

Statement of sources and uses of charity fund*30 September 2021 (Un-audited)*

	RO'000
Sources of charity funds	
Undistributed charity funds and total source at 1 January 2020	-
Sharia non-compliant income	25
Total source	<u>25</u>
 Uses of charity funds	
Charity for welfare	19
Total use	<u>19</u>
Undistributed charity funds at 30 September 2020	<u>6</u>
 Undistributed charity funds and total source at 1 October 2020	6
Sharia non-compliant income	7
Total source	<u>13</u>
 Uses of charity funds	
Charity for welfare	13
Total use	<u>13</u>
Undistributed charity funds at 31 December 2020 (<i>Audited</i>)	<u>-</u>
 Undistributed charity funds and total source at 1 January 2021	-
Sharia non-compliant income	14
Total source	<u>14</u>
 Uses of charity funds	
Charity for welfare	-
Total use	<u>-</u>
Undistributed charity funds at 30 September 2021	<u>14</u>

Notes to the condensed interim financial information

30 September 2021 (Un-audited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Nizwa SAOG ("the Bank") was registered in the Sultanate of Oman as a public joint stock company under registration number 1152878 on 15 August 2012. The Bank's shares are listed on the Muscat Stock Exchange "MSX" and its principal place of business is in Muscat, Sultanate of Oman.

The Bank's business operations commenced on 23 December 2012 and it currently operates through fourteen branches in the Sultanate under the banking license issued by the CBO on 19 December 2012.

The principal activities of the Bank are opening current, saving and investment accounts, providing Murabaha finance, Ijara financing and other Sharia compliant forms of financing as well as managing investors' money on the basis of Mudaraba in exchange for a profit share or agency in exchange for a fee, and excess profit as incentive providing commercial banking services and other investment activities.

The Bank's activities are regulated by the CBO and supervised by a Sharia Supervisory Board ("SSB") whose role is defined in Bank's Memorandum and Articles of Association.

At 30 September 2021, the Bank had 412 employees (September 2020: 397 employees).

The Bank's registered address is P O Box 1423, Postal Code 133, Muscat, Sultanate of Oman.

2 BASIS OF PREPARATION AND PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation

The condensed interim financial information of the Bank for the six months period ended 30 September 2021 has been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), as modified by Central Bank of Oman. In line with the requirement of AAOIFI, for matters that are not covered by AAOIFI standards, the Bank uses guidance from the relevant International Financial Reporting Standards ("IFRS"). Accordingly, the condensed interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'. The condensed interim financial information do not contain all the information and disclosures required in the financial statements, and should be read in conjunction with the financial statements as at 31 December 2020. 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 condensed interim financial information is reviewed not audited. The comparatives for the condensed interim statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2020 and comparatives for the condensed interim income statement, interim condensed changes in owners' equity, cash flows and sources and uses of charity fund have been extracted from the reviewed condensed interim financial information for the period ended 30 September 2020.

Significant accounting policies

The accounting policies used in the preparation of the condensed interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020, except as noted in 2.2.

Functional currency

The condensed interim financial information has been presented in Rials Omani (RO) which is the functional currency of the Bank.

The condensed interim financial information has been prepared on historical cost basis, except for the measurement at fair value of certain financial assets carried at fair value through other comprehensive income.

Judgements and estimates

The preparation of the interim condensed financial information in conformity with FAS as requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from estimates.

The basis and the methods used for critical accounting estimates and judgments adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2020.

Financial risk management

The financial risk management objective and policies adopted by the Bank are consistent with those disclosed in the financial statements of the Bank for the year ended 31 December 2020.

Notes to the condensed interim financial information (Continued)

30 September 2021 (Un-audited)

2.2 New standards, interpretations and amendments issued:

Standards, interpretations and amendments to existing standards issued effective up to the date of issuance of the Bank's financial statements are disclosed below. Based on the preliminary assessment, the Bank reasonably expects these issued standards, interpretations and amendments may not result in changes to previously reported net profit or equity, however, may result in additional disclosures at year end.

FAS 30 "Impairment and credit losses" (effective 1 January 2021);

FAS 30 intends to define the accounting principles for impairment and credit losses (including expected credit losses) to be in line with ever-changing global best practices;

On adoption of FAS 30, the assets subject to credit losses will be categorised in the following three stages:

Stage 1 Performing receivables: receivables that are not significantly deteriorated in credit quality since origination. The impairment provision will be recorded based on 12 months ECL.

Stage 2 Underperforming receivables: receivables that have significantly deteriorated in credit quality since origination. The credit losses will be recorded based on life time ECL.

Stage 3 Impaired receivables: For receivables that are impaired, the impairment provision based on life time ECL will be recognised.

Impairment approach

Impairment losses will be recognised on all other financing, investment assets and exposures subject to risks other than credit risk (excluding investments carried at fair value through statement of income).

The impairment losses will be measured by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount will be the higher of its fair value less costs of disposal and its value in use.

