deposit intangible (CDI) has finite useful life of 10 years whereas Bank license and Brand have indefinite useful life. These intangibles will be tested for impairment annually and also, if there are any indicators of impairment at each quarter end.

	Consolidated		Parent Company	
	Unaudited 30-Sep-21 RO' 000	Audited 31-Dec-20 RO' 000	Unaudited 30-Sep-21 RO' 000	Audited 31-Dec-20 RO' 000
9 Other assets				
Customers' indebtedness against acceptances	13,167	13,159	13,167	13,159
Fees receivable	1,626	1,691	1,626	1,691
Interest receivable	51,797	36,277	27,028	22,376
Prepayments	3,156	2,549	2,321	2,203
Positive fair value of derivatives	570	1,088	570	1,088
Deferred tax asset	2,403	2,459	-	-
Insurance claim receivable (note 21)	4,093	-	4,093	-
Others	8,490	12,257	4,167	8,711
	85,302	69,480	52,972	49,228

10 Due to banks

Current accounts	3,200	4,923	3,200	4,923
Bank borrowings	29,634	9,498	25,206	5,648
Repurchase agreements	50,000	-	50,000	-
	82,834	14,421	78,406	10,571

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

	Consolidated		Parent Company	
	Unaudited 30-Sep-21 RO' 000	Audited 31-Dec-20 RO' 000	Unaudited 30-Sep-21 RO' 000	Audited 31-Dec-20 RO' 000
11 Deposits from customers				
Term deposits	1,217,922	1,256,283	838,201	927,000
Demand and call accounts	931,709	958,585	677,141	745,291
Saving accounts	557,113	540,442	354,019	358,471
	<u>2,706,744</u>	<u>2,755,310</u>	<u>1,869,361</u>	<u>2,030,762</u>
12 Other liabilities				
Liabilities against acceptances	13,167	13,159	13,167	13,159
Interest payable	31,473	30,269	20,926	22,519
Accrued expenses and other payables	25,037	13,931	11,739	8,829
Cheques and trade settlement payable	3,652	7,174	2,047	3,920
Staff terminal benefits	599	1,131	599	873
Interest and commission received in advance	2,127	2,143	2,127	2,143
Negative fair value of derivatives	337	445	337	445
Deferred tax liability	-	-	464	408
Lease liability	4,881	5,976	4,666	5,401
	<u>81,273</u>	<u>74,228</u>	<u>56,072</u>	<u>57,697</u>

13 Subordinated debt

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

14 Subordinated debt reserve

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

15 Perpetual Tier 1 Capital Bonds

- a) On 7 June 2021, the Bank issued unsecured perpetual Tier 1 bonds of USD 250 million equivalent to RO 96.25 million. The bonds is listed on International Security Market (ISM) of London Stock Exchange on 07 June, 2021. The bonds carry a fixed coupon rate of 7.625 per cent per annum payable semi-annually in arrears and treated as deduction from equity for capital adequacy. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and Central Bank of Oman regulation. Transaction cost of RO 0.999 million incurred on issuance of these perpetual Tier 1 bonds has been deducted from the retained earnings for the period.
- b) On 29 December 2016, the Bank issued unsecured perpetual Tier 1 bonds of RO 30 million (30,000,000 units of RO 1 each through private placement). The bonds are listed on the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate of 7.75 per cent per annum payable semi-annually in arrears and treated as deduction from equity for capital adequacy. Interest is non-cumulative and payable at Bank's discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-III and Central Bank of Oman regulation.
- c) On 17 October 2018, the Bank issued another series of unsecured perpetual Tier 1 bonds of RO 42.5 million (42,553,000 units of RO 1 each through private placement). The bonds carry a fixed coupon rate of 7.5 per cent per annum payable semi-annually in arrears and treated as deduction from equity for capital adequacy. Interest is non-cumulative and payable at Bank's discretion. The bonds are in pari-passu with earlier issue mentioned in (b).

