



SOHAR INTERNATIONAL BANK SAOG

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

(RO'000)

		30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
ASSETS	Note			
Cash and balances with Central Bank	5	80,085	202,630	146,119
Due from banks and other money market placements	6	198,581	81,584	211,342
Loans, advances and financing, net	7	2,550,441	2,503,497	2,467,388
Investment securities	8	1,036,860	701,118	690,305
Property, equipment and fixtures		47,243	44,278	43,666
Investment properties		2,900	2,900	2,900
Other assets	9	106,881	74,980	119,703
TOTAL ASSETS		4,022,991	3,610,987	3,681,423
LIABILITIES				
Due to banks and other money market borrowings	10	1,039,013	720,561	642,653
Customer deposits	11	2,228,759	2,231,565	2,348,496
Other liabilities	12	127,580	91,258	124,911
Subordinated loans		35,654	35,392	35,674
Certificates of deposit		-	509	503
TOTAL LIABILITIES		3,431,006	3,079,285	3,152,237
SHAREHOLDERS' EQUITY				
Share capital	13	295,355	245,355	245,355
Share premium	13	18,038	18,038	18,038
Legal reserve		31,481	30,520	28,519
General reserve		988	988	988
Fair value reserve		(2,219)	(3,437)	(3,693)
Subordinated loans reserve		21,000	21,000	14,000
Impairment reserve		5,464	5,464	-
Retained earnings		21,878	13,774	25,979
TOTAL SHAREHOLDERS' EQUITY		391,985	331,702	329,186
Perpetual Tier 1 capital securities	14	200,000	200,000	200,000
TOTAL EQUITY		591,985	531,702	529,186
TOTAL LIABILITIES AND EQUITY		4,022,991	3,610,987	3,681,423
CONTINGENT LIABILITIES COMMITMENTS	15.1 15.2	331,284 419,382	421,048 438,104	436,823 423,573
		<i>Baisa</i>	<i>Baisa</i>	<i>Baisa</i>
Net assets per share		131.1	136.3	135.2

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on 28th October 2021 and signed on their behalf by:

 Chairman

 Board member

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

 (Unaudited)
 (RO'000)

	Notes	For the nine months ended		For the three months ended	
		30 September 2021	30 September 2020	30 September 2021	30 September 2020
Interest income	16	109,478	109,782	37,487	36,627
Interest expense	17	(53,647)	(55,995)	(17,741)	(19,271)
Net interest income		55,831	53,787	19,746	17,356
Net income from Islamic financing and investing activities	18.2	6,109	4,083	1,917	1,402
Other operating income	19	20,230	12,444	6,287	3,941
TOTAL OPERATING INCOME		82,170	70,314	27,950	22,699
Staff costs		(21,469)	(18,878)	(7,195)	(6,389)
Other operating expenses	20	(11,755)	(11,012)	(3,921)	(3,523)
Depreciation		(2,278)	(2,209)	(804)	(751)
TOTAL OPERATING EXPENSES		(35,502)	(32,099)	(11,920)	(10,663)
NET OPERATING INCOME BEFORE IMPAIRMENT PROVISIONS		46,668	38,215	16,030	12,036
Loan impairment charges and other credit risk provisions (net)	21	(18,653)	(17,379)	(5,885)	(6,677)
PROFIT BEFORE TAX		28,015	20,836	10,145	5,359
Income tax expense		(4,217)	(3,084)	(1,548)	(782)
PROFIT FOR THE PERIOD		23,798	17,752	8,597	4,577
OTHER COMPREHENSIVE INCOME / (EXPENSE)					
Items that will not be reclassified subsequently to the income statement					
Revaluation losses on securities classified as fair value through other comprehensive income (FVOCI)		(612)	(75)	(107)	31
Items that will be reclassified subsequently to the income statement					
Net changes in fair value on debt instruments classified as fair value through other comprehensive income (FVOCI)		1,386	(2,261)	(82)	101
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		774	(2,336)	(189)	132
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		24,572	15,416	8,408	4,709
Basic earnings per share for the period	22	<i>Baisa</i> 3.46	<i>Baisa</i> 1.03	<i>Baisa</i> 0.36	<i>Baisa</i> (1.26)
Profit for the period					
Conventional banking		21,750	17,326	7,791	4,431
Islamic banking		2,048	426	806	146
		23,798	17,752	8,597	4,577

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

(Unaudited)

(RO'000)

	Share capital	Share premium	Legal reserve	General reserve	Fair value reserve	Subordinated loans reserve	Impairment reserve	Retained earnings	Total Shareholders' Equity	Perpetual Tier 1 Capital Securities	Total Equity
Balance as at 1 January 2021	245,355	18,038	30,520	988	(3,437)	21,000	5,464	13,774	331,702	200,000	531,702
Profit for the period	-	-	-	-	-	-	-	23,798	23,798	-	23,798
Other comprehensive gain for the period	-	-	-	-	774	-	-	-	774	-	774
Total comprehensive income for the period	-	-	-	-	774	-	-	23,798	24,572	-	24,572
Issue of rights shares	50,000	-	-	-	-	-	-	-	50,000	-	50,000
Issue expense – rights shares	-	-	961	-	-	-	-	-	961	-	961
Reclassification of net change in fair value of equity instruments upon de- recognition	-	-	-	-	444	-	-	(444)	-	-	-
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	-	(15,250)	(15,250)	-	(15,250)
Balance as at 30 September 2021	295,355	18,038	31,481	988	(2,219)	21,000	5,464	21,878	391,985	200,000	591,985
Balance as at 1 January 2020	236,360	19,942	28,519	988	(2,213)	14,000	-	38,513	336,109	200,000	536,109
Profit for the period	-	-	-	-	-	-	-	17,752	17,752	-	17,752
Other comprehensive loss for the period	-	-	-	-	(2,336)	-	-	-	(2,336)	-	(2,336)
Total comprehensive income for the period	-	-	-	-	(2,336)	-	-	17,752	15,416	-	15,416
Reclassification of net change in fair value of equity instruments upon de- recognition	-	-	-	-	856	-	-	(856)	-	-	-
Share premium transferred to share capital	1,904	(1,904)	-	-	-	-	-	-	-	-	-
Dividends paid for 2019	-	-	-	-	-	-	-	(7,091)	(7,091)	-	(7,091)
Issue of bonus shares for 2019	7,091	-	-	-	-	-	-	(7,091)	-	-	-
Additional Tier 1 coupon paid during the period	-	-	-	-	-	-	-	(15,248)	(15,248)	-	(15,248)
Balance as at 30 September 2020	245,355	18,038	28,519	988	(3,693)	14,000	-	25,979	329,186	200,000	529,186

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

(Unaudited)

(RO'000)