Provision for onerous contract or commitment to acquire an asset

The Bank will recognise provision when the Bank is obligated to acquire an asset under a future commitment or contracts permissible to be entered in the future, and it is expected that the obligation under the contract or commitment is higher than the economic benefits expected to flow through acquisition of such asset. In such situation, the Bank will create a provision on this account reflecting the expected losses arising on such transaction.

FAS 31 "Investment Agency (Al-Wakala Bi Al-Istithmar)" (effective 1 January 2021);

FAS 31 standard intends to define the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent;

FAS 32 "Ijarah" (effective 1 January 2021);

FAS 32 (which supersedes FAS 8 "Ijarah and Ijarah Muntahia Bittamleek") sets out principle for classification, measurement and presentation and disclosure of Ijarah. It defines new measurement and recognition principles for initial recognition for right-of-use assets, requirements to identify and separate Ijarah and non-Ijarah components and new measurement and recognition principles for Ijarah.

Notes to the condensed interim financial information (Continued)

30 September 2021 (Un-audited)

2.2 New standards, interpretations and amendments issued (Continued):

FAS 33 "Investments in sukuk, shares and similar instruments" (effective 1 January 2021); and

FAS 33 (which supersedes earlier FAS 25) sets out the improved principles for classification, recognition, measurement, presentation and disclosure of investment in sukuk, shares and other similar instruments of investments made by Islamic financial institutions (IFIs / the institutions), in line with Shari'a principles. It defines the key types of instruments of Shari'a compliant investments and defines the primary accounting treatments commensurate to the characteristics and business model of the institution under which the investments are made, managed and held.

FAS 35 "Risk reserves" (effective 1 January 2021)

FAS 35 intends to establish the principles of accounting and financial reporting for risk reserves established to mitigate various risks faced by stakeholders, mainly the profit and loss taking investors, of Islamic financial institutions.

Notes to the condensed interim financial information (Continued)
30 September 2021 (Un-audited)
3 CASH AND BALANCES WITH CENTRAL BANK OF OMAN

	<i>(Un-audited)</i> 30 September 2021 RO'000	<i>(Un-audited)</i> 30 September 2020 RO'000	<i>(Audited)</i> 31 December 2020 RO'000
Cash in hand	6,163	5,438	5,443
Balances with CBO	71,037	46,839	62,000
Capital deposit with CBO	500	500	500
	<u>77,700</u>	<u>52,776</u>	<u>67,943</u>

3.1 The capital deposit with the CBO cannot be withdrawn without its prior approval.

4 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	<i>(Un-audited)</i> 30 September 2021 RO'000	<i>(Un-audited)</i> 30 September 2020 RO'000	<i>(Audited)</i> 31 December 2020 RO'000
Foreign banks – foreign currency	10,999	14,937	13,012
Less: Impairment losses	(12)	(16)	(16)
	<u>10,987</u>	<u>14,921</u>	<u>12,996</u>

5 SALES RECEIVABLES AND OTHER RECEIVABLES – NET

	30 September 2021 (Un-audited)		
	Jointly-financed RO'000	Self-financed RO'000	Total RO'000
Sales receivables (Murabaha) – retail	136,847	1,800	138,647
Sales receivables (Murabaha) – corporate	119,973	-	119,973
Istisna receivables – corporate	3,401	-	3,401
Ijara rent receivables - retail	140	-	140
Ijara rent receivables – corporate	196	-	196
Credit card receivables - Ijarah service (Ujrah)	2,569	-	2,569
Gross sales receivables and other receivables	<u>263,126</u>	<u>1,800</u>	<u>264,926</u>
Less:			
Deferred profit	(27,411)	(166)	(27,577)
Less: Impairment losses	(5,833)	(17)	(5,850)
Less: Reserved profit	(359)	(2)	(361)
Net sales receivables and other receivables	<u>229,523</u>	<u>1,615</u>	<u>231,138</u>

	30 September 2020 (Un-audited)		
	Jointly-financed RO'000	Self-financed RO'000	Total RO'000
Net sales receivables and other receivables	<u>211,581</u>	<u>1,744</u>	<u>213,325</u>

	31 December 2020 (Audited)		
	Jointly-financed RO'000	Self-financed RO'000	Total RO'000
Net sales receivables and other receivables	<u>207,163</u>	<u>1,746</u>	<u>208,909</u>

Notes to the condensed interim financial information (Continued)

30 September 2021 (Un-audited)

6 INVESTMENT SECURITIES

	<i>(Un-audited)</i> 30 September 2021 RO'000	<i>(Un-audited)</i> 30 September 2020 RO'000	<i>(Audited)</i> 31 December 2020 RO'000
Investment securities measured at amortised cost (note a)	2,002	2,002	2,002
Investment securities measured at FVTE (note b)	106,691	96,806	100,208
	108,693	98,808	102,210
Less: impairment losses	(209)	(209)	(191)
	108,484	98,599	102,019

a. Investments securities measured at amortised cost

	Self-financed		
	<i>(Un-audited)</i> September 2021 RO'000	<i>(Un-audited)</i> September 2020 RO'000	<i>(Audited)</i> December 2020 RO'000
Local listed Sukuk	2,002	2,002	2,002
Less: impairment losses	(23)	(23)	(23)
	1,979	1,979	1,979