The Tier 1 bonds constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion. The Bond under note (a) has First Call Date on 04 June 2026, bond under note (b) has First Call Date on 29 January 2022 and bond under note (c) has First Call date on 17 October 2023 or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

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

	Consolidated (Unaudited)		Parent (Unaudited)		Consolidated (Unaudited)		Parent (Unaudited)	
	<u>Nine months ended</u> 30-Sep-21 RO'000	<u>Three months ended</u> 30-Sep-21 RO'000	<u>Nine months ended</u> 30-Sep-21 RO'000	<u>Three months ended</u> 30-Sep-21 RO'000	<u>Nine months ended</u> 30-Sep-20 RO'000	<u>Three months ended</u> 30-Sep-20 RO'000	<u>Nine months ended</u> 30-Sep-20 RO'000	<u>Three months ended</u> 30-Sep-20 RO'000
16 Interest income								
Loans and advances	80,194	27,500	80,194	27,500	81,517	26,972	81,517	26,972
Investment securities	8,269	3,110	8,269	3,110	6,570	2,265	6,570	2,265
Treasury bills	8	-	8	-	-	-	-	-
Placements with banks	198	77	198	77	1,294	358	1,294	358
	<u>88,669</u>	<u>30,687</u>	<u>88,669</u>	<u>30,687</u>	<u>89,381</u>	<u>29,595</u>	<u>89,381</u>	<u>29,595</u>
17 Interest expense								
Time deposits	28,366	8,765	28,366	8,765	25,766	9,158	25,766	9,158
Subordinated debt	452	-	452	-	826	278	826	278
Bank borrowings	5,023	1,661	5,023	1,661	3,375	1,263	3,375	1,263
Amounts deposited by banks	1,102	333	1,102	333	69	19	69	19
Savings accounts	2,514	881	2,514	881	2,043	827	2,043	827
Interest cost on lease liabilities	132	53	132	53	219	68	219	68
Others	904	363	904	363	1,670	644	1,670	644
	<u>38,493</u>	<u>12,056</u>	<u>38,493</u>	<u>12,056</u>	<u>33,968</u>	<u>12,257</u>	<u>33,968</u>	<u>12,257</u>
18 Net income from Islamic financing								
Income from Islamic financing	32,874	11,259	-	-	15,566	11,426	4,141	-
Income from Sukuk	2,289	767	-	-	-	-	-	-
Profit paid to participatory deposits	(19,469)	(6,709)	-	-	(9,322)	(6,770)	(2,552)	-
	<u>15,694</u>	<u>5,317</u>	<u>-</u>	<u>-</u>	<u>6,244</u>	<u>4,656</u>	<u>1,589</u>	<u>-</u>
19 Net fee and commission income								
Fee and commission income	14,059	4,416	11,155	3,480	8,191	2,916	8,191	2,916
Fee and commission expense	(887)	(290)	(868)	(271)	(667)	(126)	(667)	(126)
	<u>13,172</u>	<u>4,126</u>	<u>10,287</u>	<u>3,209</u>	<u>7,524</u>	<u>2,790</u>	<u>7,524</u>	<u>2,790</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

20 Net income / (loss) from investment securities

	Consolidated (Unaudited)		Parent (Unaudited)		Consolidated (Unaudited)		Parent (Unaudited)	
	<u>Nine months ended</u> 30-Sep-21 RO'000	<u>Three months ended</u> 30-Sep-21 RO'000	<u>Nine months ended</u> 30-Sep-21 RO'000	<u>Three months ended</u> 30-Sep-21 RO'000	<u>Nine months ended</u> 30-Sep-20 RO'000	<u>Three months ended</u> 30-Sep-20 RO'000	<u>Nine months ended</u> 30-Sep-20 RO'000	<u>Three months ended</u> 30-Sep-20 RO'000
Fair value changes	65	40	65	40	(71)	-	(71)	-
Profit / (loss) on sale of amortized cost investments (a)	3,050	(64)	3,050	(64)	-	-	-	-
Dividend income	132	3	132	3	71	-	71	-
	<u>3,247</u>	<u>(21)</u>	<u>3,247</u>	<u>(21)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

