



Bank Muscat SAOG

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Chairman's Report for the Nine Months ended 30 September 2021

Dear Shareholders,

I am pleased to share with you the excellent results achieved by Bank Muscat during the nine-month period ended 30 September 2021. The Bank continued to maintain its leadership position in the Sultanate's financial services industry with a positive performance as COVID-19 vaccination continued at a fast pace across Oman and economies opened up across the globe.

Financial Overview

The Bank posted a net profit of RO 140.16 million for the period compared to RO 113.21 million reported during the same period in 2020, an increase of 23.8 per cent, mainly due to lower impairment charges.

Net Interest Income from Conventional Banking and Net Income from Islamic Financing stood at RO 252.48 million for the nine months period ended 30 September 2021 compared to RO 240.07 million for the same period in 2020, an increase of 5.2 per cent.

Non-interest income was RO 105.85 million for the nine months period ended 30 September 2021 as compared to RO 96.72 million for the same period in 2020, an increase of 9.4 per cent.

Operating expenses for the nine months period ended 30 September 2021 was RO 144.33 million as compared to RO 137.19 million for the same period in 2020, an increase of 5.2 per cent.

Net Impairment for credit and other losses for the nine months period in 2021 was RO 46.77 million as against RO 64.82 million for the same period in 2020. The decrease is mainly attributed to the precautionary and collective provisions created by the Bank during first half of 2020, due to the onset of the Covid-19 pandemic and the historic decline seen in global crude oil prices. The Bank remains vigilant of the continuing stress in the macro-economic and business conditions and its potential impacts.

Net Loans and advances including Islamic financing receivables increased by 3.0 per cent to RO 9,158 million as against RO 8,895 million as at 30 September 2020.

Customer deposits including Islamic Customer deposits decreased by 1.1 per cent to RO 8,698 million as against RO 8,795 million as at 30 September 2020.

Strategic Initiatives & Key Developments

Bank Muscat successfully conducted a vaccination drive for all its employees and their nominees, while also continuing to implement the directives of the Supreme Committee for Dealing with COVID-19. The Bank continues to support both retail and corporate customers with financial relief measures in line with regulatory guidelines.

Moving further in line with the Bank's commitment to financial inclusion and enhancing ease of banking through state-of-the-art technology and secure e-payments, Bank Muscat upgraded its Omnichannel Internet and Mobile banking platform with several new features including speed transfers to Egypt and added options for utility payments. The Bank also launched QR code payments through PoS machines at retail outlets across the Sultanate and an automated WhatsApp service for the benefit of its Asalah Priority Banking customers during the quarter. It is encouraging to note that contactless payments have now reached almost 75 per cent of total PoS transactions.

In line with its pioneering role in introducing state-of-the-art banking services and solutions to the government and corporate businesses, Bank Muscat launched a new solution-oriented and user-friendly Corporate Banking website. It has interactive application forms to facilitate applications for banking products and services and provides direct links to a large range of services and solutions offered by the Bank. In keeping with its role as the premier project finance bank in the sultanate, the Bank took part in Energy Development Oman's (EDO) inaugural commercial debt financing, which was well received by international and local lenders.

Bank Muscat Asset Management delivered impressive returns across the risk-return spectrum and across geographies. In particular, the Money Market Fund continued its excellent performance with annualized return further improving to 3.95% after Assets under Management (AUM) crossed RO 50 million in June 2021. The Oryx Fund continued its market-leading performance in the region with investors realizing an 8.1% return in Q3 2021, and the 9M 2021 return reaching 35.4%, with significant outperformance over the benchmark index returns.

Meethaq continues to retain its leading position with the total number of customers crossing the 100,000 milestone. Meethaq also signed an agreement with the Ministry of Social Development

to open a Social Takaful account for the ministry. Meethaq will provide the facilities needed for collecting contributions, donations and aid to the ministry through various channels, including branches, ATMs, CDMs, Internet and Mobile Banking. Meethaq has also signed agreements with a number of higher educational institutions to extend various financing options for students. Meethaq has also launched its Term Life and Critical Illness Bancatakaful Protection Plans.

CSR & Sustainability

The Bank successfully completed its annual Tadamun programme in partnership with the Ministry of Social Development. In 2021, the Bank was able to support 150 social welfare families across Oman by distributing around 790 household appliances. Bank Muscat also continued its nationwide anti-fraud awareness campaign in partnership with the Royal Oman Police. The Bank has signed agreements with the 20 winners of Green Sports 2021 to start implementation of their respective projects. So far, the Bank's long-running CSR programme has benefitted 143 sports teams across the Sultanate till date, bringing together different generations on the evergreen theme of sports. To support Omani youth in enhancing their digital skills, the Bank successfully organised its first eSports Tournament (Shababi Gamerz), where over 1,700 contestants displayed their gaming skills during a multi-platform competition.

As part of its continuous support to its Small and Medium Enterprises (SME), the Bank set up a free Value Added Tax (VAT) Registration and Advisory desk at its Head Office in partnership with Morison Muscat Chartered Accountants to help SME customers in complying with newly introduced VAT regulations. The Bank also further strengthened its partnership with several Non-Governmental Organisations (NGOs) working to support social welfare families and disabled individuals. Going ahead, Bank Muscat plans to launch new programmes and initiatives in partnership with governmental institutions and civil society organisations to facilitate the achievement of national developmental goals as part of its long-term strategy.

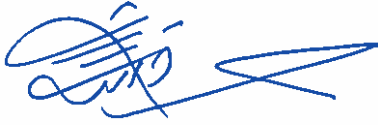
Awards and Accolades

Bank Muscat's role as the leading financial services provider in Oman won it several international and local awards including the Best Bank in Oman awards from Euromoney and Asiamoney. Other accolades included Best Bank - Large Size from Oman Economic Review and the Best Trade Finance Bank in Oman 2021 from Global Trade Review.

In Conclusion

On behalf of the Board of Directors, I take this opportunity to thank all our shareholders for the immense confidence in the Bank. The Board of Directors welcomes and supports the measures taken by the Central Bank of Oman and the Capital Market Authority to strengthen the financial market in the Sultanate.

As Oman gets ready to celebrate its 51st National Day, we express our deepest gratitude and appreciation to His Majesty Sultan Haitham Bin Tariq for his inspiring vision and guidance, in leading the country to a Renewed Renaissance as part of Oman Vision 2040.



Khalid Bin Mustahail Al Mashani

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021**

		<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
		<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>Notes</i>	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
ASSETS				
Cash and balances with Central Banks		937,054	656,898	1,127,361
Due from banks	3	684,093	574,786	577,628
Loans and advances	4	7,805,418	7,731,286	7,679,933
Islamic financing receivables	4	1,352,750	1,251,369	1,214,718
Investments securities	5	1,799,553	1,847,349	1,821,933
Other assets	6	177,161	320,688	222,534
Property, equipment and software		63,078	71,389	66,690
TOTAL ASSETS		12,819,107	12,453,765	12,710,797
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from banks	7	1,101,224	939,621	931,118
Customers' deposits	8	7,549,834	7,428,737	7,765,272
Islamic customers' deposits	8	1,147,737	1,029,768	1,030,106
Sukuk		91,788	90,600	91,788
Euro medium term notes		385,821	390,570	391,155
Other liabilities	9	388,420	469,802	448,507
Taxation		45,819	47,821	37,471
Subordinated liabilities		6,666	13,198	20,024
		10,717,309	10,410,117	10,715,441
EQUITY				
Equity attributable to equity holders of parent:				
Share capital	10	357,448	324,952	324,952
Share premium		531,535	531,535	531,535
General reserve		397,168	397,168	384,078
Legal reserve		108,318	108,318	103,160
Revaluation reserve		4,904	4,904	4,904
Subordinated loan reserve		13,090	13,090	13,090
Cash flow hedge reserve		(48)	(140)	(198)
Cumulative changes in fair value		(412)	(3,683)	(5,268)
Foreign currency translation reserve		(2,353)	(2,407)	(2,489)
Impairment reserve / restructured loan reserve		2,346	2,356	2,370
Retained earnings		559,802	537,555	509,222
Total equity attributable to the equity holders		1,971,798	1,913,648	1,865,356
Perpetual Tier I capital		130,000	130,000	130,000
TOTAL EQUITY		2,101,798	2,043,648	1,995,356
TOTAL LIABILITIES AND EQUITY		12,819,107	12,453,765	12,710,797
Net assets per share (in RO)		0.552	0.589	0.574
Contingent liabilities and commitments	11	1,859,976	1,866,147	2,076,849

The interim condensed consolidated financial statements were approved by the Board of Directors on 26 October 2021.

The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.