	30 September 2021	30 September 2020
OPERATING ACTIVITIES		
Profit before tax	28,015	20,836
Adjustments for:		
Depreciation	2,278	2,209
Loan impairment charges and other credit risk provisions, net	18,653	17,379
Net losses/(gains) on investments	(3,256)	39
Income from Islamic investment activities	(1,230)	(1,026)
Interest on investments	(16,384)	(14,130)
Interest charged on subordinated loans and compulsorily convertible bonds	1,832	1,859
Cash from operating activities before changes in operating assets and liabilities	29,908	27,166
Due from banks and other money market placements	727	(199)
Loans, advances and financing	(65,013)	(31,958)
Investment held at fair value through profit or loss (FVTPL)	4,564	(3,900)
Other assets	(31,906)	(36,107)
Due to banks and other money market borrowings	403,217	2,652
Customer deposits	(2,806)	251,186
Certificate of deposits	(509)	(6)
Other liabilities	36,579	27,048
Cash from operating activities	374,761	235,882
Income tax paid	(3,902)	(4,232)
Net cash from/(used in) operating activities, net of tax	370,859	231,650
INVESTING ACTIVITIES		
Purchase of investments, net	(135,165)	(17,329)
Proceeds from sale of investments	15,256	355
Acquisition of property, equipment and fixtures	(5,233)	(7,486)
Income from Islamic investment activities	804	686
Interest received on investments	16,384	14,130
Net cash used in investing activities	(107,954)	(9,644)
FINANCING ACTIVITIES		
Dividends paid	-	(7,091)
Issue of rights shares	50,000	-
Rights issue expenses	961	-
Interest paid on subordinated loans	(1,571)	(1,577)
Interest paid on perpetual Tier 1 capital securities	(15,250)	(15,248)
Net cash (used in)/from financing activities	34,140	(23,916)
NET CHANGE IN CASH AND CASH EQUIVALENTS	297,045	198,090
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	262,109	278,474
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	559,154	476,564
REPRESENTING:		
Cash and balances with Central Bank (other than capital deposit) (Note 5)	79,579	145,615
Due from banks and other money market placements with OM up to 90 days (Note 6)	196,560	208,657
Investment securities with original maturity (OM) up to 90 days (Note 8.2)	589,126	364,145
Due to banks and other money market borrowings with OM up to 90 days (Note 10)	(306,111)	(241,853)
	559,154	476,564

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

1. Legal status and principal activities

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

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

The Bank employed 890 employees as of 30 September 2021 (31 December 2020: 873, 30 September 2020: 881).

2. Basis of preparation

These interim condensed financial statements are prepared in accordance with International Accounting Standard No.34 - "Interim Financial Reporting", relevant disclosure requirements of the Commercial Companies Law of Oman, Capital Market Authority and the applicable regulations of the CBO. Since these are interim condensed financial statements, they do not contain all information and disclosures for the full financial statements prepared in accordance with IFRS. Therefore, it should be read in conjunction with the Bank's annual financial statements as at 31 December 2020.

2.1 Statement of compliance

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020 except for securities sold with a commitment to repurchase (repos) mentioned below.

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

2.2 Basis of measurement

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

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

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

2.3 Functional and presentation currency

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021 (RO'000)

2. Basis of preparation (continued)

2.4 Use of estimates and judgements

In preparation of the Bank's financial statements, management is required to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of

allowances required for impaired loans and receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

3. Application of new and revised International Financial Reporting Standards (IFRS)

For the period ended 30 September 2021, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2021.

3.a Interest Rate Benchmark Reforms

IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019 through Interest Rate Benchmark Reforms. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments are relevant to the Bank, provided that the Bank hedges and applies hedge accounting to its benchmark interest rate exposure. The application of the amendments has no significant impact on the Bank's accounting as currently the Bank has limited exposure to hedge accounting relationships.

The Bank has modest volumes of derivative and non-derivative financial instruments, mostly within its Banking Book, that are not included in hedge accounting relationships. The fair value of these financial assets and liabilities reflects the uncertainties arising from the interest rate benchmark reforms.

The Bank is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission) regarding the transition away from LIBOR (including GBP LIBOR, USD LIBOR and JPY LIBOR) to Sterling Overnight Index Average Rate (SONIA), the Secured Overnight Financing Rate (SOFR), and the Tokyo Overnight Average Rate (TONA) respectively and announcements on the transition from EONIA to Euro Short Term Rate (€STR). The FCA has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR. Furthermore, EONIA will cease to be published from 3 January 2022.

The Bank has established an IBOR transition management team comprising senior executives from Risk management, Finance, Treasury, Legal and IT. The transition programme is under the governance of the ALCO Committee, chaired by the Chief Executive Officer who reports to the Board. The Bank is planning for a smooth transition to alternative benchmark rates by the end of 2021. None of the Bank's current IBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different IBORs, which the Bank is monitoring closely and will look to implement as appropriate.

For the Bank's derivatives, the International Swaps and Derivatives Association's (ISDA) fall back clauses were made available at the end of 2019 and the Bank has commenced discussion with its correspondent banks with the aim to implement this language into its ISDA agreements for derivatives in both the banking and trading book, prior to 31 December 2021

For the Bank's floating rate debt, the Bank has commenced discussions with respective counterparties to amend the EONIA bank loan so that the reference benchmark interest rate will change to €STR given EONIA will cease to exist in January 2022. The Bank aims to finalise this amendment in the second half of 2021. For the USD LIBOR issued bond, the Bank will begin a dialogue with bondholders in 2021 to propose amendments to the fall back provisions to move from USD LIBOR to the SOFR.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

3. Application of new and revised International Financial Reporting Standards (IFRS)**3.a Interest Rate Benchmark Reforms (continued)**

In respect of floating rate customer advances and deposits, the Bank's response is focused on treating customers fairly and considers several aspects of transition including the reduction of clients' exposures to legacy IBOR contracts by amending or replacing existing contracts to include robust fall back provisions or replace IBOR with relevant alternative benchmark interest rates. A critical aspect of this response is also the development of new products linked to relevant alternative benchmark interest rates. The Bank will develop a detailed communication plan with a focus on communicating with customers in a way that is clear, fair and not misleading.

Implementation of this plan commenced in 2021, and will include explanation of what will happen to contracts that mature beyond the end of 2021 and the effect of IBOR replacement on the customer. Communications will be undertaken in good time to ensure that all customers have time to consider the options available before the end of 2021. Initial communications will focus on raising awareness and engagement will increase with detailed discussions with all clients taking place before end of 2021. Our response also includes a rigorous training programme to ensure that relevant client-facing staff have adequate knowledge and competence to understand the implications of IBORs ending and can respond to customers appropriately.

The Bank will continue to apply the amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Bank is exposed ends. The Bank has assumed that this uncertainty will not end until the Bank's contracts that reference IBORs are amended to specify the date the interest rate benchmark will be replaced and the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fall back clauses which have yet to be added to the Bank's contracts and the negotiation with lenders and bondholders.

4. Covid-19 and Expected Credit Loss (ECL)**ECL provisions and Management Overlays during the pandemic:**

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

The Bank has included within its loan impairment charges and other credit risk provisions (net) an element of management overlay in response to expected credit deterioration due to the economic impact of COVID-19. The impact of such an uncertain economic environment is judgmental and the Bank will continue to assess its ECL taking into account initiatives by the Central Bank of Oman as well as guidance issued by the International Accounting Standards Board (IASB).

Accounting for modification loss:

For both corporate and retail customers, the Bank has added the simple interest accrued during the deferral period (DP) to the principal outstanding and either extended the original maturity period of the loan or increased the instalments at the end of the DP. The Bank has determined that the modifications due to deferment of instalment and waiver of profit allowed in line with CBO relaxation measures do not result in de-recognition of financial assets. Further, the impact of day one modification loss was not considered material for the period.

Relaxation from the IFRS 9 Significant increase in Credit Risk (SICR) criteria:

CBO Circular BSD/CB&FLC/2021/002 dated March 18, 2021 suspended the stringent IFRS 9 Significant increase in Credit Risk (SICR) and two-track approach for loan loss provisioning for FY 2021. This relaxation mitigates the effects of stage downgrades of customer accounts most impacted by qualitative and specific quantitative factors relating to credit deterioration.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

5. Cash and balances with Central Bank

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Cash	36,339	29,175	30,644
Capital deposit with CBO	506	507	504
Balance with CBO	43,240	172,948	114,971
	<u>80,085</u>	<u>202,630</u>	<u>146,119</u>

- (i) The Capital deposit with CBO cannot be withdrawn without CBO approval.
- (ii) During the period average minimum balance to be kept with CBO as statutory reserves is RO 91.52 million (31 December 2020: RO 86.69 million, 30 September 2020: RO 86.37 million).