b. Investment securities measured at FVTE

	Jointly-financed		
	<i>(Un-audited)</i> September 2021 RO'000	<i>(Un-audited)</i> September 2020 RO'000	<i>(Audited)</i> December 2020 RO'000
Financial assets at fair value through equity – debt instruments (note i)	103,988	94,237	97,482
Financial assets at fair value through equity – equity instruments (note ii)	2,703	2,569	2,726
	106,691	96,806	100,208
Less: impairment losses	(186)	(186)	(168)
	106,505	96,620	100,040

i. Investment securities measured at FVTE – debt instruments

	<i>(Un-audited)</i> September 2021 RO'000	<i>(Un-audited)</i> September 2020 RO'000	<i>(Audited)</i> December 2020 RO'000
Quoted investments			
Government Sukuk	80,799	77,574	76,374
Corporate Sukuk	3,938	3,958	3,958
Unquoted investments			
Government Sukuk	19,251	12,705	17,150
	103,988	94,237	97,482
Less: impairment losses	(186)	(186)	(168)
	103,802	94,051	97,314

Notes to the condensed interim financial information (Continued)

30 September 2021 (Un-audited)

6 INVESTMENT SECURITIES (Continued)
ii. Investment securities measured at FVTE – Equity instruments

	(Un-audited) September 2021 RO'000	(Un-audited) September 2020 RO'000	(Audited) December 2020 RO'000
Regional un-listed funds	2,495	2,231	2,385
Regional un-listed shares	164	284	284
Local listed shares	44	54	57
	<u>2,703</u>	<u>2,569</u>	<u>2,726</u>

6.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY - JOINTLY FINANCED

	Jointly-financed September 2021 (Un-audited)	
	Cost RO'000	Fair value RO'000
International un-listed Sukuk	19,251	19,251
International listed Sukuk	-	-
Regional un-listed Sukuk	3,691	3,691
Regional listed Sukuk	195	203
Regional un-listed funds	4,061	2,495
Regional un-listed shares	334	164
Local rated listed Sukuk	74,923	76,905
Local Unrated listed Sukuk	3,938	3,938
Local listed shares	48	44
Less: impairment losses	-	(186)
30 September 2021	<u>106,441</u>	<u>106,505</u>
30 September 2020	<u>97,770</u>	<u>96,620</u>
31 December 2020 (Audited)	<u>100,218</u>	<u>100,040</u>

7 INVESTMENT IN REAL ESTATE

This represents investment in income generating industrial real estate; where 70% of the beneficial ownership is held by the Bank for a consideration of RO 14.175 million. Subsequently, the property has been leased under a master lease agreement for a period of ten years with a fixed rental amount.

Investment in real estate has been financed from Shareholders' funds and classified as self-finance investment and not included in the Mudaraba pool 'commingled pool'. All profits generated and costs in relation to the investment will be for the account of the Bank only and not subject to income distribution for the unrestricted investment account holders.

The Bank follows sales comparison and investment approach based valuation methodology and management believes that the fair value of investment in real estate is not materially different from its carrying value as at 30 September 2021. The Bank intends to sell the asset at the completion of lease agreement ending 30 June 2023. The property has been valued by an independent external valuer and the valuation has been prepared in accordance with Royal Institution of Chartered Surveyors (RICS) valuation methodology.

Notes to the condensed interim financial information (Continued)
30 September 2021 (Un-audited)
8 IJARA MUNTAHIA BITTAMLEEK - NET

30 September 2021 (Un-audited)			
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Real estate			
Cost	315,670	13,518	329,188
Accumulated depreciation	(51,165)	(2,421)	(53,586)
Net book value	264,505	11,097	275,602
Equipment			
Cost	19,708	-	19,708
Accumulated depreciation	(6,241)	-	(6,241)
Net book value	13,467	-	13,467
Total			
Cost	335,378	13,518	348,896
Accumulated depreciation	(57,406)	(2,421)	(59,827)
Net book value before impairment losses	277,972	11,097	289,069
Less: impairment losses	(2,002)	(26)	(2,028)
Net book value after impairment losses	275,970	11,071	287,041

30 September 2020 (Un-audited)			
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Cost	352,359	13,803	366,162
Accumulated depreciation	(54,802)	(2,087)	(56,889)
Net book value before impairment losses	297,557	11,716	309,273
Less: impairment losses	(1,053)	(17)	(1,071)
Net book value after impairment losses	296,504	11,699	308,202

31 December 2020 (Audited)			
	Jointly-financed	Self-financed	Total
	RO'000	RO'000	RO'000
Cost	349,646	14,035	363,681
Accumulated depreciation	(56,225)	(2,217)	(58,442)
Net book value before impairment losses	293,421	11,818	305,239
Less: impairment losses	(1,306)	(28)	(1,334)
Net book value after impairment losses	292,115	11,790	303,905

Notes to the condensed interim financial information (Continued)*30 September 2021 (Un-audited)***9 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS**

	<i>(Un-audited)</i> 30 September 2021 RO'000	<i>(Un-audited)</i> 30 September 2020 RO'000	<i>Audited</i> 31 December 2020 RO'000
Unrestricted investment account holders	347,423	398,591	365,738
Investment fair value reserve	49	(243)	(2)
Investment risk reserve	156	444	355
	<u>347,628</u>	<u>398,792</u>	<u>366,091</u>

Unrestricted investment accounts comprise Mudaraba deposits accepted by the Bank. The funds received from equity of unrestricted investment accountholders have been commingled and jointly invested by the Bank.