21 Other operating income

	Consolidated (Unaudited)		Parent (Unaudited)		Consolidated (Unaudited)		Parent (Unaudited)	
	<u>Nine months ended</u> 30-Sep-21 RO'000	<u>Three months ended</u> 30-Sep-21 RO'000	<u>Nine months ended</u> 30-Sep-21 RO'000	<u>Three months ended</u> 30-Sep-21 RO'000	<u>Nine months ended</u> 30-Sep-20 RO'000	<u>Three months ended</u> 30-Sep-20 RO'000	<u>Nine months ended</u> 30-Sep-20 RO'000	<u>Three months ended</u> 30-Sep-20 RO'000
Exchange income	3,030	1,032	2,739	931	4,174	1,046	4,174	1,046
Operational loss (*)	5,926	-	5,926	-	-	-	-	-
Other income	69	(9)	69	11	36	11	36	11
	<u>9,025</u>	<u>1,023</u>	<u>8,734</u>	<u>942</u>	<u>4,210</u>	<u>1,057</u>	<u>4,210</u>	<u>1,057</u>

* The Bank reported an operational loss on account of forgery and embezzlement in the financial statements as at and for the year ended 31 December 2020. The Bank filed criminal complaint with the concerned authorities and also filed a claim with the insurance company under Banker's Blanket Bond insurance policy of the Bank. During the period, the Bank received communication from the loss adjuster that reinsurers have accepted the claim in principal. Accordingly, the Bank recognised income against the accepted insurance claim. As at reporting date, the Bank has received RO 1.8 million and remaining amount stands as receivable from the insurance company and is included under other assets (note 9).

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

22 Operating expenses

	Consolidated (Unaudited)		Parent (Unaudited)		Consolidated (Unaudited)		Parent (Unaudited)	
	<u>Nine months ended</u> 30-Sep-21	<u>Three months ended</u> 30-Sep-21	<u>Nine months ended</u> 30-Sep-21	<u>Three months ended</u> 30-Sep-21	<u>Nine months ended</u> 30-Sep-20	<u>Three months ended</u> 30-Sep-20	<u>Nine months ended</u> 30-Sep-20	<u>Three months ended</u> 30-Sep-20
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Staff costs	30,915	10,905	22,153	7,880	24,286	9,765	21,639	7,780
Other operating expenses	18,367	6,597	14,483	5,247	13,746	5,618	12,419	4,578
Depreciation	6,254	2,232	5,223	1,955	4,989	1,874	4,712	1,597
Directors' remuneration	179	45	179	45	-	-	-	-
	<u>55,715</u>	<u>19,779</u>	<u>42,038</u>	<u>15,127</u>	<u>43,021</u>	<u>17,257</u>	<u>38,770</u>	<u>13,955</u>

23 Cash and cash equivalents

	Consolidated		Parent Company	
	30-Sep-21 Unaudited RO'000	31-Dec-20 Audited RO'000	30-Sep-21 Unaudited RO'000	31-Dec-20 Audited RO'000
Cash and balances with the CBO (note 4)	144,871	220,975	57,078	173,652
Due from banks (note 5)	84,523	59,782	82,030	57,995
Less: due to banks (note 10)	(82,834)	(14,421)	(78,406)	(10,571)
Restricted deposits included under balances with the CBO	(1,025)	(1,025)	(500)	(500)
	<u>145,535</u>	<u>265,311</u>	<u>60,202</u>	<u>220,576</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

24 Asset liability gap

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

30-Sep-21	Assets	Liabilities	Gap	Cumulative Gap
Consolidated (Unaudited)	RO'000	RO'000	RO'000	RO'000
0 - 3 month	830,131	505,650	324,481	324,481
3 - 12 month	272,019	705,749	(433,730)	(109,249)
1 – 5 years	964,547	902,467	62,080	(47,169)
More than 5 years	1,343,599	761,214	582,385	535,216
Total	3,410,296	2,875,080	535,216	