6. Due from banks and other money market placements

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
<i>Local currency:</i>			
Money market placements	-	376	30,003
	<u>-</u>	<u>376</u>	<u>30,003</u>
<i>Foreign currency:</i>			
Money market placements	167,099	32,371	135,455
Lending to banks	2,013	2,718	2,714
Demand balances	29,472	46,151	43,240
	<u>198,584</u>	<u>81,240</u>	<u>181,409</u>
	<u>198,584</u>	<u>81,616</u>	<u>211,412</u>
Expected credit loss allowance	(3)	(32)	(70)
	<u>198,581</u>	<u>81,584</u>	<u>211,342</u>

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

Gross carrying amount

	30 September 2021 (Unaudited)			30 September 2020 (Unaudited)	
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	81,616	-	-	81,616	199,053
New assets originated or purchased	135,084	2,002	-	137,086	36,995
Assets derecognised or matured	(20,118)	-	-	(20,118)	(24,636)
At 30 September	<u>196,582</u>	<u>2,002</u>	<u>-</u>	<u>198,584</u>	<u>211,412</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

6. Due from banks and other money market placements (continued)

ECL	30 September 2021 (Unaudited)				30 September 2020 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	32	-	-	32	816
Net (release)/charge for the year (Note 6)	(30)	1	-	(29)	(746)
At 30 September	2	1	-	3	70

7. Loans, advances and financing, net

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Corporate	1,777,127	1,695,839	1,675,732
Retail	928,020	936,272	911,682
Gross loans, advances and financing	2,705,147	2,632,111	2,587,414
Expected credit loss allowance	(124,134)	(106,443)	(100,141)
Contractual interest not recognised	(30,572)	(22,171)	(19,885)
	(154,706)	(128,614)	(120,026)
Net loans, advances and financing	2,550,441	2,503,497	2,467,388

Gross loans, advances and financing include RO 294.48 million (31 December 2020: RO 264.55 million, 30 September 2020: RO 241.67 million) through Sohar Islamic financing activities.

Loans, advances and financing comprise of:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Loans	2,455,279	2,403,050	2,344,723
Overdrafts	126,584	99,074	106,871
Loans against trust receipts	81,199	82,427	84,975
Bills discounted	42,085	47,560	50,845
Gross loans, advances and financing	2,705,147	2,632,111	2,587,414
Expected credit loss allowance	(124,134)	(106,443)	(100,141)
Contractual interest not recognised	(30,572)	(22,171)	(19,885)
	(154,706)	(128,614)	(120,026)
Net loans, advances and financing	2,550,441	2,503,497	2,467,388

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)
7. Loans, advances and financing, net (continued)

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

30 September 2021
(Unaudited)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
At 1 January	2,130,737	344,288	157,086	2,632,111
New assets originated or purchased	584,733	32,575	11,392	628,700
Assets derecognised or repaid	(528,760)	(21,771)	(4,756)	(555,287)
Loans written off	-	-	(568)	(568)
Loans brought back from memoranda portfolio	-	-	191	191
Transfers to Stage 1	25,838	(23,537)	(2,301)	-
Transfers to Stage 2	(14,978)	16,867	(1,889)	-
Transfers to Stage 3	(1,472)	(7,251)	8,723	-
At 30 September	2,196,098	341,171	167,878	2,705,147
ECL	Stage 1	Stage 2	Stage 3	Total
At 1 January	5,125	41,659	59,659	106,443
Expected credit losses recognised	3,049	9,356	18,088	30,493
Recoveries from expected credit losses	(3,933)	(5,798)	(2,695)	(12,426)
Loans written off	-	-	(568)	(568)
Loans brought back from memorandum portfolio	-	-	191	191
Transfers to Stage 1	1,635	(810)	(825)	-
Transfers to Stage 2	(265)	1,077	(811)	-
Transfers to Stage 3	(23)	(14,908)	14,931	-
At 30 September	5,588	30,576	87,970	124,134

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 September 2021
(RO'000)

7. Loans, advances and financing, net (continued)

30 September 2020
(Unaudited)

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
At 1 January	2,092,096	353,416	123,973	2,569,485
New assets originated or purchased	446,574	36,286	10,489	493,349
Assets derecognised or repaid	(400,137)	(48,412)	(8,701)	(457,250)
Loans written off	-	(259)	(194)	(453)
Loans transferred to memoranda portfolio	-	-	(17,933)	(17,933)
Loans brought back from memoranda portfolio	-	-	216	216
Transfers to Stage 1	44,472	(43,983)	(489)	-
Transfers to Stage 2	(65,852)	66,779	(927)	-
Transfers to Stage 3	(5,766)	(38,561)	44,327	-
At 30 September	2,111,387	325,266	150,761	2,587,414
ECL	Stage 1	Stage 2	Stage 3	Total
At 1 January	10,811	41,745	47,112	99,668
Expected credit losses recognised	2,721	7,305	20,559	30,585
Recoveries from expected credit losses	(4,267)	(6,486)	(1,189)	(11,942)
Loans written off	-	(259)	(194)	(453)
Loans transferred to memoranda portfolio	-	-	(17,933)	(17,933)
Loans brought back from memorandum portfolio	-	-	216	216
Transfers to Stage 1	2,615	(2,414)	(201)	-
Transfers to Stage 2	(1,524)	1,910	(386)	-
Transfers to Stage 3	(248)	(5,082)	5,330	-
At 30 September	10,108	36,719	53,314	100,141

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

	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Contractual interest not recognised		
Balance at beginning of year	22,171	15,664
Not recognised during the period	8,926	7,766
Written back due to recovery	(525)	(3,545)
Balance at end of the period	30,572	19,885

All loans and advances require payment of interest, some at fixed rates and others at rates that reprice prior to maturity. Interest reserve account is maintained to comply with rules, regulations and guidelines issued by CBO on loans, advances and financing that are impaired. As of 30 September 2021, loans and advances on which interest was not being accrued or where interest was reserved amounted to RO 167.878 million. (31 December 2020: RO 157.086 million, 30 September 2020: RO 150.761 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

8. Investment securities

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Equity Investments			
Held at FVOCI	5,946	6,189	6,080
Total Equity Investments	5,946	6,189	6,080
Debt Investments			
Held at FVTPL	94,837	96,145	96,928
Held at FVOCI	599,858	378,123	369,996
Less : Expected credit loss allowance	(895)	(880)	(31)
FVOCI debt investments (net)	598,963	377,243	369,965
Held at amortised cost	338,989	222,166	218,866
Less : Expected credit loss allowance	(1,875)	(625)	(1,534)
Held at amortised cost (net)	337,114	221,541	217,332
Total Debt Investments	1,030,914	694,929	684,225
Total Investment securities	1,036,860	701,118	690,305

8.1 Held at FVTPL

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Unquoted equity investments - Oman			
Service sector	2,500	2,500	2,500
Quoted debt investments – Foreign			
Service sector	115	117	115
Quoted debt investments – Oman			
Government development bonds	92,222	91,607	94,313
Sukuk trust certificates – secured	-	1,921	-
Total FVTPL investments	94,837	96,145	96,928

- As at 30 September 2021, unquoted equity investments include an investment of RO 2.50 million in the Oman Development Fund SAOC ("Fund"). The Fund was incorporated on 7 May 2014 under license no. 1196427 with the Bank being the founder shareholder. The purpose of the Fund is to identify mid-segment industrial and manufacturing sectors that leverage Oman's unique advantages such as its infrastructure, tax treaties, geography and natural mineral resources for potential investment opportunities. The Bank currently holds a 12.66% stake in the Fund (31 December 2020: 12.66%, 30 September 2020: 12.66%). The Bank has an Investment Management Agreement with the Fund.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
**AS AT 30 SEPTEMBER 2021
(RO'000)**
8 Investment securities (continued)
8.2 Held at FVOCI