10 PAID UP CAPITAL

The authorised share capital of the Bank is RO 300,000,000 and the issued and paid up capital is RO 220,010,538 divided into 2,236,953,032 shares of a nominal value of RO 0.100 each (30 September 2020: RO 150,000,000 divided into 1,500,000,000 shares of a nominal value of RO 0.100 each).

Aflaj Financial Investment LLC is the only shareholder which owns 10% or more of the Bank's shares. On 30 September 2021 shareholding of Aflaj Financial Investment LLC was 783,286,155 shares equivalent to 35.02% (30 September 2020: No shareholders were holding more than 10%).

During the year, the bank raised additional capital through rights of 736,953,032 Shares at RO 0.095. In relation to the rights issue, the bank incurred RO 118,000 towards the issue expense which has been deducted from retained earnings.

11 OPERATING EXPENSES

	<u>Nine months ended</u>		<u>Quarter ended</u>	
	30 September 2021 RO	30 September 2020 RO	30 September 2021 RO	30 September 2020 RO
Rent expense	762	732	251	239
Advertisement	1,486	901	607	383
Maintenance expenses	656	697	210	221
Premises expenses	105	99	38	34
Government fees	154	123	50	41
Printing and stationery	73	67	19	24
Professional and consulting charges	253	142	61	96
Board of Directors and Sharia board expenses	108	92	33	34
Others	2,376	1,622	773	587
Total	<u>5,973</u>	<u>4,475</u>	<u>2,042</u>	<u>1,659</u>

Notes to the condensed interim financial information (Continued)
30 September 2021 (Un-audited)
12 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank conducts transactions with certain of its directors and/or shareholders and companies over which they have significant profit. The aggregate amounts of balances with such related parties are as follows:

30 September 2021 (Un-audited)	Principal shareholders RO'000	Sharia'a Board RO'000	Senior management RO'000	Total RO'000
Sales receivables	6	61	144	211
Ijara Muntahia Bittamleek	403	69	1,513	1,985
Wakala Bil Istethmar	700	-	-	700
Musharaka Financing	2,511	110	270	2,891
Customers' accounts	5,527	1	218	5,746
Unrestricted investment accountholders / Customers' wakala	1,111	-	349	1,460
Wakala Deposits	70,305	-	-	70,305
30 September 2020 (Un-audited)				
Sales receivables	9	66	140	215
Ijara Muntahia Bittamleek	424	73	1,500	1,997
Musharaka Financing	996	-	-	996
Customers' accounts	33	1	221	255
Unrestricted investment accountholders	1,721	-	266	1,987
31 December 2020 (Audited)				
Sales receivables and other receivables	8	62	174	244
Ijara Muntahia Bittamleek	424	72	1,557	2,053
Wakala Bil Istethmar	1,850	-	-	1,850
Musharaka Financing	1,351	-	-	1,351
Customers' accounts	237	6	163	406
Unrestricted investment accountholders / Customers' wakala	1,674	2	268	1,944
Wakala Deposits	54,845	-	-	54,845

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

Nine months ended 30 September 2021 (Un-audited)	Principal shareholders RO'000	Sharia'a Board RO'000	Senior management RO'000	Total RO'000
Profit income	35	5	28	68
Staff cost	-	-	1,575	1,575
Other expenses	61	47	-	108
Nine months ended 30 September 2020 (Un-audited)				
Profit income	28	5	28	61
Staff cost	-	-	1,374	1,374
Other expenses	49	43	-	92

Notes to the condensed interim financial information (Continued)
30 September 2021 (Un-audited)
13 EARNINGS PER SHARE BASIC AND DILUTED AND NET ASSETS PER SHARE
a. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to ordinary shareholders is as follows:

	<i>(Un-audited)</i> <i>Nine months</i> <i>ended</i> 30 September 2021	<i>(Un-audited)</i> <i>Nine months</i> <i>ended</i> 30 September 2020	<i>(Un-audited)</i> <i>Quarter ended</i> 30 September 2021	<i>(Un-audited)</i> <i>Quarter ended</i> 30 September 2020
Earnings for the period (RO'000)	9,072	8,543	3,023	3,108
Weighted average number of shares outstanding during the period	1,510,095,247	1,500,000,000	1,510,095,247	1,500,000,000
Earnings per share basic and diluted (RO)	0.006	0.006	0.002	0.002

Earnings per share basic and diluted has been derived by dividing profit for the period attributable to the shareholders' by weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share is same as the basic earnings per share.

b. Net asset per share

Net assets value per share is calculated by dividing the shareholders' equity at the reporting date by the number of shares outstanding.