31-Dec-20	Assets	Liabilities	Gap	Cumulative Gap
Consolidated (Audited)	RO'000	RO'000	RO'000	RO'000
0 - 3 month	862,431	443,818	418,613	418,613
3 - 12 month	310,564	782,141	(471,577)	(52,964)
1 – 5 years	887,349	872,189	15,160	(37,804)
More than 5 years	1,239,699	770,318	469,381	431,577
Total	3,300,043	2,868,466	431,577	

30-Sep-21	Assets	Liabilities	Gap	Cumulative Gap
Parent Company (Unaudited)	RO'000	RO'000	RO'000	RO'000
0 - 3 month	656,858	363,667	293,191	293,191
3 - 12 month	129,889	512,578	(382,689)	(89,498)
1 – 5 years	628,768	519,811	108,957	19,459
More than 5 years	1,124,547	612,012	512,535	531,994
Total	2,540,062	2,008,068	531,994	

31-Dec-20	Assets	Liabilities	Gap	Cumulative Gap
Parent company (Audited)	RO'000	RO'000	RO'000	RO'000
0 - 3 month	689,523	358,741	330,782	330,782
3 - 12 month	186,981	574,174	(387,193)	(56,411)
1 – 5 years	593,417	564,415	29,002	(27,409)
More than 5 years	1,085,202	626,207	458,995	431,586
Total	2,555,123	2,123,537	431,586	

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

25 Related party transactions

Management service agreement with a shareholder

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

Other related parties transactions

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

Consolidated Unaudited	30-Sep-21		
	Major	Others	Total
	shareholders	Others	Total
	RO'000	RO'000	RO'000
Loans and advances	23,725	142,865	166,590
Customers' deposits	42	45,037	45,079
Due from banks	15,399	-	15,399
Due to banks	6,482	-	6,482
Stand by line of credit	48,125	-	48,125
Letters of credit, guarantees and acceptances	93,343	1,346	94,689
Parent Company Unaudited	30-Sep-21		
	Major	Others	Total
	shareholders	Others	Total
	RO'000	RO'000	RO'000
Loans and advances	23,725	121,444	145,169
Customers' deposits	42	44,680	44,722
Due from banks	15,399	-	15,399
Due to banks	6,482	-	6,482
Stand by line of credit	48,125	-	48,125
Letters of credit, guarantees and acceptances	93,343	1,346	94,689
Consolidated Audited	31-Dec-20		
	Major	Others	Total
	shareholders	Others	Total
	RO'000	RO'000	RO'000
Loans and advances	24,014	95,602	119,616
Customers' deposits	31,429	34,739	66,168
Due from banks	3,560	-	3,560
Due to banks	7,039	-	7,039
Stand by line of credit	38,500	-	38,500
Letters of credit, guarantees and acceptances	95,890	1,455	97,345

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

25 Related party transactions (continued)

Other related parties transactions (continued)

Parent Company Audited	31-Dec-20			Total RO'000
	Subsidiary RO'000	Major shareholders RO'000	Others RO'000	
Loans and advances	452	24,014	83,344	107,810
Customers' deposits	88	31,429	33,654	65,171
Due from banks	20,000	3,560	-	23,560
Due to banks	-	7,039	-	7,039
Stand by line of credit	-	38,500	-	38,500
Letters of credit, guarantees and acceptances	-	95,890	1,455	97,345

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

30-Sep-21

Consolidated

Unaudited

	Major shareholders RO'000	Others RO'000	Total RO'000
Interest and commission income	886	3,654	4,540
Interest expense	433	1,048	1,481

30-Sep-21

Parent Company

Unaudited

	Major shareholders RO'000	Others RO'000	Total RO'000
Interest and commission income	886	3,264	4,150
Interest expense	433	1,045	1,478

30-Sep-20

Consolidated

Unaudited

	Major shareholders RO'000	Others RO'000	Total RO'000
Interest and commission income	394	2,444	2,838
Interest expense	578	686	1,264