	Carrying / fair value 30 September 2021 (Unaudited)	Cost 30 September 2021 (Unaudited)	Carrying / fair value 31 December 2020 (Audited)	Cost 31 December 2020 (Audited)	Carrying / fair value 30 September 2020 (Unaudited)	Cost 30 September 2020 (Unaudited)
Quoted equity investments – Oman						
Service Sector	5,946	7,013	6,189	7,669	6,080	7,478
Unquoted equity investments – Oman						
Service sector	-	34	-	34	-	34
Total Equity Investments	5,946	7,047	6,189	7,703	6,080	7,512
Quoted debt investments – Oman						
Real estate	7,661	7,854	6,105	7,854	5,852	8,113
Less : Expected credit loss allowance	(866)	-	(866)	-	-	-
Finance sector (Treasury bills & GDB)	237,951	237,901	29,956	29,942	29,959	30,000
Less : Expected credit loss allowance	(14)	-	(2)	-	(2)	-
Quoted debt investments – Foreign						
Finance sector (Treasury bills)	354,246	354,262	342,062	342,083	334,185	334,213
Less : Expected credit loss allowance	(15)	-	(12)	-	(29)	-
Total debt investments	598,963	600,017	377,243	379,879	369,965	372,326
Total investments held at FVOCI	604,909	607,064	383,432	387,582	376,045	379,838

- USD Treasury bills of RO 354.2 million (31 December 2020: RO 342.1 million, 30 September 2020: 334.2 million) are assigned as collateral against the bank's borrowings of RO 354.2 million (31 December 2020: RO 329.0 million, 30 September 2020: 354.2 million)

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

ECL	30 September 2021 (Unaudited)				30 September 2020 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	Total
At 1 January	14	866	-	880	28
Expected credit losses recognised	15	-	-	15	3
At 30 September	29	866	-	895	31

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

8. Investment securities (continued)

8.3 Held at amortised cost

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Quoted debt investments – Oman			
Government Development Bonds	315,967	199,020	195,831
Service sector	23,022	23,146	23,035
	<u>338,989</u>	<u>222,166</u>	<u>218,866</u>
Less : Expected credit loss allowance	(1,875)	(625)	(1,534)
Total Investments held at amortised cost	<u><u>337,114</u></u>	<u><u>221,541</u></u>	<u><u>217,332</u></u>

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

	30 September 2021 (Unaudited)				30 September 2020 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
Gross carrying amount					
At 1 January	219,429	2,737	-	222,166	201,360
New assets purchased	111,337	5,486	-	116,823	17,506
At 30 September	<u><u>330,766</u></u>	<u><u>8,223</u></u>	<u><u>-</u></u>	<u><u>338,989</u></u>	<u><u>218,866</u></u>
ECL					
At 1 January	567	58	-	625	1,508
Expected credit losses recognised	940	310	-	1,250	26
At 30 September	<u><u>1,507</u></u>	<u><u>368</u></u>	<u><u>-</u></u>	<u><u>1,875</u></u>	<u><u>1,534</u></u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

9. Other assets

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Acceptances	77,143	44,688	78,672
Prepayments	3,053	1,789	2,266
Receivables	1,624	997	1,623
Positive fair value of derivatives (Note 25)	4,502	2,514	5,284
Right-to-use assets	7,126	5,898	5,902
Others	13,433	19,094	25,956
	<u>106,881</u>	<u>74,980</u>	<u>119,703</u>

10. Due to banks and other money market borrowings

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
<i>Local currency:</i>			
Money market borrowings	60,748	57,752	19,252
Demand balances	7,446	6,061	6,955
	<u>68,194</u>	<u>63,813</u>	<u>26,207</u>
<i>Foreign currency:</i>			
Money market borrowings	829,343	521,618	478,093
Demand balances	45,036	-	3,203
Syndicated borrowings	96,440	135,130	135,150
	<u>970,819</u>	<u>656,748</u>	<u>616,446</u>
	<u>1,039,013</u>	<u>720,561</u>	<u>642,653</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

11. Customer deposits

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Conventional Banking			
Term deposits	868,524	985,749	1,089,320
Demand deposits	709,790	626,189	672,324
Saving deposits	311,117	283,695	272,676
Margin deposits	64,820	64,357	64,537
	<u>1,954,251</u>	<u>1,959,990</u>	<u>2,098,857</u>
Islamic Banking			
Term deposits	154,533	135,728	131,058
Demand deposits	72,742	90,831	71,055
Saving deposits	45,857	42,878	43,627
Margin deposits	1,376	2,138	3,899
	<u>274,508</u>	<u>271,575</u>	<u>249,639</u>
Total Customer deposits	<u>2,228,759</u>	<u>2,231,565</u>	<u>2,348,496</u>

12. Other liabilities

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Acceptances	77,143	44,688	78,672
Staff entitlements	3,452	3,862	1,785
Income tax payable	9,069	8,886	8,377
Negative fair value of derivatives (Note 25)	283	1,932	751
Deferred tax liabilities	903	863	773
Other accruals and provisions	29,243	23,965	27,327
Expected credit loss allowance on loan commitments and financial guarantees	1,322	1,972	2,374
Lease liability on right of use assets	6,165	5,090	4,852
Total	<u>127,580</u>	<u>91,258</u>	<u>124,911</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)
12. Other liabilities (continued)

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

Outstanding exposure	30 September 2021 (Unaudited)				30 September 2020 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
At 1 January	863,770	34,236	3,008	901,014	805,416
New assets originated or purchased	325,865	6,355	119	332,339	470,881
Assets derecognised or repaid	(398,126)	(9,454)	(740)	(408,320)	(338,613)
Transfers to Stage 1	1,115	(1,104)	(11)	-	-
Transfers to Stage 2	6,082	(6,082)	-	-	-
Transfers to Stage 3	(97)	(293)	390	-	-
At 30 September	798,609	23,658	2,766	825,033	937,684

ECL	30 September 2021 (Unaudited)				30 September 2020 (Unaudited)
	Stage 1	Stage 2	Stage 3	Total	
At 1 January	1,398	225	349	1,972	2,921
Expected credit losses recognised	846	42	30	918	1,397
Recoveries from expected credit losses	(1,177)	(86)	(304)	(1,567)	(1,944)
Transfers to Stage 1	4	(4)	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	(1)	-	1	-	-
At 30 September	1,070	177	76	1,322	2,374

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021 (RO'000)

13. Share capital and Share premium

The authorised share capital of the Bank is 4,000,000,000 shares (31 December 2020: 4,000,000,000). The issued shares of the Bank are 2,990,062,290 shares (31 December 2020: 2,434,506,735 shares, 30 September 2020: 2,434,506,735 shares). The paid up share capital of the Bank is RO 295.355 million (31 December 2020: RO 245.355 million, 30 September 2020: RO 245.355 million).

On 12 September 2021, the Bank issued 555,555,555 shares through rights issue to its existing shareholders at a price of 92 baisa per share consisting of nominal value of 90 baisa per share and 2 baisa per share to cover the rights issue expenses, resulting in an increase in share capital of RO 50 million and legal reserve of RO 0.96 million.