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

	Notes	Unaudited -for nine months period ended-		Unaudited -for three months period ended-	
		30-Sep-2021	30-Sep-2020	30-Sep-2021	30-Sep-2020
		RO' 000	RO' 000	RO' 000	RO' 000
Interest income	12	333,976	329,670	112,640	108,037
Interest expense	13	(106,759)	(109,727)	(36,934)	(35,473)
Net interest income		227,217	219,943	75,706	72,564
Income from Islamic financing / investments	12	57,344	50,858	19,629	16,739
Distribution to depositors	13	(32,081)	(30,728)	(11,294)	(9,763)
Net income from Islamic financing		25,263	20,130	8,335	6,976
Net interest income and income from Islamic financing		252,480	240,073	84,041	79,540
Commission and fee income (net)	14	75,779	65,994	22,159	21,715
Other operating income	15	30,069	30,727	8,993	10,316
OPERATING INCOME		358,328	336,794	115,193	111,571
OPERATING EXPENSES					
Other operating expenses		(130,710)	(121,834)	(44,281)	(38,085)
Depreciation		(13,618)	(15,353)	(4,932)	(5,070)
		(144,328)	(137,187)	(49,213)	(43,155)
Net impairment losses on financial assets	16	(46,770)	(64,816)	(11,442)	(16,626)
		(191,098)	(202,003)	(60,655)	(59,781)
PROFIT BEFORE TAXATION		167,230	134,791	54,538	51,790
Tax expense		(27,072)	(21,585)	(9,025)	(8,147)
PROFIT FOR THE PERIOD		140,158	113,206	45,513	43,643
OTHER COMPREHENSIVE (EXPENSE) INCOME					
Net other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods, net of tax:					
Translation of net investments in foreign operations		54	(193)	(192)	36
Change in fair value through other comprehensive income (FVOCI) debt investments		(1,608)	(712)	(909)	754
Change in fair value of cash flow hedge		92	(164)	-	(3)
		(1,462)	(1,069)	(1,101)	787
Net Other comprehensive income (expense) not to be reclassified to profit or loss in subsequent periods, net of tax:					
Change in fair value of FVOCI equity investments		4,257	(7,515)	3,307	2,830
		4,257	(7,515)	3,307	2,830
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		2,795	(8,584)	2,206	3,617
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		142,953	104,622	47,719	47,260
Total comprehensive income for the period attributable to					
Equity holders of Parent Company		142,953	104,622	47,719	47,260
Profit attributable to					
Equity holders of Parent Company		140,158	113,206	45,513	43,643
Earnings per share (in RO)					
- Basic and diluted	17	0.038	0.030	0.012	0.012

Items in other comprehensive income are disclosed net of tax.

The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.

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

Attributable to equity holders of parent

(Unaudited)	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Subordinated loan reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Impairment reserve / Reserve for restructured accounts RO' 000	Retained profits RO' 000	Total RO' 000	Perpetual Tier I Capital RO' 000	Total RO' 000
Balance at 1 January 2021	324,952	531,535	397,168	108,318	4,904	13,090	(140)	(3,683)	(2,407)	2,356	537,555	1,913,648	130,000	2,043,648
Profit for the period	-	-	-	-	-	-	-	-	-	-	140,158	140,158	-	140,158
Other comprehensive (expense) income	-	-	-	-	-	-	92	2,649	54	-	-	2,795	-	2,795
Total comprehensive income	-	-	-	-	-	-	92	2,649	54	-	140,158	142,953	-	142,953
Transfer within equity upon disposal of FVOCI equity investments	-	-	-	-	-	-	-	622	-	-	(622)	-	-	-
Dividends paid (note 10)	-	-	-	-	-	-	-	-	-	-	(81,238)	(81,238)	-	(81,238)
Issue of bonus shares (note 10)	32,496	-	-	-	-	-	-	-	-	-	(32,496)	-	-	-
Transfer from restructured reserve to retained earnings	-	-	-	-	-	-	-	-	-	(10)	10	-	-	-
Interest paid on perpetual Tier 1 capital	-	-	-	-	-	-	-	-	-	-	(3,565)	(3,565)	-	(3,565)
Balance as at 30 September 2021	357,448	531,535	397,168	108,318	4,904	13,090	(48)	(412)	(2,353)	2,346	559,802	1,971,798	130,000	2,101,798

Attributable to equity holders of parent

(Unaudited)	Share capital RO' 000	Share premium RO' 000	General reserve RO' 000	Legal reserve RO' 000	Revaluation reserve RO' 000	Subordinated loan reserve RO' 000	Cash flow hedge reserve RO' 000	Cumulative changes in fair value RO' 000	Foreign currency translation reserve RO' 000	Impairment reserve / Reserve for restructured accounts RO' 000	Retained earnings RO' 000	Total RO' 000	Perpetual Tier I Capital RO' 000	Total RO' 000
Balance at 1 January 2020	309,478	531,535	384,078	103,160	4,904	13,090	(34)	(372)	(2,296)	2,606	526,487	1,872,636	130,000	2,002,636
Profit for the period	-	-	-	-	-	-	-	-	-	-	113,206	113,206	-	113,206
Other comprehensive (expense) income	-	-	-	-	-	-	(164)	(8,227)	(193)	-	-	(8,584)	-	(8,584)
Total comprehensive (expense) income	-	-	-	-	-	-	(164)	(8,227)	(193)	-	113,206	104,622	-	104,622
Transfer within equity upon disposal of FVOCI equity investments	-	-	-	-	-	-	-	3,331	-	-	(3,331)	-	-	-
Dividends paid (note 10)	-	-	-	-	-	-	-	-	-	-	(108,317)	(108,317)	-	(108,317)
Issue of bonus shares (note 10)	15,474	-	-	-	-	-	-	-	-	-	(15,474)	-	-	-
Transfer from restructured reserve to retained earnings	-	-	-	-	-	-	-	-	-	(236)	236	-	-	-
Interest paid on perpetual Tier 1 capital	-	-	-	-	-	-	-	-	-	-	(3,585)	(3,585)	-	(3,585)
Balance as at 30 September 2020	324,952	531,535	384,078	103,160	4,904	13,090	(198)	(5,268)	(2,489)	2,370	509,222	1,865,356	130,000	1,995,356

Appropriations to legal reserve and sub-ordinated loan reserve are made on an annual basis.

The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
OPERATING ACTIVITIES		
Profit for the period before taxation	167,230	134,791
Adjustments for :		
Depreciation	13,618	15,353
Net impairment on financial assets	46,770	64,816
(Profit) / Loss on sale of Property and equipment	(20)	(9)
(Profit) / Loss on investments	(2,139)	472
Dividend income	(2,784)	(5,247)
Operating profit before working capital changes	222,675	210,176
Due from banks	(29,041)	31,390
Loans and advances	(133,091)	3,795
Islamic financing receivables	(108,793)	(36,533)
Other assets	144,931	(47,257)
Deposits from banks	126,790	271,305
Customers' deposits	121,097	691,255
Islamic customer deposits	117,969	(20,748)
Other liabilities	(61,404)	16,904
Cash from / (used in) operating activities	401,133	1,120,287
Income taxes paid	(29,697)	(31,661)
Net cash from / (used in) operating activities	371,436	1,088,626
INVESTING ACTIVITIES		
Dividend income	2,784	5,247
Purchase of investments	(107,287)	(225,964)
Proceeds from sale of investments	50,780	49,948
Net movement in property and equipment	(5,287)	(2,552)
Net cash used in investing activities	(59,010)	(173,321)
FINANCING ACTIVITIES		
Dividends paid	(81,238)	(108,317)
Interest on Perpetual Tier I capital	(3,565)	(3,585)
Subordinated loan paid	(6,545)	(6,545)
Net cash used in financing activities	(91,348)	(118,447)
NET CHANGE IN CASH AND CASH EQUIVALENTS	221,078	796,858
Cash and cash equivalents at 1 January	1,202,078	982,185
CASH AND CASH EQUIVALENTS AT 30 September	1,423,156	1,779,043
Cash and cash equivalent comprises of the following:		
Cash and balances with Central Banks	936,554	1,126,855
Treasury bills	568,953	658,900
Due from banks	339,720	348,928
Deposits from banks	(422,071)	(355,640)
	1,423,156	1,779,043

The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021****1. LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Bank Muscat SAOG (the Bank or the Parent Company) is a joint stock company incorporated in the Sultanate of Oman and is engaged in commercial and investment banking activities through a network of 174 branches (30 September 2020 : 171 branches) within the Sultanate of Oman and one branch each in Riyadh, Kingdom of Saudi Arabia and Kuwait. The Bank has representative offices in Dubai, United Arab Emirates, Singapore and Tehran, Iran. The Bank operates in Oman under a banking license issued by the Central Bank of Oman (CBO) and is covered by its deposit insurance scheme. The Bank has its primary listing on the Muscat Securities Market.

As at 30 September 2021, the Bank and its subsidiary (together, the Group) operates in 6 countries (2020: 6 countries) and employed 3,862 employees (30 September 2020: 3,844 employees).

During 2013, the Parent Company inaugurated "Meethaq Islamic banking window" ("Meethaq") in the Sultanate of Oman to carry out banking and other financial activities in accordance with Islamic Shari'a rules and regulations. Meethaq operates under an Islamic banking license granted by the CBO on 13 January 2013. Meethaq's Shari'a Supervisory Board is entrusted to ensure Meethaq's adherence to Shari'a rules and principles in its transactions and activities. The principal activities of Meethaq include: accepting customer deposits; providing Shari'a compliant financing based on various Shari'a compliant modes; undertaking Shari'a compliant investment activities permitted under the CBO's Regulated Islamic Banking Services as defined in the licensing framework. Meethaq has 24 branches (September 2020 - 22 branches) in the Sultanate of Oman.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**2.1 BASIS OF PREPARATION**

The unaudited interim condensed consolidated financial statements for the nine months period ended 30 September 2021 of the Bank are prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting', applicable regulations of the Central Bank of Oman (CBO) and the Capital Market Authority (CMA).