30-Sep-20

Parent Company

Unaudited

	Major shareholders RO'000	Others RO'000	Total RO'000
Interest and commission income	394	2,444	2,838
Interest expense	578	686	1,264
Investment in Alizz Islamic during the period	12,000	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

25 Related party transactions (continued)

Senior management compensation

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

	Consolidated		Parent Company	
	30-Sep-21 Unaudited RO'000	30-Sep-20 Audited RO'000	30-Sep-21 Unaudited RO'000	30-Sep-20 Audited RO'000
Salaries and other short-term benefits	2,395	1,733	2,180	906
End of service benefits	121	30	110	11
	<u>2,516</u>	<u>1,763</u>	<u>2,290</u>	<u>917</u>

26 Contingent liabilities and commitments

26 (a) Letter of credit and guarantees

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

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

The outstanding contract value or the notional amounts of these instruments at 30 September 2021 were as follows:

	Consolidated		Parent Company	
	30-Sep-21 Unaudited RO'000	31-Dec-20 Audited RO'000	30-Sep-21 Unaudited RO'000	31-Dec-20 Audited RO'000
Letters of credit	141,619	77,600	58,094	73,635
Guarantees	296,599	393,078	272,016	329,057
	<u>438,218</u>	<u>470,678</u>	<u>330,110</u>	<u>402,692</u>

Letters of credit and guarantees amounting to [Parent Company (RO 163,976 thousand (31 December 2020: RO 193,971 thousand) were counter guaranteed by other banks. As of reporting date, the subsidiary has no material letters of credit and guarantees that were counter guaranteed by other banks.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

26 Contingent liabilities and commitments (continued)

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

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

As at 30 September 2021, the unutilised commitment of facilities of RO 371,150 thousand; 31 December 2020: 473,172 thousand (Consolidated), [Parent Company (30 September 2021: RO 343,408 thousand); 31 December 2020: 438,465 thousand].

As at 30 September 2021, contingent liabilities include RO 3,953 thousand; 31 December 2020: RO 4,619 thousand (Consolidated), [Parent Company (30 September 2021: RO 3,341 thousand); 31 December 2020: 4,246 thousand] relating to non-performing loans.

26 (b) Forward foreign exchange contracts

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

Also, the Bank has entered into IRS (Interest Rate Swaps) on behalf of its clients and has fully covered the position on back-to-back basis, leaving no open position on the Bank's books. An IRS is an agreement between two counterparties to exchange a stream of fixed interest payments for floating (variable) interest payments on a specified notional amount. A floating rate borrower can fix his floating liabilities payment by entering into —payer swap, in which he pays the fixed rate. The Bank is not exposed to entire notional amount of IRS, rather, its risk is limited only to the amount of differential interest payment which the client may not honor at the time of settlement.

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

	Consolidated		Parent Company	
	30-Sep-21 Unaudited RO'000	31-Dec-20 Audited RO'000	30-Sep-21 Unaudited RO'000	31-Dec-20 Audited RO'000
Sales	(148,809)	(90,045)	(148,809)	(90,045)
Purchases	148,872	90,456	148,872	90,456
Interest Rate Swap	12,887	8,653	12,887	8,653
	<u>12,950</u>	<u>9,064</u>	<u>12,950</u>	<u>9,064</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

27 Basic Earnings per share / Net assets value per share

a) Basic and diluted earnings per share

Consolidated (Unaudited)

	<u>Nine months ended</u> 30-Sep-21	<u>Three months ended</u> 30-Sep-21	<u>Nine months ended</u> 30-Sep-20	<u>Three months ended</u> 30-Sep-20
Net profit for the period (RO'000)	11,303	816	13,716	3,331
Less: Interest distribution of Perpetual Tier 1 capital bonds (RO'000)	(2,758)	-	(2,758)	-
Less: Issuance cost of Perpetual Tier 1 capital bonds (RO'000)	(999)	(66)	-	-
Net profit for the period attributable to equity holders of the Bank	7,546	750	10,958	3,331
Weighted average number of shares outstanding during the period (in thousands)	1,669,410	1,669,410	1,453,937	1,453,937
Basic earning per share (RO)	<u>0.005</u>	<u>0.0004</u>	<u>0.008</u>	<u>0.002</u>

