

# Unaudited interim condensed financial statements For the Nine-month period ended 30 September 2020

#### Registered office and principal place of business:

Bank Dhofar Building Bank Al Markazi street Post Box 1507,Ruwi Postal Code 112 Sultanate of Oman



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### BANK DHOFAR S.A.O.G.

#### THE BOARD OF DIRECTORS' REPORT FOR THE NINE MONTHS PERIOD ENDED

#### 30th September 2020

#### Dear Shareholders,

On behalf of the Board of Directors of Bank Dhofar S.A.O.G., I am pleased to present to you the Bank's Financial Statements for the year-to-date 30<sup>th</sup> September 2020.

#### The Bank's Financial Performance during Nine Months ended September 2020

The global pandemic Coronavirus (Covid19) impact continued to affect the economy. The bank reported a net profit of OMR 26.64 million for the year-to-date (YTD) 30<sup>th</sup> September 2020 compared to OMR 25.92 million for same period last year, a year-on-year a growth of 2.78%. Net Loans, Advances and Financing to customers' is showing an year-on-year increase of 7.89% growing to OMR 3.28 billion as at 30<sup>th</sup> September 2020, compared to OMR 3.04 billion at the end of 30<sup>th</sup> September 2019. Customer Deposits, including Islamic deposits is at OMR 2.64 billion as at 30<sup>th</sup> September 2020 compared to OMR 2.73 billion as at 30<sup>th</sup> September 2019, 3.30% year-on-year decrease.

The Net Interest Income and income from Islamic Financing activities earned were OMR 79.40 million year-to-date September 2020 as compared to OMR 83.64 million earned during the same period last year, a decrease of 5.07%. However, non-funded income such as fees and commissions, foreign exchange profit, investment income etc. increased by 7.35% year-to-date September 2020, reaching OMR 16.07 million compared to OMR 14.97 million year-to-date September 2019. Total operating income achieved OMR 95.47 million for nine months ended September 2020 as against OMR 98.60 million same period of 2019, a decrease of 3.17%. Operating expenses, excluding one-off Corporate Social Responsibility (CSR) Donation of OMR 1 million for Covid-19, decreased 0.70%, to OMR 51.42 million YTD September 2020 compared to OMR 51.78 million YTD September 2019. With the decline in operating income, the cost to income ratio increased to 54.91% from 52.52% for the nine-months period ended 30<sup>th</sup> September 2020 compared to the same period in 2019.

Net provisions (Expected Credit Loss 'ECL') for nine months ended 30 September 2020 was RO 11.74 million compared to 16.38 million for nine months ended 30 September 2019, a decrease of RO 4.64 million. 2019 net provisions include classification of certain large accounts reflecting the market conditions. 2020 net provisions include management overlay of precautionary provisions considering the economic impact due to Covid19 global pandemic and continued pressure on oil prices. Gross NPL (Non-performing loans) decrease to 4.51% as at 30th September 2020 from 4.58% as at 30<sup>th</sup> September 2019. Net NPL, net of interest reserve increased to 3.78% at 30th September 2020 vs. 3.65% at 30<sup>th</sup> September 2019. However, Net NPL, net of interest reserve and ECL provision improved to 1.91% as at 30<sup>th</sup> September 2020 compared to 2.17% compared to 30<sup>th</sup> September 2019. NPL is based on funded non-performing exposure over total funded exposure.

The earnings per share (EPS) for the nine-months period ended 30<sup>th</sup> September 2020 are OMR 0.007 as compared to corresponding period of year 2019 of OMR 0.007.

#### Maisarah Financial Performance Highlights: -

Maisarah Islamic Banking Services continue to report strong growth in earning assets, financing and the operating profit. Maisarah's Gross financing portfolio has increased from RO 452.73 million at September 2019 to OMR 481.13 million at September 2020, a growth of 6.27%. The gross Sukuk

investment portfolio has grown by 24.90% from OMR 53.74 million at September 2019 to OMR 67.12 million at September 2020.

The total assets increased by 5.44% to OMR 585.19 million at September 2020 from OMR 555.01 million at September 2019. As at September 2020, the total customer deposit has declined 4.20%, to OMR 344.22 million from OMR 359.07 million at September 2019.

The net financing income from Financing, Placement and Investment after cost of funds increased by 22.37% reaching OMR 11.27 million nine-months September 2020 compared to OMR 9.21 million same period last year. Operating income (funded and nonfunded) year-to-date September 2020 was at OMR 12.58 million compared to OMR 10.97 million year-to-date September 2019, an increase of 14.68%.