The unaudited interim condensed financial statements have been prepared on the historical cost basis, modified to include the revaluation of freehold land and buildings and the measurement at fair value of derivative financial instruments, FVOCI investment securities and investment recorded at fair value through profit or loss. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The Islamic window operation of the Parent Company; "Meethaq" uses Financial Accounting Standards ("FAS"), issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), for preparation and reporting of its financial information. Meethaq's financial information is included in the results of the Bank, after adjusting financial reporting differences, if any, between AAOIFI and IFRS.

The functional currency of the Bank is the Rial Omani (RO). These unaudited interim condensed consolidated financial statements of the Bank are prepared in Rial Omani, rounded to the nearest thousands, except as indicated.

The unaudited interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. In addition, results of the Group for the period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year 2021.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021****2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****2.1 BASIS OF PREPARATION (continued)**

In March 2021, Parent Company sold 72.71% stake in its wholly owned subsidiary, Muscat Capital Company (cjsc) (MC), based in Riyadh, Kingdom of Saudi Arabia to SICO BSC (c), a leading regional asset manager, broker, market maker and investment bank (licensed as a wholesale bank by the Central Bank of Bahrain), after obtaining all relevant approvals. The acquisition took place by way of a share swap valued at RO 5.6 million, with 38,563,894 of SICO's treasury shares swapped for a majority stake amounting to 4,362,491 shares out of MC's 6,000,000 total outstanding shares. As a result of the transaction, SICO owns 72.71 per cent of MC while Bank Muscat owns a 9 per cent stake in SICO.

Due to above transaction, the Parent Company shareholding in MC was effectively reduced from 100% to 27.29%. The Group lost control over MC due to disposal of 72.71% stake with control to SICO. Resultantly, MC has been accounted for as disposal of subsidiary and retained stake of 27.29% has been recognized as an FVOCI investment. The statement of profit or loss contains income and expenses of MC upto the date of disposal and assets and liabilities of MC (before acquisition accounting) have been derecognized in full in the statement of financial position at 30 September 2021.

2.2 NEW STANDARDS, IMPLEMENTATIONS AND AMENDMENTS IN EXISTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Bank. The above amendments are effective from 1 January 2021.

2.3 COVID-19 RELATED UPDATES

During 2021, the Central Bank of Oman had issued certain circulars relating to COVID-19:

1) As per circular BDD/CBS/CB/FLCs/2021/1436 and 3296 dated 15 March 2021 and 30 September 2021 respectively, wherein taking cognizance of the continuing impact of COVID-19 on business/households and to support the banks, CBO has extended the following relaxations:

- Extension of economic revival package for deferment of loans instalments / interest / profit for affected borrowers, particularly SME's without impacting risk classification extended till 31 December 2021 as a final extension.
 - Advised bank to finalise the rescheduling of loans in line with revised cash flows of the affected borrowers without affecting the risk classification.
 - All loans linked to Government projects allowed deferment of risk classification from upto 31 December 2021.
 - Extended the waiver/ deferment already granted to laid off Omani citizens until December 31, 2022 or till the individual secures the job whichever is earlier. Further the scheme of deferment will be operative on tap basis till December 31, 2022 for a period of one year from date of job loss or until securing of job.
 - Extension of relaxation on Debt Burden or Tenor for employees of Government and Government-owned entities whose allowances are withdrawn.
 - Extended the existing scheme of deferment for Omani workforce whose wages are reduced till December 31, 2021.
 - Temporary relief on cheque return charges extended till December 31, 2021.
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021****2.3 COVID-19 RELATED UPDATES (continued)**

- Increase in the tenor of repo operation upto a maximum of 6 months & foreign currency swaps upto 1 year.
- Reduction of interest rate on rediscounting of Bill of Exchange/ Promissory note by further 50 bps.
- 2) As per circular BSD/CB&FLCs/2021/002 dated 18 March 2021, CBO has provided the following relaxations related to suspension of two-track approach and SICR criteria assesment for 2021:
 - Temporary suspension of the two-track approach / parallel run for the computation of additional provisions as per CBO norms for 2021 only.
 - Temporary suspension of Significant Increase in Credit Risk (SICR) criteria assessments for additional accounts for 2021 only.
 - Banks & FLCs shall continue to apply rationale approach towards post-model adjustments and management overlays by applying multiple macro-economic scenarios with careful application of probability weights to each of such scenarios while computing ECL on portfolio basis.

Impact on ECL and Capital adequacy

During 2020, given the emerging nature of the health and economic crisis at that point time, the bank was of the view that the forward looking macro economic data and the PD term structures published by economists and rating agencies during 2020 was yet to reasonably reflect the impact of the economic disruption caused by Covid 19 and also to fully factor in the financial intervention by the relevant state authorities. Hence based on regulatory and IASB guidance, as a measure of prudence, wherever necessary, the bank had applied post model adjustments and management judgement overlays while computing the ECL.

During 2021, the Bank has now applied the latest available macro-economic variables and PD term structures in its ECL computations. The Bank remains vigilant of the evolving market and business conditions and its potential impact on the ECL and continues to hold adequate amount of collective and precautionary provisions as a mitigant.

Besides, the bank has also applied in its capital adequacy calculations the "Prudential filter" under interim adjustment arrangement for Stage-1 and Stage-2 ECL. The impact of above filter on the bank's regulatory capital is 40 bps.

Although above measures are not exhaustive and may not fully counteract the impact of COVID-19 in the short run, they will mitigate the long-term negative impact of the pandemic. In response to this crisis, 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
3. DUE FROM BANKS

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
At amortised cost / FVOCI			
Nostro balances	122,912	114,074	117,518
Inter-bank placements	444,500	384,782	333,445
Loans to banks	121,005	78,426	89,608
	688,417	577,282	540,571
Less: impairment loss allowance	(4,324)	(2,496)	(1,188)
	684,093	574,786	539,383
At FVTPL			
Inter-bank placements	-	-	38,245
	684,093	574,786	577,628

4. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES
Loans and advances - Conventional banking

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
Corporate loans	3,936,022	3,974,065	3,983,629
Overdrafts and credit cards	317,174	290,748	280,432
Loans against trust receipts	431,010	463,147	448,519
Bills purchased and discounted	66,190	111,448	86,902
Personal and housing loans	3,474,853	3,254,009	3,234,529
	8,225,249	8,093,417	8,034,011
Less: Impairment loss allowance	(419,831)	(362,131)	(354,078)
	7,805,418	7,731,286	7,679,933

Islamic financing receivables

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
Housing finance	494,430	491,809	488,060
Corporate finance	855,613	751,408	716,734
Consumer finance	43,944	42,099	41,722
	1,393,987	1,285,316	1,246,516
Less: Impairment loss allowance	(41,237)	(33,947)	(31,798)
	1,352,750	1,251,369	1,214,718

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
4. LOANS AND ADVANCES / ISLAMIC FINANCING RECEIVABLES (continued)

Movement in impairment loss is analysed below:

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
1 January	396,078	314,786	314,786
Impairment for credit losses	100,785	106,039	89,045
Interest reserved during the period	14,067	18,086	13,647
Recoveries from impairment for credit losses	(33,207)	(34,711)	(24,996)
Reserve Interest recovered during the period	(3,908)	(5,546)	(4,222)
Written off during the period	(12,830)	(3,186)	(2,733)
Transfer from / (to) Memorandum portfolio	31	638	399
Foreign currency translation difference	64	(19)	(60)
Other movements	(12)	(9)	10
At 30 September / 31 December	461,068	396,078	385,876

At 30 September 2021, loans and advances on which contractual interest is not being accrued or has not been recognised amounted to RO 348.7 million (31 December 2020: RO 337.8 million, 30 September 2020: RO 334.3 million). Contractual interest reserved and recovery thereof is shown under net interest income and income from Islamic financing in the statement of comprehensive income.

The maturity profile of loans and advances / Islamic financing receivables was as follows

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
On demand or within 1 month	1,087,209	1,361,429	1,123,561
1 to 3 months	719,081	562,576	824,838
4 to 12 months	833,645	677,430	744,170
1 to 5 years	2,226,385	2,362,313	2,105,766
More than 5 years	4,291,848	4,018,907	4,096,316
	9,158,168	8,982,655	8,894,651

5. INVESTMENT SECURITIES

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Equity investments:			
Measured as at FVTPL	18,161	20,765	22,866
Designated as at FVOCI	88,097	79,451	78,900
Net equity investments	106,258	100,216	101,766
Debt investments:			
Measured at FVOCI	63,616	61,989	61,041
Measured at amortised cost	1,635,415	1,688,877	1,661,557
Gross Debt investments	1,699,031	1,750,866	1,722,598
Less: Impairment loss allowance	(5,736)	(3,733)	(2,431)
Net debt investments	1,693,295	1,747,133	1,720,167
Total investment securities	1,799,553	1,847,349	1,821,933

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
5. INVESTMENT SECURITIES (continued)