Parent (Unaudited)

Net profit for the period (RO'000)	8,116	47	14,021	2,537
Less: Interest distribution of Perpetual Tier 1 capital bonds (RO'000)	(2,758)	-	(2,758)	-
Less: Issuance cost of Perpetual Tier 1 capital bonds (RO'000)	(999)	(66)	-	-
Net profit for the period attributable to equity holders of the Bank	4,359	(19)	11,263	2,537
Weighted average number of shares outstanding during the period (in thousands)	1,669,410	1,669,410	1,453,937	1,453,937
Basic earning per share (RO)	<u>0.003</u>	<u>(0.00001)</u>	<u>0.008</u>	<u>0.002</u>

The basic earnings per share is the net profit for the period attributable to equity holders of the Bank divided by the weighted average number of shares outstanding. No figure for diluted earnings per share has been presented, as the Bank has not issued any instruments, which would have an impact on earnings per share when exercised.

b) Net assets value per share

	Consolidated		Parent Company	
	Unaudited 30-Sep-21	Audited 31-Dec-20	Unaudited 30-Sep-21	Audited 31-Dec-20
Total equity attributable to ordinary shareholders (RO'000)	366,413	359,024	363,191	359,033
Number of Shares (in thousands)	1,669,410	1,669,410	1,669,410	1,669,410
Net assets per share (RO)	<u>0.219</u>	0.215	<u>0.218</u>	0.215

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

28 Capital adequacy

The principal objective of the Central Bank of Oman's (CBO) capital adequacy requirement is to ensure that an adequate level of capital is maintained to withstand any losses which may result from the risks in a bank's balance sheet, in particular credit risk. CBO's risk based capital adequacy framework is consistent with the international standards of the Bank of International Settlement (BIS).

CBO requires the registered banks in the Sultanate of Oman to maintain minimum capital adequacy of 11 per cent based on letter BSD/2018/1 dated 20 March 2018. Additionally, the CAR threshold requires a capital conservation buffer (CCB) of 2.5 per cent annually. However the circular BSD/CB/2020/001 dated 18 March 2020, relaxed the CCB requirements to 1.25 per cent and accordingly the minimum capital adequacy requirement has been reduced respectively.

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

	Consolidated		Parent Company	
	30-Sep-21 Unaudited RO'000	31-Dec-20 Audited RO'000	30-Sep-21 Unaudited RO'000	31-Dec-20 Audited RO'000
Capital				
Common Equity Tier 1 (CET 1)	335,933	336,995	240,203	241,265
Additional Tier 1	168,803	72,553	168,803	72,553
Total Tier 1	504,736	409,548	409,006	313,818
Tier 2	25,234	25,234	18,078	18,078
Total capital base	529,970	434,782	427,084	331,896
Risk weighted assets				
Credit risk	2,746,620	2,600,029	2,088,502	1,997,015
Market risk	38,151	18,200	13,463	13,075
Operational risk	201,908	201,908	165,275	165,275
Total risk weighted assets	2,986,679	2,820,137	2,267,240	2,175,365
Capital adequacy ratio %	17.74%	15.42%	18.84%	15.26%
CET 1 ratio	11.25%	11.95%	10.59%	11.09%
Tier 1 Capital ratio	16.90%	14.52%	18.04%	14.43%

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

29 Segmental information

The Bank mainly operates in only one geographical location, the Sultanate of Oman. The Bank has however earned interest income and incurred interest expenses on account of money market placements and borrowings with banks outside the Sultanate of Oman as of 30 September 2021.