As at September 2020, Maisarah posted year-to-date Profit from Operations before provisions of OMR 6.58 million, growth of 16.46% compared to same period last year of OMR 5.65 million. Cost to income ratio improved to 47.69% year-to-date September 2020 compared to 48.50% same period last year.

Maisarah reported Profit before tax of OMR 5.55 million for first nine months of 2020, an increase of 19.35% compared to first nine months September 2019, OMR 4.65 million.

#### **Awards & Accolades**

Following key awards were won by the Bank during nine months' period ended 30th September 2020 and those awards are testimony to the continued efforts put in by the Bank to improve,

- Best Islamic bank in Oman Maisarah Islamic Banking Services at the Middle East Banking Awards 2019 (EMEA Finance).
- Best Investment Banking Brand, Oman 2019 by Global Brand Awards.
- Most Successful Companies in Oman Award by Forbes Middle East.
- Best Business and Corporate Banking Oman 2020 by International Business Magazine
- Best Digital Bank in Oman 2020 by Asiamoney Middle East's Best Bank Awards

#### **Corporate Social Responsibility (CSR):**

In solidarity with the nationwide efforts to combat the coronavirus (Covid-19), The Board of Directors contributed OMR 1 Million to provide the necessary medical equipment and supplies in cooperation with the Ministry of Health.

Within the same context, BankDhofar also offered loan instalment deferments for customers as support to the affected families.

BankDhofar has always been at the forefront in providing support to the community and continue delivering on its commitment to innovating strategic sustainable CSR initiatives ensuring lasting positive benefits to the local community.

#### **Acknowledgment**

On behalf of the Board, I would like to thank our valuable customers for their patronage and confidence they have reposed in the Board of Directors and the Executive Management. Also, I thank the shareholders for their continuous support and Chairman, members of Sharia Supervisory Board of Maisarah Islamic Banking Services, Management and Staff for their efforts and contributions in the period.

The Board of Directors also wishes to thank the Central Bank of Oman the Capital Market Authority for its valuable guidance to the local banking sector.

We would like to wish people of Oman safety and health from the current global coronavirus (Covid19) pandemic and pray for speedy recovery of those who all affected across the world. Finally, the Board of Directors and all staff of the Bank would like to express our most sincere gratitude to His Majesty Sultan Haitham Bin Tarik for his wise leadership and generous support to the private sector.

Eng. Abdul Hafidh Salim Rajab Al-Ojaili Chairman

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

		Unaudited 30	Unaudited 30	Audited 31
		September 2020	September 2019	December 2019
	Notes	RO'000	RO'000	RO'000
Assets				
Cash and balances with Central Bank of Oman	5	105,167	261,049	300,405
Loans, advances and financing to banks	6	161,138	261,391	471,158
Loans and advances (Conventional)	7 7	2,802,675	2,596,259	2,617,345
Islamic financing receivables Investment securities	<i>7</i> 8	474,697 411,466	447,119 331,317	446,005 378,551
Intangible asset	9	99	496	378,331
Property and equipment	10	20,471	19,460	19,172
Other assets		148,872	93,363	92,812
Total assets		4,124,585	4,010,454	4,325,845
Liabilities				<del></del>
Due to banks	11	569,436	390,147	490,179
Deposits from customers (Conventional)	12	2,299,925	2,367,267	2,537,967
Islamic customers deposits	12	344,219	359,074	405,221
Other liabilities .		166,878	133,212	131,093
Tax Liabilities		12,815	10,027	11,355
Subordinated loans	13	35,000	63,875	63,875
Total liabilities		3,428,273	3,323,602	3,639,690
Shareholders' equity				
Share capital	14	299,635	299,635	299,635
Share premium		95,656	95,656	95,656
Legal reserve		58,966	55,878	58,966
Special reserve		17,488	18,488	18,488
Special reserve –restructured loans		1,281	1,281	1,281
Special impairment reserve IFRS 9		19,184	3,642	4,654
Special revaluation reserve - investment Subordinated loan reserve		(709) 14,000	(709) 30,100	(709) 42,875
Investment revaluation reserve		(2,656)	(1,003)	(627)
Retained earnings		37,967	28,384	10,436
Total equity attributable to the equity holders of the Bank		540,812	531,352	530,655
Perpetual Tier 1 Capital Securities		155,500	155,500	155,500
Total equity		696,312	686,852	686,155
Total liabilities and equity		4,124,585	4,010,454	4,325,845
Net assets per share (Rials Omani)	15	0.180	0.177	0.177
Contingent liabilities	20	709,594	848,120	810,930
The interior condensed financial statements			Da and of Dinasta	

The interim condensed financial statements were approved by the Board of Directors and signed on their behalf by:

Eng. Abdul Hafidh Salim Rajab Al- Ojaili Chairman Abdul Hakeem Omar AI - Ojaili Chief Executive Officer

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

		Unaudited 9 months	Unaudited 9 months	Unaudited 3 months	Unaudited 3 months
		30	30	30	30
		September	September	September	September
	Notes	2020 RO'000	2019 RO'000	2020 RO'000	2019 RO'000
Interest income	16	131,245	138,100	42,837	45,637
Interest expense	17	(63,115)	(63,675)	(19,908)	(20,689)
Net interest income		68,130	74,425	22,929	24,948
Income from Islamic financing / Investments	16	22,498	19,148	9,290	6,666
Unrestricted investment account holders' share of profit and profit expense	17	(11,230)	(9,938)	(3,636)	(3,456)
Net income from Islamic financing and					
Investment activities		11,268	9,210	5,654	3,210
Fees and commission income		12,279	13,013	4,484	4,548
Fees and commission expense		(2,648)	(2,942)	(286)	(1,152)
Net fees and commission income		9,631	10,071	4,198	3,396
Other operating income		6,436	4,894	1,625	1,507
Operating income		95,465	98,600	34,406	33,061
Staff and administrative costs Depreciation		(47,478) (4,946)	(47,750) (4,025)	(14,061) (1,632)	(16,245) (1,273)
·			<del></del>		<u></u>
Operating expenses		(52,424)	(51,775)	(15,693)	(17,518)
Net Impairment loses on financial assets		(11,742)	(16,380)	(5,966)	(8,249)
Bad debts written-off		(1)	(4)	(1)	(3)
Profit from operations after		31,298	30,441	12,746	7,291
provision Income tax expense		(4,663)	(4,520)	(1,898)	(1,083)
Profit for the period		26,635	25,921	10,848	6,208
Other comprehensive income:					
Items that will not be reclassified to P&L:					
Movement in fair value reserve (FVOCI equity Instrument)	00	(145)	-	(41)	-
Items that are or may be reclassified to profit or lo In subsequent periods:	<b>33</b>				
Movement in fair value reserves FVOCI debt instruments		(1,884)	786	(134)	551
Other comprehensive income / (loss) for the period	d	(2,029)	786	(175)	551
Total comprehensive income for the period		24 606	26 707	10 672	6 750
Earnings per share attributable to equity holders	. 10	24,606	26,707	10,673	6,759
the Bank (basic and diluted) (Rials Omani)  The accompanying notes form an integra	-	0.007	0.007	0.004	0.002

2020 (Unaudited)

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

	Notes	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve IFRS9	Special revaluation reserve IFRS9	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balances as at 1 January 2020		299,635	95,656	58,966	18,488	1,281	4,654	(709)	42,875	(627)	10,436	530,655	155,500	686,155
Profit for the period Other comprehensive income for the period: Net changes of fair value reserve		-	-	-	-	-	-	-	-		26,635	26,635		26,635
FVOCI equity instrument FVOCI debt instruments		-	-	-	:	-	-	:	- -	(145) (1,884)	-	(145) (1,884)	-	(145) (1,884)
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(2,029)	26,635	24,606	-	24,606
Transfer to special impairment reserve IFRS 9		-	-	-	-	-	14,530	-	-	-	(14,530)	-	-	-
Transfer to Retained Earnings		-	-	-	(1,000)	-	-	-	-	-	1,000	-	-	-
Additional Tier 1 coupon Local		-	-	-	-	-	-	-	-	-	(1,504)	(1,504)	-	(1,504)
Additional Tier 1 coupon Foreign		-	-	-	-	-	-	-	-	-	(3,956)	(3,956)	-	(3,956)
Transfer to retained earnings		-	-	-	-	-	-	-	(28,875)	-	28,875	-	-	-
Transactions with owners recorded directly in equity		-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend for 2019	14	-	-	-	-	-	-	-	-	-	(8,989)	(8,989)	-	(8,989)
Bonus shares issued for 2019	14	<u> </u>		<u>-</u>			-	-				-		
Balances as at 30 September		299,635	95,656	58,966	17,488	1,281	19,184	(709)	14,000	(2,656)	37,967	540,812	155,500	696,312

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020 (CONTINUED)