As at 30 September 2021, the following shareholders held 10% or more of the Bank's capital, either individually or together with related parties:

	<i>Number of shares</i>	<i>% Holding</i>
The Royal Court of Affairs	489,971,007	16.39
Oman Investment & Finance Co. SAOG	461,205,072	15.42

14. Perpetual Tier 1 Capital Securities

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

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

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

RO 15.25 million was paid as coupon during the period ended 30 September 2021 (31 December 2020: 15.25 million, 30 September 2020: 15.25 million) and is recognised in the statement of changes in equity.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

15. Contingent liabilities and commitments

15.1 Contingent liabilities

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

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Guarantees	227,528	219,684	239,446
Documentary letters of credit	103,756	201,364	197,377
	<u>331,284</u>	<u>421,048</u>	<u>436,823</u>

15.2 Commitments

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

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Capital commitments	2,776	2,826	1,383
Credit related commitments	416,606	435,278	422,190
	<u>419,382</u>	<u>438,104</u>	<u>423,573</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(Unaudited)

(RO'000)

16. Interest income

	For nine months ended		For three months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Loans and advances to customers	92,609	94,647	31,321	31,678
Due from banks and other money market placements	485	1,005	152	189
Investments	16,384	14,130	6,014	4,760
	<u>109,478</u>	<u>109,782</u>	<u>37,487</u>	<u>36,627</u>

17. Interest expense

	For nine months ended		For three months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Customer deposits	43,455	42,362	14,305	15,165
Subordinated loans	1,832	1,859	617	637
Due to banks and other money market borrowings	8,360	11,774	2,819	3,469
	<u>53,647</u>	<u>55,995</u>	<u>17,741</u>	<u>19,271</u>

18. Net income earned from Islamic financing and investing activities

18.1 Gross income earned from Islamic financing and investing activities

	For nine months ended		For three months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Financing to customers	12,025	9,199	3,944	3,161
Due from banks and other money market placements	25	69	4	28
Investments	1,230	1,026	435	342
	<u>13,280</u>	<u>10,294</u>	<u>4,383</u>	<u>3,531</u>

18.2 Profit paid to depositors / money market borrowings

	For nine months ended		For three months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Profit paid to depositors	6,994	5,940	2,301	2,064
Profit paid to banks and other money market Borrowings	177	271	165	65
	<u>7,177</u>	<u>6,211</u>	<u>2,466</u>	<u>2,129</u>
Net income from Islamic financing and investing activities	<u>6,109</u>	<u>4,083</u>	<u>1,917</u>	<u>1,402</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(Unaudited)

(RO'000)

19. Other operating income

	For nine months ended		For three months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Net fees and commissions	12,644	10,175	4,700	2,942
Net gains from foreign exchange	3,889	1,855	1,390	835
Bad debt recovery/(expense)	46	-	37	-
Dividend income	395	462	184	184
Gain/(Loss) on sale of investments	3,256	(39)	(24)	(33)
Others	-	(9)	-	13
	<u>20,230</u>	<u>12,444</u>	<u>6,287</u>	<u>3,941</u>

20. Other operating expenses

	For nine months ended		For three months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Operating and administration costs	8,950	8,029	3,046	2,517
Occupancy cost	2,582	2,756	854	980
Directors remuneration	150	156	-	-
Directors sitting fees	32	30	8	10
Shari'a supervisory board remuneration and sitting fees	41	41	13	16
	<u>11,755</u>	<u>11,012</u>	<u>3,921</u>	<u>3,523</u>

21. Loan impairment charges and other credit risk provisions, net

	For nine months ended		For three months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Impairment charges provided/(released) on:				
Loans, advances and financing (Note 7)	18,067	18,643	6,291	7,138
Loan commitments and financial guarantees (Note 12)	(649)	(547)	(390)	(233)
Due from banks and other money market placements (Note 6)	(29)	(746)	(21)	(155)
Debt securities at amortised cost (Note 8.3)	1,250	26	1	(76)
Debt securities at FVOCI (Note 8.2)	15	3	4	3
Loan impairment charges and other credit risk provisions under IFRS 9, net	<u>18,653</u>	<u>17,379</u>	<u>5,885</u>	<u>6,677</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(Unaudited)
(RO'000)
22. Basic earnings per share

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

	For nine months ended		For three months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Profit for the period	23,798	17,752	8,597	4,577
Less: Additional Tier 1 Coupon	(15,250)	(15,248)	(7,687)	(7,645)
Profit for the period attributable to equity holders of the Bank after coupon and issuance cost on Additional Tier 1 capital securities	8,548	2,504	910	(3,068)
Weighted average number of shares outstanding during the period ('000)	2,473,172	2,434,507	2,549,241	2,434,507
Basic earnings per share for the period (baisa)	3.46	1.03	0.36	(1.26)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)
23. Financial Instruments

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

30 September 2021
(Unaudited)

Classification								
CBO	IFRS9	Gross carrying amount (1)	CBO Provisions (2)	IFRS9 Provisions (3)	Difference (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)	IFRS9 Reserve Interest	CBO Reserve Interest
Standard	Stage 1	2,121,282	26,458	5,149	21,309	2,116,133	-	-
	Stage 2	55,684	700	3,615	(2,915)	52,069	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	2,176,966	27,158	8,764	18,394	2,168,202	-	-
Special mention	Stage 1	74,816	779	439	340	74,377	-	-
	Stage 2	285,487	10,224	26,961	(16,737)	258,526	-	-
	Stage 3	-	-	-	-	-	-	-
	Sub Total	360,303	11,003	27,400	(16,397)	332,903	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	6,253	2,182	1,976	206	4,277	56	56
	Sub Total	6,253	2,182	1,976	206	4,277	56	56
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	36,675	11,354	10,269	1,085	26,406	1,272	1,272
	Sub Total	36,675	11,354	10,269	1,085	26,406	1,272	1,272
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	124,950	83,857	106,297	(22,440)	18,653	29,244	29,244
	Sub Total	124,950	83,857	106,297	(22,440)	18,653	29,244	29,244
Gross Loans, advances and financing	Stage 1	2,196,098	27,237	5,588	21,649	2,190,510	-	-
	Stage 2	341,171	10,924	30,576	(19,652)	310,595	-	-
	Stage 3	167,878	97,393	118,542	(21,149)	49,336	30,572	30,572
	Sub Total	2,705,147	135,554	154,706	(19,152)	2,550,441	30,572	30,572
Due from banks, Investment securities, Loan commitments & Financial guarantees* Sub total	Stage 1	1,919,065	18	2,609	(2,591)	1,916,456	-	-
	Stage 2	40,625	-	1,411	(1,411)	39,214	-	-
	Stage 3	2,766	-	76	(76)	2,690	-	-
	Sub total	1,962,456	18	4,096	(4,078)	1,958,360	-	-
	Stage 1	4,115,163	27,255	8,197	19,058	4,106,966	-	-
	Stage 2	381,796	10,924	31,987	(21,063)	349,809	-	-
	Stage 3	170,644	97,393	118,618	(21,225)	52,026	30,572	30,572
	Total	4,667,603	135,572	158,802	(23,230)	4,508,801	30,572	30,572

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)
23. Financial Instruments (continued)