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

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

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

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

Consolidated (Unaudited) 30-Sep-21	Retail banking RO'000	Corporate banking RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	19,687	18,657	7,269	4,563	-	50,176
Net income from Islamic financing	-	-	-	-	15,694	15,694
Other operating income	6,037	5,569	4,736	5,926	3,176	25,444
Total operating income	25,724	24,226	12,005	10,489	18,870	91,314
Operating expenses (incl. depreciation)	(23,156)	(16,129)	(2,753)	-	(13,677)	(55,715)
Net impairment losses on financial assets	(1,674)	(17,844)	(360)	-	(2,006)	(21,884)
Tax expenses	-	-	-	(2,412)	-	(2,412)
Net profit / (loss) for the period	894	(9,747)	8,892	8,077	3,187	11,303
Assets	718,684	1,247,324	372,349	100,603	971,336	3,410,296
Liabilities	776,973	1,092,388	78,406	59,837	867,476	2,875,080
Allowance for impairment	(14,549)	(81,386)	(523)	-	(34,928)	(131,386)

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

29 Segmental information (continued)

Parent Company (Unaudited) 30-Sep-21	Retail banking RO'000	Corporate banking RO'000	Treasury RO'000	Others RO'000	Total RO'000
Net interest income	19,687	18,657	7,269	4,563	50,176
Other operating income	6,037	5,569	4,736	5,926	22,268
Total operating income	25,724	24,226	12,005	10,489	72,444
Operating expenses (incl. depreciation)	(23,156)	(16,145)	(2,737)	-	(42,038)
Net impairment losses on financial assets	(1,674)	(17,844)	(360)	-	(19,878)
Tax expenses	-	-	-	(2,412)	(2,412)
Net profit / (loss) for the period	894	(9,913)	9,058	8,077	8,116
Assets	718,684	1,247,324	479,493	94,561	2,540,062
Liabilities	776,973	1,092,388	78,406	60,301	2,008,068
Allowance for impairment	(14,549)	(81,386)	(523)	-	(96,458)

Consolidated (Unaudited) 30-Sep-2020	Retail RO'000	Corporate RO'000	Treasury RO'000	Others RO'000	Islamic Banking RO'000	Total RO'000
Net interest income	21,158	45,248	6,970	(17,963)	-	55,413
Net income from Islamic financing	-	-	-	-	6,244	6,244
Other operating income	3,142	6,262	2,330	-	-	11,734
Total operating income	24,300	51,510	9,300	(17,963)	6,244	73,391
Operating expenses (incl. depreciation)	(21,491)	(13,306)	(2,378)	(8)	(5,839)	(43,022)
Net impairment losses on financial assets	(1,291)	(11,688)	-	-	(710)	(13,689)
Tax expenses	-	-	-	(2,964)	-	(2,964)
Profit (Loss) for the period	1,518	26,516	6,922	(20,935)	(305)	13,716
Assets	709,931	1,200,603	382,155	97,681	889,869	3,280,239
Liabilities	768,026	1,174,132	43,075	71,438	789,802	2,846,473
Allowance for impairment	(12,513)	(54,123)	(231)	-	(25,643)	(92,510)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021

29 Segmental information (continued)

Parent						
(Unaudited)	Retail	Corporate	Treasury	Others	Islamic	Total
30-Sep-20	RO'000	RO'000	RO'000	RO'000	Banking	RO'000
					RO'000	RO'000
Net interest income	21,158	45,248	6,970	(17,963)	-	55,413
Net income from Islamic financing	-	-	-	-	1,589	1,589
Other operating income	3,142	6,262	2,330	-	-	11,734
Total operating income	24,300	51,510	9,300	(17,963)	1,589	68,736
Operating expenses (incl. depreciation)	(21,491)	(13,943)	(2,378)	(8)	(950)	(38,770)
Net impairment losses on financial assets	(1,291)	(11,541)	-	-	(149)	(12,981)
Tax expenses	-	-	-	(2,964)	-	(2,964)
Net profit / (loss) for the period	1,518	26,026	6,922	(20,935)	490	14,021
Assets	709,931	1,200,603	382,155	97,681	-	2,390,370
Liabilities	768,026	1,174,132	43,075	71,438	-	2,056,671
Allowance for impairment	(12,513)	(54,123)	(231)	-	-	(66,867)

30 Comparative figures

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