	Notes	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructure loan	Special impairment reserve IFRS9		Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balances as at 1 January 2019		280,033	95,656	55,878	18,488	1,281	4,562	(709)	30,100	(1,789)	<u>59,162</u>	542,662	155,500	698,162
Profit for the period		-	-	-	-	-	-	-	-	-	25,921	25,921		25,921
Other comprehensive income for the period  Net changes of fair value through		-	-	-	-	-	-	-	-			-	-	-
other comprehensive income		-	-	-	-	-	-	-	-	786	-	786	-	786
Total comprehensive income for the period										786	25,921	26,707		26,707
Transfer to IFRS 9 ECL Transfer to Special impairment		-	-	-	-	-	(4,562) 3,642	-	-	-	- (3,642)	(4,562)	-	(4,562)
reserve IFRS 9 Additional Tier 1 coupon Local Additional Tier 1 coupon Foreign Transactions with owners		-	-	-	-	:	-	-	- -	:	(1,496) (3,956)	(1,496) (3,956)	-	(1,496) (3,956)
recorded directly in equity  Cash Dividend for 2018	14	-	-	-	-	-	-	-	-	-	(28,003)	(28,003)	-	(28,003)
Bonus shares issued for 2018	14	19,602	-	-	-	-	-	-	-	-	(19,602)	-	-	-
Balances as at 30 September 2019 (Unaudited)		299,635	95,656	55,878	18,488	1,281	3,642	(709)	30,100	(1,003)	28,384	531,352	155,500	686,852

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020 (CONTINUED)

	Notes	Share capital	Share premium	Legal reserve	Special reserve	Special reserve restructured loan	Special impairment reserve	Special revaluation reserve	Subordinated loans reserve	Investment revaluation reserve	Retained earnings	Total	Perpetual Tier 1 capital securities	Total equity
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Balance at 1 January 2019		280,033	95,656	55,878	18,488	1,281	4,562	(709)	30,100	(1,789)	59,162	542,662	155,500	698,162
Profit for the year Other comprehensive income for the year:		-	-	-	-		-	-	-	-	30,244	30,244		30,244
Net changes in fair value reserve -FVOCI equity instrument	18(c)	) -	_		_	_	_	_	_	(482)	_	(482)	_	(482)
-FVOCI debt instruments	18(c)		-		-	-	-	-	-	1,644	-	1,644	-	1,644
Total comprehensive income for the year		-	-	-	-	-	-	-	-	1,162	30,244	31,406	-	31,406
Reversal of special impairment reserve to IFRS 9 provision (Net Tax)	18(f)	-	-	-	-	-	(4,562)	-	-	-	-	(4,562)	-	(4,562)
Transfer to special impairment reserve IFRS 9	18(f)	-	-	-	-	-	4,654	-	-	-	(4,654)	-	-	-
Transfer to legal reserve	18(a)	) -	-	3,024	-	-	-	-	-	-	(3,024)	-	-	-
Excess of receipts over right issue expenses	18(a)	-	-	64	-	-	-	-	-	-	-	64	-	64
Transfer to subordinated loan reserve		-	-	-	-	-	-	-	12,775	-	(12,775)	-	-	-
Transfer to sub-loan reserve	18(b)	) -	-	-	-	-	-	-	-	-	-	-	-	-
Perpetual Tier 1 capital securities:														
-Proceeds from issuance		-	-	-	-	-	-	-	-	-	-	-	-	-
-Issuance cost		-	-	-	-	-	-	-	-	-	- (40.040)	(40.040)	-	- (40.040)
Payment towards perpetual additional Tier 1 coupon		-	-	-	-	-	-	-	-	-	(10,912)	(10,912)	-	(10,912)
Transactions with owners recorded directly in equity														
Issue of right shares	25	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)	-	(20,002)
Dividend paid Bonus shares issued	35 35	19,602	-	-	-	-	-	-	-	-	(28,003) (19,602)	(28,003)	-	(28,003)
Dalamana and 04 Danamban 0040		000 005			40.400	4 004	4.054	(700)	40.075	(007)	40.400	500.055	455 500	000 455
Balances as at 31 December 2019		299,635	95,656	58,966	18,488	1,281	4,654	(709)	42,875	(627)	10,436	530,655	155,500	686,155