 31 December 2020
 (Audited)

Classification:								
CBO	IFRS 9	Gross Carrying amount RO'000	CBO Provision RO'000	IFRS9 Provisions RO'000	Difference RO'000	Net carrying amount RO'000	IFRS9 Reserve interest RO'000	CBO Reserve interest RO'000
		(1)	(2)	(3)	(4)=(2)-(3)	(5)=(1)-(3)		
Standard	Stage 1	2,107,397	26,867	4,966	21,901	2,102,431	-	-
	Stage 2	86,447	1,164	4,911	(3,747)	81,536	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		2,193,844	27,798	9,877	18,154	2,183,967	-	-
Special mention	Stage 1	23,340	304	159	145	23,181	-	-
	Stage 2	257,841	6,410	36,748	(30,338)	221,093	-	-
	Stage 3	-	-	-	-	-	-	-
Sub Total		281,181	6,714	36,907	(30,193)	244,274	-	-
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	8,414	2,133	2,662	(529)	5,752	103	103
Sub Total		8,414	2,133	2,662	(529)	5,752	103	103
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	37,231	10,983	13,174	(2,191)	24,057	852	852
Sub Total		37,231	10,983	13,174	(2,191)	24,057	852	852
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	111,441	68,506	65,994	2,512	45,447	21,216	21,216
Sub Total		111,441	68,506	65,994	2,512	45,447	21,216	21,216
Gross Loans, advances and financing								
	Stage 1	2,130,737	27,171	5,125	22,046	2,125,612	-	-
	Stage 2	344,288	7,574	41,659	(34,085)	302,629	-	-
	Stage 3	157,086	81,622	81,830	(208)	75,256	22,171	22,171
Sub Total		2,632,111	116,367	128,614	(12,247)	2,503,497	22,171	22,171
*Due from banks, Investment securities, Loan commitments & Financial guarantees	Stage 1	1,543,020	13	2,011	(1,998)	1,541,009	-	-
	Stage 2	43,080	-	1,149	(1,149)	41,931	-	-
	Stage 3	3,008	-	349	(349)	2,659	-	-
Sub Total		1,589,108	13	3,509	(3,496)	1,585,599	-	-
	Stage 1	3,673,757	27,184	7,136	20,048	3,666,621	-	-
	Stage 2	387,368	7,574	42,808	(35,234)	344,560	-	-
	Stage 3	160,094	81,622	82,179	(557)	77,915	22,171	22,171
Total		4,221,219	116,380	132,123	(15,743)	4,089,096	22,171	22,171

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)**
23. Financial Instruments (continued)

 30 September 2020
(Unaudited)

CBO Classification	IFRS9	Gross carrying amount (1)	CBO Provisions (2)	IFRS9 Provisions (3)	Difference (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)	IFRS9 Reserve Interest	CBO Reserve Interest
Standard*	Stage 1	2,062,148	24,569	9,459	15,110	2,052,689	-	-
	Stage 2	87,329	994	5,022	(4,028)	82,307	-	-
	Stage 3	336	4	81	(77)	255	-	-
Sub Total		2,149,813	25,567	14,562	11,005	2,135,251		
Special mention	Stage 1	49,239	591	649	(58)	48,590	-	-
	Stage 2	237,937	8,198	31,697	(23,499)	206,240	-	-
	Stage 3	548	5	120	(115)	428	-	-
Sub Total		287,724	8,794	32,466	(23,672)	255,258		
Sub standard	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	5,546	1,399	2,203	(804)	3,343	111	111
Sub Total		5,546	1,399	2,203	(804)	3,343	111	111
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	61,671	23,418	16,960	6,458	44,711	3,275	3,275
Sub Total		61,671	23,418	16,960	6,458	44,711	3,275	3,275
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-
	Stage 3	82,660	39,494	53,835	(14,341)	28,825	16,499	16,499
Sub Total		82,660	39,494	53,835	(14,341)	28,825	16,499	16,499
Gross Loans, advances and financing	Stage 1	2,111,387	25,160	10,108	15,052	2,101,279	-	-
	Stage 2	325,266	9,192	36,719	(27,527)	288,547	-	-
	Stage 3	150,761	64,320	73,199	(8,879)	77,562	19,885	19,885
Sub Total		2,587,414	98,672	120,026	(21,354)	2,467,388	19,885	19,885
Due from banks, Investment securities, Loan commitments & Financial guarantees*	Stage 1	1,674,057	13	2,536	(2,523)	1,671,521	-	-
	Stage 2	63,939	-	1,090	(1,090)	62,849	-	-
	Stage 3	4,478	-	383	(383)	4,095	-	-
Sub total		1,742,474	13	4,009	(3,996)	1,738,465	-	-
Total	Stage 1	3,785,444	25,173	12,644	12,529	3,772,800	-	-
	Stage 2	389,205	9,192	37,809	(28,617)	351,396	-	-
	Stage 3	155,239	64,320	73,582	(9,262)	81,657	19,885	19,885
	Total	4,329,888	98,685	124,035	(25,350)	4,205,853	19,885	19,885

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021 (RO'000)

23. Financial Instruments (continued)

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

30 September 2021 (Unaudited)	CBO	IFRS 9	Difference
Impairment loss charged to statement of comprehensive income	19,569	18,653	(916)
Provisions	166,144	158,802	(7,342)
Gross NPL ratio (percentage)*	6.21	6.21	-
Net NPL ratio (percentage)*	1.57	1.93	0.36

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

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

	CBO	IFRS 9
Gross loans advances and financing	136,003	124,134
Due from Banks	18	3
Investment securities(amortised cost)	-	1,875
Investment securities (FVOCI)	-	895
Loan commitments and financial guarantees	-	1,322
Total ECL	136,021	128,230
Contractual interest not recognised	30,572	30,572
Total ECL and Contractual interest not recognised	166,593	158,802

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

ECL	Stage 1	Stage 2	Stage 3	Total
At 1 January	7,136	42,808	60,008	109,952
Expected credit losses recognised	4,852	9,708	18,118	32,678
Recoveries from expected credit losses	(5,142)	(5,884)	(2,999)	(14,025)
Loans written off	-	-	(568)	(568)
Loans brought back from memorandum portfolio	-	-	191	191
Transfers to Stage 1	1,639	(814)	(825)	-
Transfers to Stage 2	(264)	1,077	(812)	-
Transfers to Stage 3	(24)	(14,908)	14,933	-
At 30 September	8,197	31,987	88,046	128,230

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

23. Financial Instruments (continued)

Restructured loans

Loans with renegotiated terms are defined as loans that have been restructured due to deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off. For restructured loans there is no reserve interest under IFRS9 and CBO classification.

30 September 2021 (Unaudited)

Classification:

CBO	IFRS 9	Gross Carrying amount (1)	CBO Provision (2)	IFRS9 Provisions (3)	Difference (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)
Classified as performing	Stage 1	74,118	721	441	280	73,677
	Stage 2	207,198	7,118	32,509	(25,391)	174,689
	Stage 3	-	-	-	-	-
Sub Total		281,316	7,839	32,950	(25,111)	248,366
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	74,118	721	441	280	73,677
	Stage 2	207,198	7,118	32,509	(25,391)	174,689
	Stage 3	-	-	-	-	-
Total		281,316	7,839	32,950	(25,111)	248,366

31 December 2020 (Audited)

Classification: CBO	IFRS 9	Gross Carrying amount (1)	CBO Provision (2)	IFRS9 Provisions (3)	Difference (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)
Classified as performing	Stage 1	69,765	452	234	218	69,531
	Stage 2	197,190	7,209	31,247	(24,038)	165,943
	Stage 3	-	-	-	-	-
Sub Total		266,955	7,661	31,481	(23,820)	235,474
Classified as non- performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	69,765	452	234	218	69,531
	Stage 2	197,190	7,209	31,247	(23,820)	165,943
	Stage 3	-	-	-	-	-
Total		266,955	7,661	31,481	(23,820)	235,474

30 September 2020 (Unaudited)

Classification:

CBO	IFRS 9	Gross Carrying amount (1)	CBO Provision (2)	IFRS9 Provisions (3)	Difference (4)=(2)-(3)	Net carrying amount (5)=(1)-(3)
Classified as performing	Stage 1	36,289	-	695	(695)	35,594
	Stage 2	160,872	6,941	24,140	(17,199)	136,732
	Stage 3	-	-	-	-	-
Sub Total		197,161	6,941	24,835	(17,894)	172,326
Classified as non-performing	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Sub Total		-	-	-	-	-
Total	Stage 1	36,289	-	695	(695)	35,594
	Stage 2	160,872	6,941	24,140	(17,199)	136,732
	Stage 3	-	-	-	-	-
Total		197,161	6,941	24,835	(17,894)	172,326

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

24. Related party transactions

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

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

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Directors & Senior management			
Loans, advances and financing at the end of period	3,207	2,476	2,457
Loans disbursed during the period	1,365	684	471
Loans repaid during the period	(282)	(357)	(281)
Deposits at the end of the period	1,557	1,575	1,282
Deposits received during the period	990	1,492	1,334
Deposits matured/paid during the period	(1,482)	(1,461)	(1,422)
Interest income during the period	77	104	81
Interest expense during the period	(17)	(11)	(7)
Directors' sitting fees and remuneration	182	198	186
Shari'a Supervisory Board members	41	55	41
Other related parties			
Loans, advances and financing at the end of period	71,416	69,125	63,330
Loans disbursed during the period	30,569	47,750	34,035
Loans repaid during the period	(1,803)	(8,829)	(949)
Deposits at the end of the period	9,976	17,991	11,201
Deposits received during the period	6,428	12,893	8,601
Deposits matured/paid during the period	(9,799)	(4,169)	(3,911)
Interest income during the period	2,894	3,199	2,252
Interest expense during the period	(182)	(217)	(66)

Key management compensation

Key management comprises of 7 (2020:7) senior management executives. The Bank considers these members to be key management personnel for the purpose of IAS 24 Related Party Disclosures

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

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Loans as at end of the period	1,068	264	271
Deposits as at the end of the period	289	292	141
Interest Income (during the period)	11	13	10
Interest expense (during the period)	(1)	(2)	(2)
Salaries and other short term benefits	1,141	1,559	983
Post-employment benefits	22	42	30

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)

24. Related party transactions (continued)

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

	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Loans, advances and financing at the end of the period	7,378	6,495	6,000
Loans disbursed during the period	6,899	6,041	6,000
Loans repaid during the period	-	-	-
Deposits at the end of the period	213	144	3,913
Deposits received during the period	149	143	2,365
Deposits matured/paid during the period	(77)	-	-
Interest income during the period	316	499	399
Interest expense during the period	(1)	(71)	(61)

As at 30 September 2021, no loans to related parties are classified under stage 3 (31 December 2020: nil, 30 September 2020; nil)

25. Fair value of financial instruments

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)
25. Fair value of financial instruments (continued)

At 30 September 2021 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	80,085	-	-	80,085
Due from banks and other money market placements	198,581	-	-	198,581
Loans, advances and financing	2,550,441	-	-	2,550,441
Investments	337,114	604,909	94,837	1,036,860
Other assets (excluding prepayments)	103,828	-	-	103,828
Total	3,270,049	604,909	94,837	3,969,795
Liabilities				
Due to banks and other money market borrowings	1,039,013	-	-	1,039,013
Customer deposits	2,228,759	-	-	2,228,759
Other liabilities (excluding other accruals & provisions)	98,337	-	-	98,337
Subordinated loans	35,654	-	-	35,654
Total	3,401,763	-	-	3,401,763

At 31 December 2020 (Audited)	Amortised cost	FVOCI	FVTPL	Total carrying /fair value
Assets				
Cash and balances with Central Bank	202,630	-	-	202,630
Due from banks and other money market placements	81,584	-	-	81,584
Loans, advances and financing	2,503,497	-	-	2,503,497
Investments	221,541	383,432	96,145	701,118
Other assets (excluding prepayments)	73,191	-	-	73,191
Total	3,082,443	383,432	96,145	3,562,020
Liabilities				
Due to banks and other money market borrowings	720,561	-	-	720,561
Customer deposits	2,231,565	-	-	2,231,565
Other liabilities (excluding other accruals & provisions)	67,293	-	-	67,293
Subordinated loans	35,392	-	-	35,392
Certificates of deposit	509	-	-	509
Total	3,055,320	-	-	3,055,320

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)
25. Fair value of financial instruments (continued)

At 30 September 2020 (Unaudited)	Amortised cost	FVOCI	FVTPL	Total carrying (including accrued interest)/fair value
Assets				
Cash and balances with Central Bank	146,119	-	-	146,119
Due from banks and other money market placements	211,342	-	-	211,342
Loans, advances and financing	2,467,388	-	-	2,467,388
Investments	217,332	376,045	96,928	690,305
Other assets (excluding prepayments)	117,437	-	-	117,437
Total	3,159,618	376,045	96,928	3,632,591
Liabilities				
Due to banks and other money market borrowings	642,653	-	-	642,653
Customers' deposits	2,348,496	-	-	2,348,496
Other liabilities (excluding other accruals & provisions)	97,584	-	-	97,584
Subordinated loans	35,674	-	-	35,674
Certificates of deposits	503	-	-	503
Total	3,124,910	-	-	3,124,910

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

30 September 2021 (Unaudited)	Investment securities	Positive fair value of Derivatives	Negative fair value of derivatives	Total
Level 1	5,946	-	-	5,946
Level 2	691,300	4,502	(283)	695,518
Level 3	2,500	-	-	2,500
	<u>699,746</u>	<u>4,502</u>	<u>(283)</u>	<u>703,964</u>

31 December 2020 (Audited)	Investments	Positive fair value of Derivatives	Negative fair value of derivatives	Total
Level 1	6,189	-	-	6,189
Level 2	470,888	2,514	(1,932)	471,470
Level 3	2,500	-	-	2,500
	<u>479,577</u>	<u>2,514</u>	<u>(1,932)</u>	<u>480,159</u>

30 September 2020 (Unaudited)	Investment securities	Positive fair value of Derivatives	Negative fair value of derivatives	Total
Level 1	6,080	-	-	6,080
Level 2	464,393	5,284	(751)	468,926
Level 3	2,500	-	-	2,500
	<u>472,973</u>	<u>5,284</u>	<u>(751)</u>	<u>477,506</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

AS AT 30 SEPTEMBER 2021

(RO'000)

26. Derivatives

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

As at 30 September 2021 (Unaudited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	74	195	909,353	538,499	311,870	58,984
Forward foreign exchange sales contracts	4,428	88	911,003	542,982	310,132	57,889
IRS	427	428	106,187	-	-	106,187

As at 31 December 2020 (Audited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	52	216	877,111	480,625	187,188	209,298
Forward foreign exchange sales contracts	2,462	1,716	876,653	482,648	188,914	205,091

As at 30 September 2020 (Unaudited)	Positive Fair Value	Negative Fair Value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 - 12 months	More than 1 year
Forward foreign exchange purchase contracts	75	230	682,532	187,621	289,739	205,172
Forward foreign exchange sales contracts	5,209	521	679,831	186,770	292,861	200,200

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)**
27. Exposure to liquidity risk

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

	30 September 2021	31 December 2020	30 September 2020
LCR	297.1%	134.0%	206.9%
LCR (average for the quarter)	202.7%	146.1%	210.7%
NSFR	112.5%	113.2%	120.5%
Leverage ratio	13.6%	14.3%	13.4%

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

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

30 September 2021 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks and other money market borrowings	1,039,013	1,278,245	577,962	170,864	505,569
Customer deposits	2,228,759	2,304,612	1,332,419	480,241	491,952
Other liabilities	127,580	127,580	127,580	-	-
Subordinated loans	35,654	41,389	349	2,101	38,939
Total	3,431,006	3,751,826	2,038,310	653,206	1,036,460