As at 30 September 2021				
(unaudited)	FVTPL	FVOCI	Amortised	Total
	RO' 000	RO' 000	Cost	RO' 000
			RO' 000	RO' 000
Quoted equities:				
Foreign securities	1,608	71,146	-	72,754
Other services sector	-	5,698	-	5,698
Unit funds	2,078	-	-	2,078
Financial services sector	617	5,954	-	6,571
Industrial sector	-	1,734	-	1,734
	4,303	84,532	-	88,835
Unquoted equities:				
Foreign securities	4,946	2,108	-	7,054
Local securities	8,912	1,457	-	10,369
	13,858	3,565	-	17,423
Equity investments	18,161	88,097	-	106,258
Less: Impairment loss allowance	-	-	-	-
Net equity investments	18,161	88,097	-	106,258
Quoted debt:				
Government bonds	-	3,497	980,331	983,828
Foreign bonds	-	33,958	5,027	38,985
Local bonds	-	21,707	76,053	97,760
	-	59,162	1,061,411	1,120,573
Unquoted debt:				
Treasury bills	-	-	568,953	568,953
Local bonds	-	4,454	5,051	9,505
	-	4,454	574,004	578,458
Gross debt investments	-	63,616	1,635,415	1,699,031
Less: Impairment loss allowance	-	(2,399)	(3,337)	(5,736)
Net debt investments	-	61,217	1,632,078	1,693,295
Net investments	18,161	149,314	1,632,078	1,799,553
As at 31 December 2020				
(Audited)	FVTPL	FVOCI	Amortised	Total
	RO' 000	RO' 000	Cost	RO' 000
			RO' 000	RO' 000
Quoted equities:				
Foreign securities	4,552	63,738	-	68,290
Other services sector	-	6,153	-	6,153
Unit funds	5,132	-	-	5,132
Financial services sector	582	5,614	-	6,196
Industrial sector	-	1,689	-	1,689
	10,266	77,194	-	87,460
Unquoted equities:				
Foreign securities	2,041	602	-	2,643
Local securities	8,156	1,655	-	9,811
Unit funds	302	-	-	302
	10,499	2,257	-	12,756
Net equities portfolio	20,765	79,451	-	100,216
Quoted debt:				
Government bonds	-	2,425	919,472	921,897
Foreign bonds	-	31,252	5,074	36,326
Local bonds	-	22,664	75,046	97,710
	-	56,341	999,592	1,055,933
Unquoted debt:				
Treasury bills	-	-	676,041	676,041
Local bonds	-	5,649	13,243	18,892
	-	5,649	689,284	694,933
Gross debt portfolio	-	61,990	1,688,876	1,750,866
Less: Impairment loss allowance	-	(2,874)	(859)	(3,733)
Net debt portfolio	-	59,116	1,688,017	1,747,133
Net investments	20,765	138,567	1,688,017	1,847,349

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
5. INVESTMENT SECURITIES (continued)

The movement in impairment of debt investments is summarised as follows

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
At 1 January	3,733	1,613	1,613
Provided /(reversed) during the period / year	2,003	2,122	820
Other movements	-	(2)	(2)
At 30 September / 31 December	5,736	3,733	2,431

6. OTHER ASSETS

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>Unaudited</i>
Acceptances	96,704	143,736	139,528
Less: impairment loss allowance	(181)	(178)	(187)
Net Acceptances	96,523	143,558	139,341
Other debtors and prepaid expenses	32,293	49,793	36,995
Positive fair value of derivatives	30,779	35,429	32,158
Deferred tax asset	7,299	7,294	7,799
Others	10,267	84,614	6,241
	177,161	320,688	222,534

7. DEPOSITS FROM BANKS

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Inter bank borrowings	359,114	350,677	344,079
Vostro balances	38,675	40,696	38,899
Other money market deposits	703,435	548,248	548,140
	1,101,224	939,621	931,118

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
8. CUSTOMERS' DEPOSITS
Conventional customers' deposits

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Deposit accounts	2,438,760	2,325,602	2,357,511
Savings accounts	3,039,610	3,013,526	2,972,785
Current accounts	1,769,796	1,767,473	1,901,334
Call accounts	252,251	258,564	467,052
Margin accounts	49,417	63,572	66,590
	<u>7,549,834</u>	<u>7,428,737</u>	<u>7,765,272</u>

Islamic customers' deposits

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Deposit accounts	611,538	543,837	557,136
Savings accounts	294,740	266,680	254,153
Current accounts	95,574	114,207	118,737
Call accounts	64,305	24,796	19,832
Margin accounts	81,580	80,248	80,248
	<u>1,147,737</u>	<u>1,029,768</u>	<u>1,030,106</u>

The maturity profile of customer's deposits (including Islamic customers' deposits) was as follows:

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
On demand or within 1 month	795,850	827,796	791,220
1 to 3 months	748,042	818,809	789,291
4 to 12 months	2,161,664	2,011,988	2,360,812
1 to 5 years	3,416,904	3,280,928	3,234,276
More than 5 years	1,575,111	1,518,984	1,619,779
	<u>8,697,571</u>	<u>8,458,505</u>	<u>8,795,378</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
9. OTHER LIABILITIES

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Other liabilities and accrued expenses	159,485	155,459	153,828
Acceptances	96,704	143,736	139,528
Impairment on financial guarantees	39,771	63,607	55,953
Impairment on undrawn commitments and unutilised limits	9,426	8,999	8,790
Lease liabilities	44,902	48,159	47,953
Negative fair value of derivatives	23,039	32,001	25,696
Unearned discount and interest	7,599	9,579	8,499
Employee end of service benefits	6,628	7,396	7,394
Deferred tax liability	866	866	866
	388,420	469,802	448,507

10. SHARE CAPITAL AND DIVIDEND

The authorised share capital of the Parent Company is 4,500,000,000 shares of RO 0.100 each (2020: 3,500,000,000 of RO 0.100 each). At 30 September 2021, 3,574,474,792 shares of RO 0.100 each (31 December 2020: 3,249,522,539 shares of RO 0.100 each) have been issued and fully paid. The Bank's shares are listed in Muscat Securities Market, Bahrain stock exchange and London stock exchange. Listing in London stock exchange is through Global Depository Receipts issued by the Bank.

In the Bank's annual general meeting held on 23 March 2021 the shareholders approved a dividend of 35%, 25% in the form of cash and 10% in the form of bonus shares. Thus shareholders received cash dividend of RO 0.025 per ordinary share of RO 0.100 each aggregating to RO 81.238 million on Bank's existing share capital. In addition, they received bonus shares in the proportion of 1 share for every 10 ordinary shares aggregating to 324,952,253 shares of RO 0.100 each amounting to RO 32.496 million.

Shareholders of the Bank who hold 10% or more of the bank's shares are given below:

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
Number of shares held			
Royal Court Affairs	844,805,580	768,005,073	768,005,073
Dubai Financial Group LLC	420,590,963	382,355,421	382,355,421
% of shareholding			
Royal Court Affairs	23.63%	23.63%	23.63%
Dubai Financial Group LLC	11.77%	11.77%	11.77%

11. CONTINGENT LIABILITIES

	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>30-Sep-2021</i>	<i>31-Dec-2020</i>	<i>30-Sep-2020</i>
	<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
CONTINGENT LIABILITIES			
Letters of credit	442,713	307,091	379,389
Guarantees	1,417,263	1,559,056	1,697,460
	1,859,976	1,866,147	2,076,849
COMMITMENTS			
Irrevocable credit commitments	311,103	394,619	430,996
Purchase of property and equipment	596	682	1,569
Partly paid shares	2,205	3,884	2,832
	313,904	399,185	435,397

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
12. INTEREST INCOME / INCOME ON ISLAMIC FINANCING / INVESTMENT

	Unaudited -for nine months period ended-		Unaudited -for three months ended-	
	30-Sep-2021	30-Sep-2020	30-Sep-2021	30-Sep-2020
	RO' 000	RO' 000	RO' 000	RO' 000
Loans and advances	286,395	288,916	96,132	94,527
Due from banks	5,552	9,328	1,981	1,677
Investments	42,029	31,426	14,527	11,833
	333,976	329,670	112,640	108,037
Islamic financing receivable	51,281	46,193	17,588	15,278
Islamic due from banks	31	553	10	50
Islamic investment	6,032	4,112	2,031	1,411
	57,344	50,858	19,629	16,739
	391,320	380,528	132,269	124,776

13. INTEREST EXPENSE / DISTRIBUTION TO DEPOSITORS

	Unaudited -for nine months period ended-		Unaudited -for three months ended-	
	30-Sep-2021	30-Sep-2020	30-Sep-2021	30-Sep-2020
	RO' 000	RO' 000	RO' 000	RO' 000
Customer's deposits	84,044	85,001	29,245	28,754
Subordinated liabilities	359	955	64	283
Bank borrowings	8,338	11,513	2,864	2,612
Euro medium term notes	14,018	12,258	4,761	3,824
	106,759	109,727	36,934	35,473
Islamic customers deposits	24,721	23,573	8,617	7,737
Islamic bank borrowings	3,702	3,511	1,444	801
Sukuk	3,658	3,644	1,233	1,225
	32,081	30,728	11,294	9,763
	138,840	140,455	48,228	45,236

Interest expense on customer deposits include accruals towards prize schemes of RO 8.25 million (30 September 2020: RO 8.25 million) offered by the bank to its saving deposit holders. Profit distribution on Islamic customers deposits include accruals towards prize schemes of RO 1.13 million (30 September 2020: RO 0.75 million) to its saving deposit holders.

14. COMMISSION AND FEES INCOME (NET)

The commission and fees shown in the interim condensed consolidated statement of comprehensive income is net off commission and fees paid of RO 1,138 thousands (30 Sep 2020 : RO 1,049 thousands).