	<i>(Un-audited)</i> 30 September 2021	<i>(Un-audited)</i> 30 September 2020	<i>(Un-audited)</i> 31 December 2020
Net assets (RO'000)	236,862	156,594	159,688
Number of shares at reporting date	2,236,953,032	1,500,000,000	1,500,000,000
Net asset per share (RO)	0.106	0.104	0.106

14 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>(Un-audited)</i> 30 September 2021 RO'000	<i>(Un-audited)</i> 30 September 2020 RO'000	<i>(Audited)</i> 31 December 2020 RO'000
Contingent liabilities	221,088	214,751	225,752
Commitments	148,294	156,848	110,834
	369,382	371,599	336,586

Notes to the condensed interim financial information (Continued)

30 September 2021 (Un-audited)

15 SEGMENT REPORTING

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

Retail banking offers various products and facilities to individual customers to meet everyday banking needs.

Corporate banking delivers a variety of products and services to corporate and SMEs customers that includes financing, accepting deposits, trade finance and foreign exchange.

Treasury and investment banking provides a full range of treasury products and services including money market and foreign exchange to the clients in addition to managing liquidity and market risk, in addition to asset management corporate advisory and investment products high net worth individuals and institutional clients.

Management monitors the operating results of the operating segments 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 an overall basis and are not allocated to operating segments.

Segment information is as follows:

*Nine months ended
30 September 2021
(Un-audited)*

	Retail banking RO'000	Corporate banking RO'000	Treasury & investment RO'000	Others RO'000	Total RO'000
Operating income	12,705	15,005	3,189	1,947	32,846
Net profit for the period	2,231	4,013	2,118	711	9,073
Total assets	453,137	677,213	247,339	6,864	1,384,553
Total liabilities and unrestricted investment accountholders	511,151	562,439	47,748	26,353	1,147,691

*Nine months ended
30 September 2020
(Un-audited)*

	Retail banking RO'000	Corporate banking RO'000	Treasury & investment RO'000	Others RO'000	Total RO'000
Operating income	11,218	13,174	2,923	1,204	28,519
Net profit/ (loss) for the period	2,123	4,637	1,988	(205)	8,543
Total assets	406,898	545,157	180,696	5,863	1,138,614
Total liabilities and unrestricted investment accountholders	445,575	452,227	45,956	38,262	982,020

Notes to the condensed interim financial information (Continued)
30 September 2021 (Un-audited)
16 FINANCIAL INSTRUMENTS TRANSFER BETWEEN LEVEL 1, LEVEL 2 AND LEVEL 3

There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy of investment securities during the period.

	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Financial assets classified under FVOCI	103,988	2,703	-	106,691
Investment in real estate	-	-	14,175	14,175
Total financial assets at 30 September 2021 (Un-audited)	103,988	2,703	14,175	120,866
Total financial assets at 30 September 2020 (Un-audited)	94,237	2,569	14,175	110,981
Total financial assets at 31 December 2020 (Audited)	97,540	2,668	14,175	114,383

17 MATURITY PROFILE OF ASSETS AND LIABILITIES

	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
30 September 2021 (Un-audited)						
Total assets	137,755	216,970	92,075	580,819	356,934	1,384,553
Total liabilities, equity of unrestricted investment accountholders and owners' equity	116,707	212,631	144,053	453,643	457,519	1,384,553
Net gap	21,048	4,339	(51,978)	127,176	(100,585)	-
Cumulative net gap	21,048	25,387	(26,591)	100,585	-	-
30 September 2020 (Un-audited)						
Total assets	106,253	179,885	107,536	454,432	290,508	1,138,614
Total liabilities, equity of unrestricted investment accountholders and owners' equity	98,254	215,015	150,812	328,078	346,455	1,138,614
Net gap	7,999	(35,130)	(43,276)	126,354	(55,947)	-
Cumulative net gap	7,999	(27,131)	(70,407)	55,947	-	-

Notes to the condensed interim financial information (Continued)

30 September 2021 (Un-audited)

17 MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	Due on demand and up to 30 days RO'000	More than 1 month to 6 months RO'000	More than 6 months to 12 months RO'000	More than 1 year to 5 years RO'000	Over 5 years RO'000	Total RO'000
31 December 2020 (Audited)						
Total assets	118,732	171,779	100,942	515,897	298,909	1,206,259
Total liabilities, equity of unrestricted investment accountholders and owners' equity	140,147	151,481	172,281	386,093	356,257	1,206,259
Net gap	(21,415)	20,298	(71,339)	129,804	(57,348)	-
Cumulative net gap	(21,415)	(1,117)	(72,456)	57,348	-	-

18 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, it requires to maintain a capital conservation buffer (CCB) of 2.5 per cent annually in addition to 1 per cent of prompt corrective action. However, the circular BSD/CB/2020/001 dated 18 March 2020, relaxed the CCB requirements to 1.25 per cent and accordingly the minimum capital adequacy requirement has been reduced respectively. The ratio of equity to risk weighted assets, as formulated by the Basel III, is as follows:

Capital structure	(Un-audited) 30 September 2021 RO'000	(Un-audited) 30 September 2020 RO'000	(Audited) 31 December 2020 RO'000
Tier I capital	223,124	144,313	154,967
Tier II capital	11,921	8,468	10,900
Total regulatory capital	235,045	152,781	165,867
Risk weighted assets			
Credit risk	1,240,498	1,096,409	1,145,255
Market risk	5,183	7,866	5,105
Operational risk	62,106	51,566	62,106
Total risk weighted assets	1,307,787	1,155,841	1,212,466
Tier I capital ratio	17.06%	12.49%	12.78%
Total capital ratio	17.97%	13.22%	13.68%
Common equity Tier 1 (CET1)	223,124	144,313	154,967
Common equity Tier 1 ratio	17.06%	12.49%	12.78%

19 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

	(Un-audited) 30 September 2021	(Un-audited) 30 September 2020	(Audited) 31 December 2020
LCR (%)	308.70	190.46	133.83
NSFR (%)	131.27	123.53	118.98

Notes to the condensed interim financial information (Continued)

30 September 2021 (Un-audited)

20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS

(a) Standard, special mention and non-performing Financing account
30 September 2021 (Un-audited)

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
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)
Standard	Stage 1 Stage 2 Stage 3	1,019,663 311,439 -	8,840 1,589 -	2,707 4,023 -	6,133 (2,434) -	1,010,823 309,850 -	1,016,956 307,416 -
Subtotal		1,331,102	10,429	6,730	3,699	1,320,673	1,324,372
Special Mention	Stage 1 Stage 2 Stage 3	42,030 112,496 -	369 876 -	1,054 9,153 -	(685) (8,277) -	41,661 111,620 -	40,976 103,343 -
Subtotal		154,526	1,245	10,207	(8,962)	153,281	144,319
Substandard	Stage 1 Stage 2 Stage 3	- - 929	- - 184	- - 262	- - (78)	- - 745	- - 667
Subtotal		929	184	262	(78)	745	667
Doubtful	Stage 1 Stage 2 Stage 3	- - 5,117	- - 2,509	- - 2,550	- - (41)	- - 2,608	- - 2,567
Subtotal		5,117	2,509	2,550	(41)	2,608	2,567
Loss	Stage 1 Stage 2 Stage 3	- - 8,059	- - 8,059	- - 4,094	- - 3,965	- - -	- - 3,965
Subtotal		8,059	8,059	4,094	3,965	-	3,965
Other items not covered under CBO circular BM 977 and related instructions	Stage 1 Stage 2 Stage 3	147,033 5,731 -	- - -	162 121 -	(162) (121) -	147,033 5,731 -	146,871 5,610 -
Subtotal		152,764	-	283	(283)	152,764	152,481
Total	Stage 1 Stage 2 Stage 3	1,208,726 429,666 14,105	9,209 2,465 10,752	3,923 13,297 6,906	5,286 (10,832) 3,846	1,199,517 427,201 3,353	1,204,803 416,369 7,199
		1,652,497	22,426	24,126	(1,700)	1,630,071	1,628,371

Notes to the condensed interim financial information (Continued)

30 September 2021 (Un-audited)

20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (CONTINUED)

(a) Standard, special mention and non-performing Financing accounts (Continued)

31 December 2020 (Audited)

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
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)
Standard	Stage 1 Stage 2 Stage 3	910,161 248,507 -	8,452 1,255 -	2,474 2,333 -	5,978 (1,078) -	901,709 247,252 -	907,687 246,174 -
Subtotal		1,158,668	9,707	4,807	4,900	1,148,961	1,153,861
Special Mention	Stage 1 Stage 2 Stage 3	36,000 132,760 -	302 988 -	1,007 7,516 -	(705) (6,528) -	35,698 131,772 -	34,993 125,244 -
Subtotal		168,760	1,290	8,523	(7,233)	167,470	160,237
Substandard	Stage 1 Stage 2 Stage 3	- - 5,689	- - 1,422	- - 1,849	- - (427)	- - 4,267	- - 3,840
Subtotal		5,689	1,422	1,849	(427)	4,267	3,840
Doubtful	Stage 1 Stage 2 Stage 3	- - 335	- - 167	- - 150	- - 17	- - 168	- - 185
Subtotal		335	167	150	17	168	185
Loss	Stage 1 Stage 2 Stage 3	- - 7,269	- - 3,169	- - 2,186	- - 983	- - 4,100	- - 5,083
Subtotal		7,269	3,169	2,186	983	4,100	5,083
Other items not covered under CBO circular BM 977 and related instructions	Stage 1 Stage 2 Stage 3	110,494 2,002 -	- - -	184 23 -	(184) (23) -	110,494 2,002 -	110,310 1,979 -
Subtotal		112,496	-	207	(207)	112,496	112,289
Total	Stage 1 Stage 2 Stage 3	1,056,655 383,269 13,293	8,754 2,243 4,758	3,665 9,872 4,185	5,089 (7,629) 573	1,047,901 381,026 8,535	1,052,990 373,397 9,108
		1,453,217	15,755	17,722	(1,967)	1,437,462	1,435,495

Notes to the condensed interim financial information (Continued)