31 December 2020 (Audited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks and other money market borrowings	720,561	727,551	235,289	153,513	338,749
Customer deposits	2,231,565	2,337,350	1,194,642	652,262	490,446
Other liabilities	91,258	91,258	91,258	-	-
Subordinated loans	35,392	41,389	349	2,101	38,939
Certificates of deposit	509	518	6	512	-
Total	3,079,285	3,198,066	1,521,544	808,388	868,134

30 September 2020 (Unaudited)	Carrying amount	Gross nominal outflow	Within 3 months	3 - 12 months	Over 1 year
Non – derivative liabilities					
Due to banks and other money market borrowings	642,653	648,663	213,416	99,818	335,429
Customer deposits	2,348,496	2,381,846	1,039,570	425,974	916,302
Other liabilities	124,911	124,911	124,911	-	-
Subordinated loans	35,674	42,269	880	1,570	39,819
Certificates of deposit	503	524	6	518	-
Total	3,152,237	3,198,213	1,378,783	527,880	1,291,550

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)
28. Capital management

The international standard for measuring capital adequacy is the risk asset ratio, which relates capital to balance sheet assets and off balance sheet exposures weighted according to broad categories of risk. The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

	30 September 2021	31 December 2020	30 September 2020
CET 1 capital			
Ordinary share capital	295,355	245,355	245,355
Share premium	18,038	18,038	18,038
Legal reserve	31,481	30,520	28,519
General reserve	988	988	988
Subordinated loan reserve	21,000	21,000	14,000
Retained earnings	(1,920)	13,774	8,225
Fair value losses	(2,219)	(3,437)	(3,698)
Total CET 1 capital	362,723	326,238	311,427
Additional Tier 1 capital			
Perpetual Tier 1 Capital Securities	200,000	200,000	200,000
Total Tier 1 capital	562,723	526,238	511,427
Tier 2 capital			
Impairment allowance on portfolio basis	17,833	24,627	28,960
Fair value gains	-	-	2
Subordinated loan	14,000	14,000	21,000
Total Tier 2 capital	31,833	38,627	49,962
Total regulatory capital	594,556	564,865	561,389
Risk weighted assets			
Credit and market risks	2,890,674	2,773,198	2,811,024
Operational risk	191,888	191,888	179,749
Total risk weighted assets	3,082,562	2,965,086	2,990,773
Capital adequacy ratio			
Total regulatory capital expressed as a percentage of total risk weighted assets	19.29%	19.05%	18.77%
Total tier I capital expressed as a percentage of total risk weighted assets	18.26%	17.75%	17.10%
Total CET 1 capital expressed as a percentage of total risk weighted assets	11.77%	11.00%	10.41%

In order to smoothen the higher volatility in ECL computation and its impact on regulatory capital of the banks due to Covid19, CBO has issued a new interim requirement to apply a "prudential filter" on IFRS 9 ECL provisions for calculating the regulatory capital. The impact of this prudential filter on the Bank's regulatory capital is 5 bps.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2021 (RO'000)

29. Segmental information

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

Retail banking:

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

Wholesale banking:

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

Islamic banking

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

Head office

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

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

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

No revenue from transactions with a single external counterparty or customer amounted to 10% or more of the Bank's total revenue in 2021 or 2020.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2021
(RO'000)
29.1 Segmental information (continued)

	<i>Retail banking</i>	<i>Wholesale banking</i>	<i>Islamic banking</i>	<i>Head office</i>	<i>Total</i>
30 September 2021					
<i>Income Statement</i>					
Net interest income	13,670	42,327	-	(167)	55,831
Net income from Islamic financing and investing activities	-	-	5,942	167	6,109
Other operating income	5,374	14,355	541	(40)	20,230
Total operating income	19,045	56,682	6,483	(40)	82,170
Total operating expenses	(14,817)	(17,113)	(3,612)	40	(35,502)
Net operating Income	4,228	39,569	2,871	-	46,668
Total ECL	(1,313)	(16,878)	(462)	-	(18,653)
Segment Profit	2,915	22,691	2,409	-	28,015
Income tax expense	(481)	(3,375)	(361)	-	(4,217)
Profit for the period	2,434	19,316	2,048	-	23,798
<i>Balance sheet</i>					
Assets					
Cash and balances with Central Bank	-	51,153	28,932	-	80,085
Due from banks and other money market placements	-	182,263	16,318	-	198,581
Loans, advances and financing, net	764,310	1,495,116	291,015	-	2,550,441
Investment securities	-	1,008,050	28,810	-	1,036,860
Property, equipment and fixtures	-	-	734	46,509	47,243
Investment properties	-	-	-	2,900	2,900
Other assets	-	81,645	736	24,500	106,881
TOTAL ASSETS	764,310	2,818,227	366,545	73,909	4,022,991
Liabilities					
Due to banks and other money market borrowings	-	984,726	54,287	-	1,039,013
Customer deposits	518,769	1,435,482	274,508	-	2,228,759
Other liabilities	-	77,426	1,761	48,393	127,580
Subordinated loans	-	-	-	35,654	35,654
TOTAL LIABILITIES	518,769	2,497,634	330,556	84,047	3,431,006
Internal funding (net)	245,541	320,593	-	(566,134)	-
TOTAL EQUITY	-	-	35,989	555,996	591,985
TOTAL LIABILITIES & EQUITY	764,310	2,818,227	366,545	73,909	4,022,991

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 AS AT 30 SEPTEMBER 2021
 (RO'000)**
29.1 Segmental information (continued)

	<i>Retail banking</i>	<i>Wholesale banking</i>	<i>Islamic banking</i>	<i>Head Office</i>	<i>Total</i>
<i>30 September 2020</i>					
<i>Income Statement</i>					
Net interest income	15,420	38,367	-	-	53,787
Net income from Islamic financing and investing activities	-	-	4,083	-	4,083
Other operating income	3,977	7,860	607	-	12,444
Total operating income	19,397	46,227	4,690	-	70,314
Total operating expenses	(14,806)	(13,445)	(3,848)	-	(32,099)
Net operating Income	4,591	32,782	842	-	38,215
Total ECL	(3,204)	(13,834)	(341)	-	(17,379)
Segment Profit	1,386	18,949	501	-	20,836
Income tax expense	(215)	(2,794)	(75)	-	(3,084)
Profit for the period	1,171	16,155	426	-	17,752
<i>Balance sheet</i>					
<i>Assets</i>					
Cash and balances with Central Bank	-	130,483	15,636	-	146,119
Due from banks and other money market placements	-	200,924	10,418	-	211,342
Loans, advances and financing, net	772,793	1,456,523	238,072	-	2,467,388
Investments	-	668,958	21,347	-	690,305
Property, equipment and fixtures	-	-	930	42,736	43,666
Investment properties	-	-	-	2,900	2,900
Other assets	-	83,956	1,284	34,463	119,703
TOTAL ASSETS	772,793	2,540,844	287,687	80,099	3,681,423
<i>Liabilities</i>					
Due to banks and other money market borrowings	-	639,450	3,203	-	642,653
Customer deposits	417,728	1,681,129	249,639	-	2,348,496
Other liabilities	-	79,423	2,689	42,799	124,911
Subordinated loans	-	-	-	35,674	35,674
Certificates of deposit	-	503	-	-	503
TOTAL LIABILITIES	417,728	2,400,505	255,531	78,473	3,152,237
Internal funding (net)	355,065	140,339	-	(495,404)	-
TOTAL EQUITY	-	-	32,156	497,030	529,186
TOTAL LIABILITIES & EQUITY	772,793	2,540,844	287,687	80,099	3,681,423

30. Comparative figures

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