15. OTHER OPERATING INCOME

	Unaudited -for nine months period ended-		Unaudited -for three months ended-	
	30-Sep-2021	30-Sep-2020	30-Sep-2021	30-Sep-2020
	RO' 000	RO' 000	RO' 000	RO' 000
Foreign exchange	24,708	25,623	7,612	7,838
Changes in fair value of financial assets	1,479	58	275	1,920
Net realised gain (loss) on sale of fair value investments	660	(530)	273	(469)
Dividend income	2,784	5,247	621	1,010
Other income	438	329	212	17
	30,069	30,727	8,993	10,316

Dividend income recognised on FVOCI investments during the period ended 30 September 2021 is RO 2,234 thousands. (30 September 2020: RO 4,288 thousands), out of which RO 162 thousands (30 September 2020: RO 106 thousand) pertains to investments sold during this period.

16. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Unaudited -for nine months period ended-		Unaudited -for three months ended-	
	30-Sep-2021	30-Sep-2020	30-Sep-2021	30-Sep-2020
	RO' 000	RO' 000	RO' 000	RO' 000
(Impairment) / reversal of impairment for credit losses:				
- Due from banks	(1,827)	(423)	(632)	3,581
- Loans and advances to customers	(100,785)	(89,045)	(21,069)	(25,256)
- Financial guarantees	23,861	(1,993)	(2,630)	(5,346)
- Acceptances	(3)	(42)	45	(56)
- Loan commitments / unutilised limits	(427)	1,951	213	637
- Investments	(2,003)	(820)	276	99
	(81,184)	(90,372)	(23,797)	(26,341)
Recoveries from impairment losses	33,207	24,996	12,183	9,532
Recoveries from loans written off earlier	1,207	560	172	183
	34,414	25,556	12,355	9,715
	(46,770)	(64,816)	(11,442)	(16,626)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
17. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders (after adjusting for interest on perpetual tier I capital) for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	<i>Unaudited</i> <i>-for nine months period ended-</i> <i>30-Sep-2021</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>three months period ended-</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
Profit for the period	140,158	113,206	45,513	43,643
Less: Interest on Perpetual Tier I capital	(5,348)	(5,353)	(1,783)	(1,768)
Profit attributable to ordinary shareholders of parent company for basic and diluted earnings per share (RO 000's)	134,810	107,853	43,730	41,875
Weighted average number of shares in issue during the period (000's)	3,574,475	3,574,475	3,574,475	3,574,475
Basic and diluted earnings per share (RO)	0.038	0.030	0.012	0.012

There are no instruments that are dilutive in nature, hence the basic and diluted earnings per share are same for both the periods.

18. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group conducts transactions with certain of its directors, shareholders, senior management and companies in which they have a significant interest. The terms of these transactions are approved by the Bank's Board and Management. The balances in respect of related parties included in the interim condensed consolidated statement of financial position as at the reporting date are as follows:

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
a) Directors and senior management			
Loans and advances	596	746	795
Current, deposit and other accounts	1,630	1,688	1,477
b) Major shareholders and others			
Loans and advances (gross)	113,317	126,724	132,634
Current, deposit and other accounts	33,461	23,787	64,953
Customers' liabilities under documentary credits, guarantees and other commitments	5,019	6,256	6,289

The income and expenses in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	<i>Unaudited</i> <i>-for nine months period ended-</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Unaudited</i> <i>-for three months period ended-</i> <i>30-Sep-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
a) Directors and senior management				
Interest income	21	26	7	8
Interest expenditure	37	33	12	9
b) Major shareholders and others				
Interest income	4,575	7,265	1,470	2,197
Interest expenditure	403	486	148	129

Loans, advances or receivables and non-funded exposure due from related parties or holders of 10 percent or more of Banks shares, or their family members, less all provisions and write-offs, is further analysed as follows:

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
Royal Court Affairs	19,478	-	-
HE Sheikh Mustahail Ahmed Al Mashani Group Companies	26,988	33,176	33,078
Others	72,466	100,550	106,640
	118,932	133,726	139,718

Items of expense which were paid to related parties or holders of 10 percent or more of the bank's shares, or their family members, during the period can be further analysed as follows:

	<i>Unaudited</i> <i>-for nine months period ended-</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Unaudited</i> <i>-for three months period ended-</i> <i>30-Sep-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
Royal Court Affairs	169	180	71	40
HE Sheikh Mustahail Al Mashani Group Companies	234	306	77	89
Others	37	33	12	9
	440	519	160	138

Directors remuneration and sitting fees during the period ended 30 September 2021 is RO 331 thousands (30 September 2020: RO 187 thousands)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
19. DERIVATIVES

As at 30 September 2021 (unaudited)	Positive	Negative	Notional total	Notional amounts by term to maturity		
	fair value	fair value		0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Cash flow hedge	-	56	6,545	6,545	-	-
Interest rate swaps	15,788	14,952	825,772	-	238,697	587,075
Commodities purchase contracts	2,457	2,708	91,884	88,102	3,782	-
Commodities sale contracts	3,203	2,889	91,884	88,102	3,782	-
Forward purchase contracts	219	2,409	1,791,134	980,378	573,832	236,924
Forward sales contracts	9,112	25	1,782,448	975,232	571,108	236,108
Total	30,779	23,039	4,589,667	2,138,359	1,391,201	1,060,107

As at 31 December 2020 (audited)	Positive	Negative	Notional total	Notional amounts by term to maturity		
	fair value	fair value		0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Fair value hedge	1,592	-	192,500	-	192,500	-
Cash flow hedge	-	164	13,090	-	13,090	-
Interest rate swaps	25,554	24,615	743,215	-	70,392	672,823
Commodities purchase contracts	1,263	191	27,978	20,077	7,901	-
Commodities sale contracts	209	1,251	27,978	20,077	7,901	-
Forward purchase contracts	684	293	1,723,478	1,259,448	444,446	19,584
Forward sales contracts	6,127	5,487	1,718,539	1,259,679	439,514	19,346
Total	35,429	32,001	4,446,778	2,559,281	1,175,744	711,753

As at 30 September 2020 (unaudited)	Positive	Negative	Notional total	Notional amounts by term to maturity		
	fair value	fair value		0-3 months	4-12 months	> 12 months
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Fair value hedge	2,656	-	192,500	-	192,500	-
Cash flow hedge	-	233	19,635	-	-	19,635
Interest rate swaps	20,367	20,367	773,458	17,710	15,530	740,218
Commodities purchase contracts	1,876	400	24,438	19,373	4,423	642
Commodities sale contracts	424	1,806	24,438	19,373	4,423	642
Forward purchase contracts	649	1,112	1,867,032	1,194,985	591,502	80,545
Forward sales contracts	6,186	1,778	1,859,460	1,194,981	585,271	79,208
Total	32,158	25,696	4,760,961	2,446,422	1,393,649	920,890

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
20. SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive committee that are used to make strategic decisions. The committee considers the business from both a geographic and product perspective. Geographically, management considers the performance of whole bank in Oman and International markets. The Oman market is further segregated into corporate, consumer, wholesale and Islamic banking as all of these business lines are located in Oman. Segment information in respect of geographical locations is as follows:

<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<i>30-Sep-2020</i>	<i>30-Sep-2020</i>	<i>30-Sep-2020</i>		<i>30-Sep-2021</i>	<i>30-Sep-2021</i>	<i>30-Sep-2021</i>
<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>		<i>RO' 000</i>	<i>RO' 000</i>	<i>RO' 000</i>
<i>Total</i>	<i>International</i>	<i>Oman</i>		<i>Oman</i>	<i>International</i>	<i>Total</i>
329,670	7,806	321,864	Interest income	329,532	4,444	333,976
(109,727)	(4,364)	(105,363)	Interest expense	(105,401)	(1,358)	(106,759)
50,858	-	50,858	Income from Islamic financing	57,344	-	57,344
(30,728)	-	(30,728)	Distribution to depositors	(32,081)	-	(32,081)
65,994	2,574	63,420	Commission and fee income (net)	74,661	1,118	75,779
30,727	2,840	27,887	Other operating income	29,619	450	30,069
336,794	8,856	327,938		353,674	4,654	358,328
			Operating expenses			
(121,834)	(3,557)	(118,277)	Other operating expenses	(127,679)	(3,031)	(130,710)
(15,353)	(440)	(14,913)	Depreciation	(13,322)	(296)	(13,618)
(137,187)	(3,997)	(133,190)		(141,001)	(3,327)	(144,328)
(64,816)	(13,097)	(51,719)	Net impairment losses on financial assets	(45,418)	(1,352)	(46,770)
(21,585)	(160)	(21,425)	Tax expense	(27,053)	(19)	(27,072)
(223,588)	(17,254)	(206,334)		(213,472)	(4,698)	(218,170)
113,206	(8,398)	121,604	Profit (Loss) for the period	140,202	(44)	140,158
			Other information			
12,710,797	426,878	12,283,919	Total assets	12,496,086	323,021	12,819,107
10,715,441	364,964	10,350,477	Total liabilities	10,462,819	254,490	10,717,309

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

20. SEGMENTAL INFORMATION (continued)

The Group reports the segment information by the following business segments Corporate, Consumer, Wholesale, International and Islamic banking. The following table shows the distribution of the Group's operating income, net profit and total assets by business segments:

30 September 2021 (unaudited)	<i>Corporate banking</i>	<i>Consumer banking</i>	<i>Wholesale banking</i>	<i>International banking*</i>	<i>Subtotal</i>	<i>Islamic banking</i>	<i>Total</i>
	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>
Segment revenue							
Net interest income	83,446	107,966	32,573	3,232	227,217	-	227,217
Net income from Islamic financing					-	25,263	25,263
Commission, fees and other income	15,502	53,366	33,077	1,220	103,165	2,683	105,848
Operating income	98,948	161,332	65,650	4,452	330,382	27,946	358,328
Segment costs							
Operating expenses	(24,193)	(93,599)	(12,015)	(4,590)	(134,397)	(9,931)	(144,328)
Impairment (net)	(20,340)	(10,967)	(3,000)	(4,365)	(38,672)	(8,098)	(46,770)
Tax expense	(8,597)	(8,970)	(8,000)	(19)	(25,586)	(1,486)	(27,072)
	(53,130)	(113,536)	(23,015)	(8,974)	(198,655)	(19,515)	(218,170)
Segment profit for the period	45,818	47,796	42,635	(4,522)	131,727	8,431	140,158
Segment assets	4,315,429	3,636,068	2,924,478	307,646	11,183,621	1,635,486	12,819,107
Segment liabilities	3,238,243	4,474,843	1,308,200	254,490	9,275,776	1,441,533	10,717,309

30 September 2020 (unaudited)	<i>Corporate banking</i>	<i>Consumer banking</i>	<i>Wholesale banking</i>	<i>International banking*</i>	<i>Subtotal</i>	<i>Islamic banking</i>	<i>Total</i>
	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>	<i>RO '000</i>
Segment revenue							
Net interest income	88,429	100,844	27,228	3,442	219,943	-	219,943
Net income from Islamic financing	-	-	-	-	-	20,130	20,130
Commission, fees and other income	14,644	44,113	30,122	5,438	94,317	2,404	96,721
Operating income	103,073	144,957	57,350	8,880	314,260	22,534	336,794
Segment costs							
Operating expenses	(23,359)	(86,379)	(13,106)	(5,187)	(128,031)	(9,156)	(137,187)
Impairment (net)	(27,750)	(14,730)	(2,014)	(14,764)	(59,258)	(5,558)	(64,816)
Tax expense	(7,581)	(6,372)	(6,213)	(160)	(20,326)	(1,259)	(21,585)
	(58,690)	(107,481)	(21,333)	(20,111)	(207,615)	(15,973)	(223,588)
Segment profit for the period	44,383	37,476	36,017	(11,231)	106,645	6,561	113,206
Segment assets	4,399,465	3,379,866	3,045,799	422,161	11,247,291	1,463,506	12,710,797
Segment liabilities	3,800,198	4,472,206	784,090	378,893	9,435,387	1,280,054	10,715,441

Note: * International banking includes overseas operations and cost allocations from Oman operations

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
21. ASSET LIABILITY MATURITY

The asset and liability maturity profile was as follows:

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
ASSETS			
On demand or within 1 month	2,491,002	2,415,673	2,604,723
1 to 3 months	1,122,034	1,154,523	1,611,005
4 to 12 months	1,223,037	1,084,746	1,103,193
1 to 5 years	3,054,220	3,073,828	2,715,908
More than 5 years	4,928,814	4,724,995	4,675,968
	12,819,107	12,453,765	12,710,797
LIABILITIES AND EQUITY			
On demand or within 1 month	1,243,874	1,323,846	1,259,027
1 to 3 months	982,703	1,026,195	972,242
4 to 12 months	2,588,562	2,453,678	2,792,466
1 to 5 years	4,322,271	4,025,321	4,067,646
More than 5 years	3,681,697	3,624,725	3,619,416
	12,819,107	12,453,765	12,710,797
MISMATCH			
On demand or within 1 month	1,247,128	1,091,827	1,345,696
1 to 3 months	139,331	128,328	638,763
4 to 12 months	(1,365,525)	(1,368,932)	(1,689,273)
1 to 5 years	(1,268,051)	(951,493)	(1,351,738)
More than 5 years	1,247,117	1,100,270	1,056,552
	-	-	-

Mismatch represents difference between assets and liabilities for each maturity band.

22. CAPITAL ADEQUACY

The following table sets out the capital adequacy position of the Group as per Basel III regulatory requirements

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
Common Equity Tier I capital	1,762,944	1,778,717	1,701,064
Perpetual Tier I capital	130,000	130,000	130,000
Tier I capital	1,892,944	1,908,717	1,831,064
Tier II capital	114,784	100,092	104,026
Total regulatory capital	2,007,728	2,008,809	1,935,090
Total risk weighted assets	9,773,804	9,669,846	9,581,641
Of which: Credit risk weighted assets	8,784,866	8,629,906	8,568,326
Of which: Market risk weighted assets	129,872	180,874	176,536
Of which: Operational risk weighted assets	859,066	859,066	836,779
Capital ratios :			
Common Equity Tier 1	18.04%	18.39%	17.75%
Tier 1	19.37%	19.74%	19.11%
Total capital	20.54%	20.77%	20.20%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
22. CAPITAL ADEQUACY (continued)

The following table sets out the capital adequacy position of the Group as per Basel II guidelines issued by Central Bank of Oman for monitoring purposes:

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
Tier I capital	1,915,226	1,922,582	1,844,478
Tier II capital	92,502	86,227	95,848
Total regulatory capital	2,007,728	2,008,809	1,940,326
Total risk weighted assets	9,773,804	9,669,846	9,581,641
Of which: Credit risk weighted assets	8,784,866	8,629,906	8,568,326
Of which: Market risk weighted assets	129,872	180,874	176,536
Of which: Operational risk weighted assets	859,066	859,066	836,779
Capital ratios :			
Tier 1	19.60%	19.88%	19.25%
Total capital	20.54%	20.77%	20.25%

23. LIQUIDITY

The following table sets out the Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of the Group:

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
LCR	279%	228%	293%
NSFR	124%	118%	126%

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24. LEVERAGE RATIO

Under its Basel III guidelines, Basel Committee for Banking Supervision (BCBS) introduced a non-risk sensitive Leverage Ratio to address excessive build-up of on and off-balance sheet exposures, which was the root cause of the Financial/Credit crisis of 2008. The ratio is calculated by dividing the Tier I capital of the bank by the Bank's total assets (sum of all on and off-balance sheet assets). Being a DSIB the Bank is required to maintain a higher Leverage ratio of 5% considering the systemic importance.

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure as at the reporting dates

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
1 Total consolidated assets as per published financial statements	12,819,107	12,453,765	12,710,797
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(44,564)	(27,728)	(26,826)
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-
4 Adjustments for derivative financial instruments	87,467	76,540	92,004
5 Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-	-
6 Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	1,198,740	1,333,041	1,418,826
7 Other adjustments	(6,433)	(6,428)	(6,933)
8 Leverage ratio exposure	14,054,317	13,829,190	14,187,868

Table 2: Leverage ratio common disclosure template

	<i>Unaudited</i> <i>30-Sep-2021</i> <i>RO' 000</i>	<i>Audited</i> <i>31-Dec-2020</i> <i>RO' 000</i>	<i>Unaudited</i> <i>30-Sep-2020</i> <i>RO' 000</i>
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	12,819,107	12,453,765	12,710,797
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(50,997)	(34,156)	(33,759)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	12,768,110	12,419,609	12,677,038
Derivative Exposures			
4 Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	31,545	35,513	40,414
5 Add-on amounts for PFE associated with all derivatives transactions	55,922	41,027	51,590
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-
8 (Exempted CCP leg of client-cleared trade exposures)	-	-	-
9 Adjusted effective notional amount of written credit derivatives	-	-	-
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-
11 Total derivative exposures (sum of lines 4 to 10)	87,467	76,540	92,004
Securities financing transaction exposures			
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-
14 CCR exposure for SFT assets	-	-	-
15 Agent transaction exposures	-	-	-
16 Total securities financing transaction exposures (sum of lines 12 to 15)	-	-	-
Other Off-balance sheet exposures			
17 Off-balance sheet exposure at gross notional amount	2,366,689	2,552,122	2,773,667
18 (Adjustments for conversion to credit equivalent amounts)	(1,167,949)	(1,219,081)	(1,354,841)
19 Off-balance sheet items (sum of lines 17 and 18)	1,198,740	1,333,041	1,418,826
Capital and total exposures			
20 Tier 1 capital	1,892,944	1,908,717	1,831,064
21 Total exposures (sum of lines 3, 11, 16 and 19)	14,054,317	13,829,190	14,187,868
Leverage Ratio			
22 Basel III leverage ratio (%)	13.5%	13.8%	12.9%

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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25. CREDIT QUALITY ANALYSIS
25.1 Financial instruments by stages

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9:

RO'000

<i>30 September 2021</i>	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	304,784	-	-	304,784
Due from Banks	686,853	1,564	-	688,417
Loans and advances / Islamic financing receivables	7,488,093	1,782,432	348,711	9,619,236
Investment Securities at FVOCI	56,978	6,638	-	63,616
Investment Securities at amortized Cost	1,622,262	13,153	-	1,635,415
Total funded gross exposure	10,158,970	1,803,787	348,711	12,311,468
Financial guarantee contracts	1,301,082	521,675	37,219	1,859,976
Acceptances	53,142	43,341	221	96,704
Loan Commitment/Unutilised limits	1,754,953	400,829	-	2,155,782
Total non-funded gross exposure	3,109,177	965,845	37,440	4,112,462
Total gross exposure	13,268,147	2,769,632	386,151	16,423,930
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	2,790	1,534	-	4,324
Loans and advances / Islamic financing receivables	25,249	155,599	280,220	461,068
Investment Securities at FVOCI	283	2,116	-	2,399
Investment Securities at amortized Cost	2,557	780	-	3,337
Total funded impairment	30,879	160,029	280,220	471,128
Financial guarantee contracts	2,420	7,848	29,503	39,771
Acceptances	29	65	87	181
Loan Commitment/Unutilised limits	6,758	2,668	-	9,426
Total non-funded impairment	9,207	10,581	29,590	49,378
Total impairment	40,086	170,610	309,810	520,506
Net exposure				
Central Bank balances	304,784	-	-	304,784
Due from Banks	684,063	30	-	684,093
Loans and advances / Islamic financing receivables	7,462,844	1,626,833	68,491	9,158,168
Investment Securities at FVOCI	56,695	4,522	-	61,217
Investment Securities at amortized Cost	1,619,705	12,373	-	1,632,078
Total funded net exposure	10,128,091	1,643,758	68,491	11,840,340
Financial guarantee contracts	1,298,662	513,827	7,716	1,820,205
Acceptances	53,113	43,276	134	96,523
Loan Commitment/Unutilised limits	1,748,195	398,161	-	2,146,356
Total net non-funded exposure	3,099,970	955,264	7,850	4,063,084
Total net exposure	13,228,061	2,599,022	76,341	15,903,424

Stage 1: 80.7% of gross exposure in scope for IFRS 9 is in Stage 1 and has not experienced a significant increase in credit risk since origination.

Stage 2: 16.9% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets are the key driver of increase in impairment allowances under IFRS9.

Stage 3: 2.4% of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
25. CREDIT QUALITY ANALYSIS (continued)
25.1 Financial instruments by stages

The following table discloses the stage-wise gross exposure, impairment and net exposure of only those financial assets that are tested for impairment under IFRS 9:

RO'000

<i>31-Dec-20</i>	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Central Bank balances	167,005	-	-	167,005
Due from Banks	575,695	1,587	-	577,282
Loans and advances / Islamic financing receivables	7,222,932	1,817,979	337,822	9,378,733
Investment Securities at FVOCI	54,177	7,813	-	61,990
Investment Securities at amortized Cost	1,688,876	-	-	1,688,876
Total funded gross exposure	9,708,685	1,827,379	337,822	11,873,886
Financial guarantee contracts	1,208,844	584,374	72,929	1,866,147
Acceptances	70,859	72,827	50	143,736
Loan Commitment/Unutilised limits	1,769,745	495,840	-	2,265,585
Total non-funded gross exposure	3,049,448	1,153,041	72,979	4,275,468
Total gross exposure	12,758,133	2,980,420	410,801	16,149,354
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	979	1,517	-	2,496
Loans and advances / Islamic financing receivables	19,538	111,777	264,763	396,078
Investment Securities at FVOCI	137	2,737	-	2,874
Investment Securities at amortized Cost	859	-	-	859
Total funded impairment	21,513	116,031	264,763	402,307
Financial guarantee contracts	1,930	13,176	48,501	63,607
Acceptances	53	101	24	178
Loan Commitment/Unutilised limits	4,192	4,807	-	8,999
Total non-funded impairment	6,175	18,084	48,525	72,784
Total impairment	27,688	134,115	313,288	475,091
Net exposure				
Central Bank balances	167,005	-	-	167,005
Due from Banks	574,716	70	-	574,786
Loans and advances / Islamic financing receivables	7,203,394	1,706,202	73,059	8,982,655
Investment Securities at FVOCI	54,040	5,076	-	59,116
Investment Securities at amortized Cost	1,688,017	-	-	1,688,017
Total funded net exposure	9,687,172	1,711,348	73,059	11,471,579
Financial guarantee contracts	1,206,914	571,198	24,428	1,802,540
Acceptances	70,806	72,726	26	143,558
Loan Commitment/Unutilised limits	1,765,553	491,033	-	2,256,586
Total net non-funded exposure	3,043,273	1,134,957	24,454	4,202,684
Total net exposure	12,730,445	2,846,305	97,513	15,674,263

Stage 1: 79% of gross exposure in scope for IFRS 9 is in Stage 1 and has not experienced a significant increase in credit risk since origination.

Stage 2: 18.5% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets are the key driver of increase in impairment allowances under IFRS9.

Stage 3: 2.5% of gross exposure is in Stage 3 which is credit impaired including defaulted assets and some forbearance assets.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

25. CREDIT QUALITY ANALYSIS (continued)

25.2 COMPARISON OF IFRS 9 WITH CENTRAL BANK OF OMAN (CBO) NORMS

The following tables are as per the requirements of CBO circular BM 1149:

a. Impairment charge and provisions held

RO '000

<i>As at 30 September 2021 (Unaudited)</i>	<i>As per CBO norms</i>	<i>As per IFRS 9</i>	<i>Difference</i>
Impairment loss charged to statement of comprehensive income (net of recoveries)*	46,770	46,770	-
Provisions required as per CBO norms / held as per IFRS 9 *	446,376	520,506	(74,130)
Gross NPL ratio **	3.63%	3.63%	-
Net NPL ratio **	0.42%	0.42%	0.00%

* Note: Impairment loss and provisions held above includes unallocated provision created by the bank

** NPL ratios are calculated on the basis of funded non performing loans and funded exposures

b. Comparison of provision held as per IFRS 9 and required as per CBO norms

RO '000

<i>Asset classification as per CBO norms</i>	<i>Asset classification as per IFRS 9</i>	<i>Gross amount</i>	<i>Provision as per CBO norms</i>	<i>Reserve interest as per CBO norms</i>	<i>Provision as per IFRS 9</i>	<i>Difference</i>	<i>Net carrying amount</i>	<i>Interest recognised as per IFRS 9</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8) = (3)-(6)	(9)
Standard	Stage 1	8,378,612	109,943	-	28,039	81,904	8,350,573	-
	Stage 2	945,068	10,492	-	87,068	(76,576)	858,000	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	9,323,680	120,435	-	115,107	5,328	9,208,573	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	838,928	16,432	10	70,694	(54,252)	768,234	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	838,928	16,432	10	70,694	(54,252)	768,234	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	35,217	8,244	255	8,499	-	26,718	-
	Sub total	35,217	8,244	255	8,499	-	26,718	-
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	32,564	12,423	1,167	13,901	(311)	18,663	-
	Sub total	32,564	12,423	1,167	13,901	(311)	18,663	-
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	318,370	243,746	43,664	287,410	-	30,960	-
	Sub total	318,370	243,746	43,664	287,410	-	30,960	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	4,889,535	-	-	12,047	(12,047)	4,877,488	-
	Stage 2	985,636	-	-	12,848	(12,848)	972,788	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	5,875,171	-	-	24,895	(24,895)	5,850,276	-
Total	Stage 1	13,268,147	109,943	-	40,086	69,857	13,228,061	-
	Stage 2	2,769,632	26,924	10	170,610	(143,676)	2,599,022	-
	Stage 3	386,151	264,413	45,086	309,810	(311)	76,341	-
	Total	16,423,930	401,280	45,096	520,506	(74,130)	15,903,424	-

c. Restructured loans

RO '000

<i>Asset classification as per CBO norms</i>	<i>Asset classification as per IFRS 9</i>	<i>Gross amount</i>	<i>Provision as per CBO norms</i>	<i>Reserve interest as per CBO norms</i>	<i>Provision as per IFRS 9</i>	<i>Difference</i>	<i>Net carrying amount</i>	<i>Interest recognised as per IFRS 9</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8) = (3)-(6)	(9)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	254,820	5,109	3	48,827	(43,715)	205,993	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	254,820	5,109	3	48,827	(43,715)	205,993	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	88,910	65,869	7,702	73,882	(311)	15,028	-
	Sub total	88,910	65,869	7,702	73,882	(311)	15,028	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	254,820	5,109	3	48,827	(43,715)	205,993	-
	Stage 3	88,910	65,869	7,702	73,882	(311)	15,028	-
	Total	343,730	70,978	7,705	122,709	(44,026)	221,021	-

NOTES TO THE INTERIM NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021
25. CREDIT QUALITY ANALYSIS (continued)
25.2 COMPARISON OF IFRS 9 WITH CENTRAL BANK OF OMAN (CBO) NORMS

The following tables are as per the requirements of CBO circular BM 1149:

a. Impairment charge and provisions held

RO '000

<i>As at 31 December 2020 (Audited)</i>	<i>As per CBO norms</i>	<i>As per IFRS 9</i>	<i>Difference</i>
Impairment loss charged to statement of comprehensive income (net of recoveries)*	81,038	81,038	-
Provisions required as per CBO norms / held as per IFRS 9 *	446,435	475,091	(28,656)
Gross NPL ratio **	3.62%	3.62%	-
Net NPL ratio **	0.81%	0.81%	0.00%

* Note: Impairment loss and provisions held above includes unallocated provision created by the Group