30 September 2021 (Un-audited)

20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)
(b) Restructured accounts

30 September 2021 (Un-audited)

Assets 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	Reserve profit as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)	(8)=(3)-(5)	(9)
Classified as performing	Stage 1	803	4	18	(14)	799	785	-
	Stage 2	37,155	360	3,463	(3,103)	36,795	33,692	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		37,958	364	3,481	(3,117)	37,594	34,477	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	4,826	2,437	2,393	44	2,389	2,433	-
Sub Total		4,826	2,437	2,393	44	2,389	2,433	-
Total	Stage 1	803	4	18	(14)	799	785	-
	Stage 2	37,155	360	3,463	(3,103)	36,795	33,692	-
	Stage 3	4,826	2,437	2,393	44	2,389	2,433	-
		42,784	2,801	5,874	(3,073)	39,983	36,910	-

31 December 2020 (audited)

Assets 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	Reserve profit as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)	(8)=(3)-(5)	(9)
Classified as performing	Stage 1	26,668	224	668	(444)	26,444	26,000	-
	Stage 2	19,210	186	2,066	(1,880)	19,024	17,144	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		45,878	410	2,734	(2,324)	45,468	43,144	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	71	36	18	18	35	53	2
Sub Total		71	36	18	18	35	53	2
Total	Stage 1	26,668	224	668	(444)	26,444	26,000	-
	Stage 2	19,210	186	2,066	(1,880)	19,024	17,144	-
	Stage 3	71	36	18	18	35	53	2
		45,949	446	2,752	(2,306)	45,503	43,197	2

(c) Non-performing financing ratio

30 September 2021 (Un-audited)

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	6,671	6,402	269
Provisions required as per CBO norms/held as per IFRS 9	22,426	24,124	(1,698)
Gross NPA ratio	0.94	0.94	-
Net NPA ratio	0.23	0.49	0.26

31 December 2020 (Audited)

	As per CBO Norms	As per IFRS 9	Difference
Impairment loss charged to profit and loss account	6,076	6,700	(624)
Provisions required as per CBO norms/held as per IFRS 9	15,755	17,722	(1,967)
Gross NPA ratio	0.99	0.99	-
Net NPA ratio	0.64	0.69	0.05

Notes to the condensed interim financial information (Continued)
30 September 2021 (Un-audited)
20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)
(d) Movement in ECL
30 September 2021 (Un-audited)

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL (Net) – as at Dec 31, 2020				
Gross financing, commitments and financial guarantees	940,676	373,421	9,109	1,323,206
Investment securities	97,314	-	-	97,314
Financial assets at amortised cost	-	1,979	-	1,979
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	12,996	-	-	12,996
	1,050,986	375,400	9,109	1,435,495
Net transfer between stages				
Gross financing, commitments and financial guarantees	121,015	50,514	4,996	176,525
Investment securities	2,944	3,730	-	6,674
Financial assets at amortised cost	-	23	-	23
Interbank wakala investments	35,775	-	-	35,775
Due from banks, central banks and other financial assets	(1,997)	-	-	(1,997)
	157,737	54,267	4,996	217,000
Exposure subject to ECL (gross)				
30 September 2021				
Gross financing, commitments and financial guarantees	1,061,691	423,935	14,105	1,499,731
Investment securities	100,258	3,730	-	103,988
Financial assets at amortised cost	-	2,002	-	2,002
Interbank wakala investments	35,775	-	-	35,775
Due from banks, central banks and other financial assets	10,999	-	-	10,999
	1,208,723	429,667	14,105	1,652,495
Expected Credit Loss - as at Dec 31, 2020				
Gross financing, commitments and financial guarantees	(3,480)	(9,849)	(4,186)	(17,515)
Investment securities	(168)	-	-	(168)
Financial assets at amortised cost	-	(23)	-	(23)
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	(16)	-	-	(16)
	(3,664)	(9,872)	(4,186)	(17,722)
Charge for the period (net)				
Gross financing, commitments and financial guarantees	(279)	(3,327)	(2,720)	(6,326)
Investment securities	81	(99)	-	(18)
Financial assets at amortised cost	-	-	-	-
Interbank wakala investments	(62)	-	-	(62)
Due from banks, central banks and other Financial assets	4	-	-	4
	(256)	(3,426)	(2,720)	(6,402)

Notes to the condensed interim financial information (Continued)
30 September 2021 (Un-audited)
20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)
(d) Movement in ECL

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Closing Balance - as at 30 September 2021				
Gross financing, commitments and financial guarantees	1,057,932	410,759	7,199	1,475,890
Investment securities	100,171	3,631	-	103,802
Financial assets at amortized cost	-	1,979	-	1,979
Interbank wakala investments	35,713	-	-	35,713
Due from banks, central banks and other financial assets	10,987	-	-	10,987
	1,204,803	416,369	7,199	1,628,371