INTERIM CONDENSED STATEMENT OF CASH FLOWS		
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER	Unaudited	Unaudited
2020	30 September	30 September
	2020	2019
	RO'000	RO'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation  Adjustment for:	31,298	30,441
Depreciation and amortisation	5,244	4,322
Net impairment on financial instruments	11,743	16,573
End of service benefits provision for the period	249	205
Gain on disposal of property and equipment	40.504	(6)
Operating profit before working capital changes	48,534	51,535
Change in working capital: Increase in due to banks	79,399	21,332
Decrease in due from banks	221,880	(24,358)
Increase in loans & advances and financing	(225,558)	94,520
Net movement in Investment securities	(35,151)	(26,388)
(Increase) / Decrease in other assets	(56,060)	10,677
Decrease in customer deposits Increase in other liabilities	(299,045) 35,903	(198,163) (11,517)
Cash used in operations	(278,632)	(133,897)
Taxes paid	(3,203)	(7,679)
End of service benefits paid	(366)	(256)
Net cash (used in) / from operating activities	(233,667)	(90,297)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,245)	(8,568)
Proceeds from sale of property and equipment	-	6
Net cash used in investing activities	(6,245)	(8,562)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) / proceeds from subordinated debt	(28,875)	-
Dividend paid	(8,989)	(28,003)
AT1 Coupon Cost	(5,460)	(5,452)
Net cash from financing activities	(43,324)	(22.455)
Net cash from illianting activities	(43,324)	(33,455)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(283,236)	(132,314)
Cash and cash equivalents at 1 January	439,018	427,455
,	,	,
Cash and cash equivalents at 30 September	155,782	295,141
Cash and cash equivalent comprise of:		
Cash and balances with Central Bank of Oman	105,167	261,049
Capital deposit with Central Bank of Oman  Due from banks	(500)	(500)
LING HOM NAME		04.004
	51,285	34,891 (299)
Due to banks		34,891 (299)
	51,285	

#### INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### Reconciliation of liabilities and equity arising from financing activities:

	Unaudited 30 September 2020	Unaudited 30 September 2019
	RO'000	RO'000
Subordinated loan Balance at beginning of the period Cash out flows	63,875 (28,875)	63,875
Balance at end of the period	35,000	63,875
Retained earnings Balance at beginning of the period Profit for the period	10,436 26,635	59,162 25,921
Transfer from Subordinate loan reserve to retained earning Additional Tier 1 coupon payment Transfer to Special Impairment reserve (IFRS 9) Transfer to Retained earnings from Special reserve	28,875 (5,460) (14,530) 1,000	(5,452) (3,642)
Bonus shares issued Dividend transfer	(8,989)	(19,602) (28,003)
Balance at end of the period	37,967	28,384

The accompanying notes form an integral part of these financial statements.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Bank Dhofar SAOG (the "Bank") is incorporated in the Sultanate of Oman as a public joint stock company and is principally engaged in corporate, retail and investment banking activities through a network of 68 branches (30 September 2020: 68 branches) which comprises of 10 Islamic branches (30 September 2019: 10 Islamic branches) and 58 conventional branches (30 September 2019: 61 conventional branches). The Bank's Islamic Banking Window, Maisarah Islamic Banking Services has an allocated capital of RO 70 million from the core paid up capital of the shareholders. The Bank has a primary listing on the Muscat Securities Market ("MSM") and the Bank's Perpetual Tier 1 Capital Securities are listed on Euronext Dublin (Irish Stock Exchange). The principal place of business is the Head Office, Capital Business District ("CBD"), Muscat, Sultanate of Oman.

The Bank employed 1,546 employees as of 30 September 2020 (30 September 2019: 1,605 employees).

#### **2 BASIS OF PREPARATION**

#### 2.1 Statement of compliance and basis of accounting

The unaudited interim condensed financial statements for the three-month period ended 30 September 2020 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 disclosure requirements set out in the Rules and Disclosure and Proformas issued by the Capital Market Authority (CMA), and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended 31 December 2019 ('the last annual financial statements').

They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual financial statements.

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of estimates and judgments

In preparing these interim condensed financial statements in conformity with IFRSs requires management to make judgements estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2019.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 3 Not used - Left blank intentionally

#### 4 Standards issued but not yet effective

A number of new or amended standards became applicable for the current reporting period. The Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

#### 5. Cash and balances with Central Bank of Oman

	Unaudited 30 September	Unaudited 30 September	Audited 31 December
	2020 RO'000	2019 RO'000	2019 RO'000
Cash in hand Balances with the Central Bank of Oman	34,533 70,634	29,480 102,594	31,223 171,007
Placements with Central Bank of Oman	105,167	128,975 ————— 261.049	98,175 ———— 300,405
	105,107		

At 30 September 2020 cash and balances with Central bank of Oman includes capital deposit amounting to RO 500,000 (30 September 2019- RO 500,000 and 31 December 2019 – RO 500,000) as minimum reserve requirements. This is not available for day to day operations of the Bank and cannot be withdrawn without the Central Bank of Oman approval.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 6. Loans, advances and financing to banks

	Unaudited	Unaudited	Audited
	30	30	31
	September	September	December
	2020	2019	2019
	RO'000	RO'000	RO'000
Syndicated loans to other banks	72,325	103,248	86,662
Placements with other banks	38,250	148,782	343,997
Current clearing accounts	51,285	10,225	41,752
	161,860	262,255	472,411
Less: impairment allowance (collective)	(722)	(864)	(1,253)
Net loans, advances and financing	161,138	261,391	471,158

At 30 September 2020 No placement with any bank's individually represented 20% or more of the Bank's placements and (30 September 2019: Nil) and 31st December 2019: Nil).