** NPL ratios are calculated on the basis of funded non performing loans and funded exposures

b. Comparison of provision held as per IFRS 9 and required as per CBO norms

RO '000

<i>Asset classification as per CBO norms</i>	<i>Asset classification as per IFRS 9</i>	<i>Gross amount</i>	<i>Provision as per CBO norms</i>	<i>Reserve interest as per CBO norms</i>	<i>Provision as per IFRS 9</i>	<i>Difference</i>	<i>Net carrying amount</i>	<i>Interest recognised as per IFRS 9</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8) = (3)-(6)	(9)
Standard	Stage 1	7,964,731	109,486	-	20,519	88,967	7,944,212	-
	Stage 2	1,029,737	10,454	-	71,369	(60,915)	958,368	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	8,994,468	119,940	-	91,888	28,052	8,902,580	-
Special Mention	Stage 1	-	-	-	-	-	-	-
	Stage 2	789,830	13,207	-	41,752	(28,545)	748,078	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	789,830	13,207	-	41,752	(28,545)	748,078	-
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	28,693	7,053	566	7,619	-	21,074	-
	Sub total	28,693	7,053	566	7,619	-	21,074	-
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	41,125	19,288	1,373	20,661	-	20,464	-
	Sub total	41,125	19,288	1,373	20,661	-	20,464	-
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	340,983	247,228	37,780	285,008	-	55,975	-
	Sub total	340,983	247,228	37,780	285,008	-	55,975	-
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	4,793,402	-	-	7,169	(7,169)	4,786,233	-
	Stage 2	1,160,853	-	-	20,994	(20,994)	1,139,859	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	5,954,255	-	-	28,163	(28,163)	5,926,092	-
Total	Stage 1	12,758,133	109,486	-	27,688	81,798	12,730,445	-
	Stage 2	2,980,420	23,661	-	134,115	(110,454)	2,846,305	-
	Stage 3	410,801	273,569	39,719	313,288	-	97,513	-
	Total	16,149,354	406,716	39,719	475,091	(28,656)	15,674,263	-

c. Restructured loans

<i>Asset classification as per CBO norms</i>	<i>Asset classification as per IFRS 9</i>	<i>Gross amount</i>	<i>Provision as per CBO norms</i>	<i>Reserve interest as per CBO norms</i>	<i>Provision as per IFRS 9</i>	<i>Difference</i>	<i>Net carrying amount</i>	<i>Interest recognised as per IFRS 9</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)+(5)-(6)	(8) = (3)-(6)	(9)
Classified as performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	253,097	5,106	-	25,223	(20,117)	227,874	-
	Stage 3	-	-	-	-	-	-	-
	Sub total	253,097	5,106	-	25,223	(20,117)	227,874	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	87,668	64,178	6,829	71,007	-	16,661	-
	Sub total	87,668	64,178	6,829	71,007	-	16,661	-
Total	Stage 1	-	-	-	-	-	-	-
	Stage 2	253,097	5,106	-	25,223	(20,117)	227,874	-
	Stage 3	87,668	64,178	6,829	71,007	-	16,661	-
	Total	340,765	69,284	6,829	96,230	(20,117)	244,535	-

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

26. FAIR VALUE INFORMATION

Based on the valuation methodology outlined below, the fair values of all on and off-balance sheet financial instruments at reporting dates are considered by the Board and Management not to be materially different to their book values:

As of 30 September 2021	Designated as at FVTPL RO' 000	Designated as at FVOCI RO' 000	Amortised cost RO' 000	Total carrying value RO' 000	Fair value RO' 000	Level
Cash and balances with Central Banks	-	-	937,054	937,054	937,054	3
Due from banks	-	(23)	684,116	684,093	689,174	2,3
Loans and advances and Islamic financing receivables	-	-	9,158,168	9,158,168	9,298,378	3
Investment securities	18,161	149,314	1,632,078	1,799,553	1,835,516	1,2,3
Positive fair value of derivatives	30,779	-	-	30,779	30,779	2
	48,940	149,291	12,411,416	12,609,647	12,790,901	
Deposits from banks	-	-	1,101,224	1,101,224	1,102,492	3
Customers' deposits and Islamic customer deposits	-	-	8,697,571	8,697,571	8,741,390	3
Sukuk	-	-	91,788	91,788	91,788	1
Euro medium term notes	-	-	385,821	385,821	431,429	1
Subordinated liabilities	-	-	6,666	6,666	6,666	3
Negative fair value of derivatives	23,039	-	-	23,039	23,039	2
	23,039	-	10,283,070	10,306,109	10,396,803	

As of 31 December 2020	Designated as at FVTPL RO' 000	Designated as at FVOCI RO' 000	Amortised cost RO' 000	Total carrying value RO' 000	Fair value RO' 000	Level
Cash and balances with Central Banks	-	-	656,898	656,898	656,898	3
Due from banks	-	9,625	565,161	574,786	579,753	2,3
Loans and advances and Islamic financing receivables	-	-	8,982,655	8,982,655	9,069,385	3
Investment securities	20,765	138,567	1,688,017	1,847,349	1,873,486	1,2,3
Positive fair value of derivatives	35,429	-	-	35,429	35,429	2
	56,194	148,192	11,892,731	12,097,117	12,214,951	
Deposits from banks	-	-	939,621	939,621	940,210	3
Customers' deposits and Islamic customer deposits	-	-	8,458,505	8,458,505	8,408,860	3
Sukuk	-	-	90,600	90,600	90,027	1
Euro medium term notes	-	-	390,570	390,570	404,743	1
Subordinated liabilities	-	-	13,198	13,198	13,090	3
Negative fair value of derivatives	32,001	-	-	32,001	32,001	2
	32,001	-	9,892,494	9,924,495	9,888,931	

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**
26. FAIR VALUE INFORMATION (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at the reporting dates:

<i>As of 30 September 2021</i>	<i>Level 1 RO'000</i>	<i>Level 2 RO'000</i>	<i>Level 3 RO'000</i>	<i>Total RO'000</i>
Assets				
Derivatives	-	30,779	-	30,779
FVOCI Due from banks	-	51,175	-	51,175
FVTPL Equity	4,303	-	13,858	18,161
FVOCI Equity	84,532	-	3,565	88,097
FVOCI Debt	58,839	-	2,378	61,217
Total Assets	147,674	81,954	19,801	249,429
Liabilities				
Derivatives	-	23,039	-	23,039
As of 31 December 2020				
	<i>Level 1 RO'000</i>	<i>Level 2 RO'000</i>	<i>Level 3 RO'000</i>	<i>Total RO'000</i>
Assets				
Derivatives	-	35,429	-	35,429
FVOCI Due from banks	-	9,625	-	9,625
FVTPL Equity	10,266	-	10,499	20,765
FVOCI Equity	77,194	-	2,257	79,451
FVOCI Debt	56,176	-	2,940	59,116
Total Assets	143,636	45,054	15,696	204,386
Liabilities				
Derivatives	-	32,001	-	32,001

The following table demonstrate the movement of the Group's level 3 investments:

<i>As of 30 September 2021</i>	<i>FVOCI Equity RO'000</i>	<i>FVOCI Debt RO'000</i>	<i>FVTPL Equity RO'000</i>	<i>Total RO'000</i>
At 1 January 2021	2,257	2,940	10,499	15,696
Realised gain on sale	-	-	232	232
Gain (loss) from change in fair value	(795)	(1,223)	932	(1,086)
Additions	2,108	-	2,833	4,941
Disposals and redemption	-	-	(635)	(635)
Accrued interest	-	21	-	21
(Impairment) / Reversal of impairment on investments	-	636	-	636
Amortization	-	4	-	4
Exchange differences	(5)	-	(3)	(8)
	3,565	2,378	13,858	19,797

<i>As of 31 December 2020</i>	<i>FVOCI Equity RO'000</i>	<i>FVOCI Debt RO'000</i>	<i>FVTPL Equity RO'000</i>	<i>Total RO'000</i>
At 1 January 2020	3,527	4,369	8,794	16,690
Realised gain on sale	-	-	69	69
Gain (loss) from change in fair value	(1,270)	312	(137)	(1,095)
Additions	-	-	1,841	1,841
Disposals and redemption	-	(109)	(68)	(177)
Accrued interest	-	53	-	53
Impairment on investments	-	(1,691)	-	(1,691)
Amortization	-	6	-	6
	2,257	2,940	10,499	15,696

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

26. FAIR VALUE INFORMATION (continued)

As of 30 September 2021, 43% (31 December 2020: 49%) of the level 3 equity securities were valued on the basis of fair valuation carried out in accordance with appropriate valuation techniques based on income approach (discounting of cash flows), market approach (using prices or other relevant information generated by market transactions of identical or similar entities), cost approach or a combination thereof. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, using the best information available in the circumstances. These might include banks own data and would consider all information about market participant assumptions that is reasonably available.

As of 30 September 2021, 57% (31 December 2020: 51%) of the level 3 equity securities were valued on the basis of latest available capital accounts statements of the investee companies received from independent fund managers as at 31 March 2021 or at a later date and adjusted for subsequent cash flows till 30 September 2021 or based on net asset values received from independent fund managers as at 31 March 2021 or at a later date.

The debt investments were valued on fair value basis. Valuation is based on Risk adjusted discount rate (yield) considering a reasonable range of estimates. A significant decrease in the credit quality would result in a lower fair value with significant increase in the spread above the risk-free rate and vice-versa. The Group holds adequate provisioning on the above investments as of the reporting date.

There are no transfers of securities between Level 1, 2 and 3 during the period. Further, there is no change in the techniques used for fair valuation of level 3 securities during the period.

27. Comparative figures

Certain corresponding figures for 2020 have been reclassified / regrouped in order to conform to the presentation for the current year. Such reclassifications / regroupings do not affect previously reported profit or equity.