30 September 2020 (Un-audited)

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Exposure subject to ECL (Net) – as at Dec 31, 2019				
Gross financing, commitments and financial guarantees	990,645	161,454	294	1,152,393
Investment securities	62,963	-	-	62,963
Financial assets at amortised cost	1,993	-	-	1,993
Interbank wakala investments	455	-	-	455
Due from banks, central banks and other financial assets	20,321	-	-	20,321
	1,076,377	161,454	294	1,238,125
Net transfer between stages				
Gross financing, commitments and financial guarantees	34,374	124,510	12,377	171,261
Investment securities	31,273	-	-	31,273
Financial assets at amortised cost	9	-	-	9
Interbank wakala investments	(455)	-	-	(455)
Due from banks, central banks and other financial assets	(5,384)	-	-	(5,384)
	59,817	124,510	12,377	196,704
Exposure subject to ECL (gross) 30 September 2020				
Gross financing, commitments and financial guarantees	1,025,019	285,964	12,671	1,323,654
Investment securities	94,236	-	-	94,236
Financial assets at amortised cost	2,002	-	-	2,002
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	14,937	-	-	14,937
	1,136,194	285,964	12,671	1,434,829

Notes to the condensed interim financial information (Continued)*30 September 2021 (Un-audited)***20 COMPARISON OF PROVISION HELD AS PER IFRS 9 AND REQUIRED AS PER CBO NORMS (Continued)**

	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
Expected Credit Loss - as at Dec 31, 2019				
Gross financing, commitments and financial guarantees	(4,268)	(6,125)	(375)	(10,768)
Investment securities	(227)	-	-	(227)
Financial assets at amortised cost	(9)	-	-	(9)
Interbank wakala investments	(6)	-	-	(6)
Due from banks, central banks and other financial assets	(12)	-	-	(12)
	<u>(4,522)</u>	<u>(6,125)</u>	<u>(375)</u>	<u>(11,022)</u>
Charge for the period (net)				
Gross financing, commitments and financial guarantees	793	(1,906)	(3,586)	(4,699)
Investment securities	42	-	-	42
Financial assets at amortised cost	(14)	-	-	(14)
Interbank wakala investments	6	-	-	6
Due from banks, central banks and other Financial assets	(5)	-	-	(5)
	<u>822</u>	<u>(1,906)</u>	<u>(3,586)</u>	<u>(4,670)</u>
Closing Balance - as at 30 September 2020				
Gross financing, commitments and financial guarantees	1,021,544	277,933	8,710	1,308,187
Investment securities	94,051	-	-	94,051
Financial assets at amortized cost	1,979	-	-	1,979
Interbank wakala investments	-	-	-	-
Due from banks, central banks and other financial assets	14,921	-	-	14,921
	<u>1,132,495</u>	<u>277,933</u>	<u>8,710</u>	<u>1,419,138</u>

21 COMPARATIVE FIGURES

Certain comparative information has been reclassified to conform to the presentation adopted in these financial statements. Such reclassifications are immaterial and do not affect previously reported profit/(loss) or shareholders' equity.

Notes to the condensed interim financial information (Continued)*30 September 2021 (Un-audited)***22 IMPACT OF COVID-19**

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

To ensure continuity of business, the Bank has formed a senior management task force to monitor the situation and has activated its business continuity plan and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The uncertainties caused by COVID-19, and the volatility in oil prices have required to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 September 2021. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is rapidly evolving, has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

Bank has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures in potentially affected sectors.

Bank has considered potential impacts of the current economic volatility in determination of the reported amounts of the financial and non-financial assets and these are considered to represent management's best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Bank has performed an assessment of oil prices volatility and COVID-19 in line with the available guidance of the Central Bank of Oman ('CBO') and IFRS, which has resulted in the following changes to the expected credit loss methodology and valuation estimates:

a) Expected Credit Loss (ECL)

The economic consequences of the Covid-19 outbreak on macroeconomic variables that are used in models are outside of the bounds for which IFRS 9 models have been built and calibrated to operate. Moreover, the complexities of current governmental support programmes and regulatory guidance on the treatment of customer impacts, such as forbearance, payment holidays and the unpredictable pathways of the Covid-19 outbreak, have not previously been factored into the modelling. Consequently, IFRS 9 models under the current economic conditions are generating outputs that do not accurately assess the actual level of credit quality. Therefore, overlays based on expert analysis are necessary to reflect ECL. In the short term, the focus is on refining model inputs and outputs in a consistent and explainable manner, including the use of model overlays. Wider ranging model changes for risk and loss models will take time to develop and need more real data on which models can be trained to be meaningful. Given the remaining significant uncertainties of Covid-19 and its impacts, it is early to determine if model recalibration or redevelopment will be required.

As at 30 September 2021, the Bank considered the same assumptions used at the end of reporting period of 2020 for the determination of expected credit losses ("ECLs") in response to uncertainties caused by COVID 19 and oil prices volatility.

The Bank is monitoring the economic environment in response to the COVID-19 pandemic and is taking actions to limit its exposure to sectors that are severely impacted

b) Accounting for modified financing assets

The Bank has allowed further deferment of financial obligation of certain customers for a period of three months in line with the CBO circular issued in September 2021 in which local banks in Sultanate of Oman have been encouraged to delay financing repayments for affected customers. The modification loss on these financing were not considered material for the period.