#### 7. Loans, advances and financing

(a) Conventional Banking	Unaudited	Unaudited	Audited
	30	30	31
	September	September	December
	2020	2019	2019
	RO'000	RO'000	RO'000
Loans Overdraft Loans against trust receipts Bills discounted Advances against credit cards	2,671,995	2,395,433	2,425,730
	127,405	145,063	137,827
	81,025	99,239	109,865
	38,956	52,067	46,898
	8,500	9,584	9,450
Gross Loans, advances and financing to customers Less: Impairment allowance including reserved interest	2,927,881	2,701,386 (105,127)	2,729,770 (112,425)
Net Loans, advances and financing to customers	2,802,675	2,596,259	2,617,345

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

Loans, advances and financing to customers (continued)

(b) Islamic Banking Window Financing	Unaudited	Unaudited	Audited
	30	30	31
	September	September	December
	2020	2019	2019
	RO'000	RO'000	RO'000
Housing finance Corporate finance Consumer finance	165,974	161,443	162,731
	303,041	279,749	276,851
	12,685	11,896	12,245
Less: Impairment allowance	481,700	453,088	451,827
	(7,003)	(5,969)	(5,822)
Net financing to customers	474,697	447,119	446,005
(c) The movement in the impairment allowance (Conventional and Islamic) is analysed below:	Unaudited	Unaudited	Audited
	30	30	31
	September	September	December
	2020	2019	2019
i. Allowance for loan impairment			
1 January Reversal of special impairment reserve to IFRS 9 provision	94,078	79,308	79,308
	-	-	5,185
Allowance made during of the period Released to the profit or loss during the year during of	23,521	26,413	30,151
the period Written off during of the period	(7,035)	(5,780)	(7,996)
	(3,178)	(11,768)	(12,570)
Balance at the end of the period	107,386	88,173	94,078
ii. Reserved interest  1 January Reserved during of the period Recoveries to profit or loss during of the period Written-off during of the period	24,169	55,793	55,793
	8,263	9,476	12,519
	(1,341)	(1,186)	(1,623)
	(6,268)	(41,160)	(42,520)
Balance at the end of the period	24,823	22,923	24,169
Total impairment allowance	132,209	111,096	118,247

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 7. Loans, advances and financing to customers (continued)

(c)The movement in the impairment allowance (Conventional and Islamic) is analysed below (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 IFRS 9, the difference, is transferred to an impairment reserve as an appropriation from the retained earnings.

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

Disclosure requirements containing the risk classification-wise gross and net amount outstanding, provision required as per CBO norms, allowance made as per IFRS 9, interest recognized as per IFRS 9 and reserve interest required as per CBO are given below based on CBO circular BM 1149.

In accordance with CBO circular BM 1149 Banks should continue to maintain and update the risk classification (i.e. standard, special mention, substandard, etc.) of accounts as per the extant CBO norms, including those on restructuring of loans accounts for regulatory reporting purposes.

(1)	Asset Classification as per CBO Norms	Asset Classificati on as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognise d in P&L as per IFRS 9	Reserve interest as per CBO norms
Standard   Stage 2   490,407   6,474   7,580   (1,106)   483,933   482,827         -   -   -   -	(1)					(6) = (4)-(5)			(9)	(10)
Subtotal   Stage 1	Standard	Stage 2							-	-
Special Mention   Stage 2   225,944   2,990   21,734   (18,744)   222,954   204,210	Subtotal	· · · · · · · · · · · · · · · · · · ·	3,030,018	42,449	21,816	20,633	2,987,569	3,008,202	-	-
Stage 1	Special Mention	Stage 2	- 225,944 -	2,990 -	- 21,734 -	- (18,744) -	- 222,954 -	- 204,210 -		- - -
Substandard   Stage 2   10,099   2,516   3,383   (867)   7,111   6,716   - 472	Subtotal		225,944	2,990	21,734	(18,744)	222,954	204,210	-	
Subtotal   Stage 1	Substandard	Stage 2	- - 10.000	- - 2 516	- - 3 383	- - (867)	- - 7 111	- - 6 716	-	- - 472
Doubtful	Subtotal	olage o								
Subtotal         13,230         5,454         5,198         256         6,767         8,032         - 1,009           Loss         Stage 1	Doubtful	Stage 2	-	- - - 454	- - -	- - -	- - - 267	-	-	-
Stage 2	Subtotal	Stage 3								
Subtotal         130,290         82,481         55,255         27,226         24,467         75,035         - 23,342           Total loans and advances         3,409,581         135,890         107,386         28,504         3,248,868         3,302,195         - 24,823           Other items not covered under Stage 1         1,735,359         489         5,243         (4,754)         1,734,870         1,730,116             CBO circular BM 977 and related instructions         Stage 3         1,952           - 1,952         1,952             Subtotal         2,077,641         489         9,809         (9,320)         2,077,152         2,067,832             Total (30         Stage 2         1,056,681         9,464         33,880         (24,416)         1,047,217         1,022,801          -           September 2020)         Stage 3         155,571         90,451         63,836         26,615         40,297         91,735         - 24,823	Loss	Stage 2	- - 130,290	- - 82.481	- - 55.255	- - 27.226	- - 24.467	- - 75.035	-	23,342
advances         3,409,581         135,890         107,386         28,504         3,248,868         3,302,195         - 24,823           Other items not covered under Stage 2         1,735,359         489         5,243         (4,754)         1,734,870         1,730,116		<b></b>	,						-	
covered under CBO circular BM 977 and related instructions         Stage 3         1,952         - <th< td=""><td>advances</td><td>Stage 1</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>24,823</td></th<>	advances	Stage 1								24,823
Instructions Subtotal 2,077,641 489 9,809 (9,320) 2,077,152 2,067,832  Stage 1 4,274,970 36,464 19,479 16,985 4,238,506 4,255,491  Total (30 Stage 2 1,056,681 9,464 33,880 (24,416) 1,047,217 1,022,801  September 2020) Stage 3 155,571 90,451 63,836 26,615 40,297 91,735 - 24,823	covered under	•		-					-	-
Stage 1 4,274,970 36,464 19,479 16,985 4,238,506 4,255,491 Total (30 Stage 2 1,056,681 9,464 33,880 (24,416) 1,047,217 1,022,801 September 2020) Stage 3 155,571 90,451 63,836 26,615 40,297 91,735 - 24,823		Stage 3	1,952	-	-	-	1,952	1,952	-	-
Total (30 Stage 2 1,056,681 9,464 33,880 (24,416) 1,047,217 1,022,801 September 2020) Stage 3 155,571 90,451 63,836 26,615 40,297 91,735 - 24,823	Subtotal	•	2,077,641	489	9,809	(9,320)	2,077,152	2,067,832	-	
September 2020) Stage 3 155,571 90,451 63,836 26,615 40,297 91,735 - 24,823		-		•	•	•			-	-
				,	,	. , ,	, ,	, ,	-	- 24 823
	pio 2320)	_							-	

<sup>\*</sup> Net of provision and reserve interest as per CBO norms

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

- 7. Loans, advances and financing to customers (continued)
- (c) Allowance for loan impairment (conventional and Islamic) (continued)

## iii. Comparison of provision held as per IFRS 9 and required as per CBO norms as end of 30th September 2019

							(A	mounts in RC	(000)
Asset Classification as per CBO Norms	Asset Classificati on as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required, and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1 Stage 2	2,197,444 567,279	27,430 7,307	11,340 7,681	16,090 (374)	2,170,014 559,972	2,186,104 559,598	-	-
Otandara	Stage 3	-		7,001	(014)	-	-	-	-
Subtotal	_	2,764,723	34,737	19,021	15,716	2,729,986	2,745,702	-	-
	Stage 1	-	-	-	-	-	-	-	-
Special Mention	Stage 2	251,581	3,169	19,448	(16,279)	248,412	232,133	-	-
0.14.4.1	Stage 3	-		-	(40.070)		-	-	
Subtotal		251,581	3,169	19,448	(16,279)	248,412	232,133	-	
	Stage 1	-	-	-	-	-	-	-	-
Substandard	Stage 2	-	1.056	2 604	- (4 C4E)	- 8,284	7,089	-	450
Subtotal	Stage 3	10,690 10,690	1,956 1,956	3,601 3,601	(1,645) (1,645)	8,284	7,089	<u> </u>	450 450
Gubiotai		10,000	1,550	0,001	(1,040)	0,204	7,005		400
	Stage 1	-	-	-	-	-	-	-	-
Doubtful	Stage 2					-		-	
0.1	Stage 3	63,252	26,874	19,097	7,777	33,533	44,155	-	2,845
Subtotal		63,252	26,874	19,097	7,777	33,533	44,155	-	2,845
	Stage 1	-	-	-	-	-	_		
Loss	Stage 2	-	-	-	-	-	-		
	Stage 3	64,228	39,869	27,006	12,863	4,731	37,222		19,628
Subtotal		64,228	39,869	27,006	12,863	4,731	37,222	-	19,628
Total loans and advances		3,154,474	106,604	88,173	18,431	3,024,947	3,066,301	_	22,923
Other items not	Stage 1	1,593,568	455	5,278	(4,823)	1,593,113	1.588.290		-
covered under	Stage 2	445,826	-	9,967	(9,967)	445,826	435,859	-	-
CBO circular BM	_								
977 and related instructions	Stage 3	2,136	=	-	-	2,136	2,136	-	-
Subtotal		2,041,530	455	15,245	(14,790)	2,041,075	2,026,285	-	-
Total (30	Stage 1	3,791,012	27,885	16,618	11,267	3,763,127	3,774,394		
September 2019)	•				<u> </u>			<del>-</del>	
	Stage 2	1,264,686	10,476	37,096	(26,620) 18.995	1,254,210 48.684	1,227,590	-	
	Stage 3 Total	140,306 5,196,004	68,699 107,060	49,704 103,418	18,995 3,642	5,066,021	90,602 5,092,586	-	22,923 22,923
	i Ulai	5,130,004	107,000	103,410	3,042	3,000,021	5,032,500	-	22,323

<sup>\*</sup> Net of provision and reserve interest as per CBO norms

Other items disclosed above includes exposure outstanding and respective provisions held against due from banks, investments, other assets, loan commitments and financial guarantees.

#### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 7. Loans, advances and financing to customers (continued)

#### c. Allowance for loan impairment (conventional and Islamic) (continued)

#### iv. Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

Asset Classification as per CBO Norms	Asset Classificati on as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1 Stage 2 Stage 3	2,211,386 581,389	27,109 7,668	11,586 8,281 -	15,523 (613)	2,184,277 573,721 -	2,199,800 573,108	- - -	- - -
Subtotal	_	2,792,775	34,777	19,867	14,910	2,757,998	2,772,908	-	-
Special Mention	Stage 1 Stage 2 Stage 3	240,240 -	5,194 -	17,776 -	(12,582)	235,046 -	- 222,464 -	- -	- - -
Subtotal		240,240	5,194	17,776	(12,582)	235,046	222,464	-	
Substandard	Stage 1 Stage 2 Stage 3	- - 19,899	- - 5,245	- - 8,723	- (3,478)	- - 13,905	- - 11,176	- - -	- - 749
Subtotal	Ü	19,899	5,245	8,723	(3,478)	13,905	11,176	-	749
Doubtful	Stage 1 Stage 2 Stage 3	- - 57,340	- - 24,413	- - 18,313	- - 6,100	- - 29,579	- 39,027	- - -	- 3,348
Subtotal		57,340	24,413	18,313	6,100	29,579	39,027	-	3,348
Loss Subtotal Total loans and advances	Stage 1 Stage 2 Stage 3	71,343 71,343 3,181,597	43,227 43,227 112,856	29,399 29,399 94,078	13,828 13,828 18,778	8,044 8,044 3,044,572	41,944 41,944 3,087,519	-	20,072 20,072 24,169
Other items not covered under CBO circular BM	Stage 1 Stage 2	1,722,430 423,510	428 -	5,909 8,643	(5,481) (8,643)	1,722,002 423,510	1,716,521 414,867	-	- -
977 and related instructions	Stage 3	2,452	-	-	-	2,452	2,452	-	-
Subtotal		2,148,392	428	14,552	(14,124)	2,147,964	2,133,840	-	-
	Stage 1	3,933,816	27,537	17,495	10,042	3,906,279	3,916,321	-	-
Total (31st	Stage 2	1,245,139	12,862	34,700	(21,838)	1,232,277	1,210,439	-	-
December 2019)	Stage 3	151,034	72,885	56,435	16,450	53,980	94,599	-	24,169
	Total	5,329,989	113,284	108,630	4,654	5,192,536	5,221,359	-	24,169

#### (d) Restructured Loans

In accordance with Central Bank of Oman (CBO) circular BM 1149, the mandatory regulatory impairment reserve is created when the provisions and reserve interest required as per CBO norms exceeds the impairment allowance as per IFRS. The impairment reserve is a yearly appropriation from the net profit after tax. The regulatory impairment reserve will not be available for payment of dividend or for inclusion in regulatory capital. Any subsequent utilisation of the impairment reserve would require prior approval of the CBO.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 7.Loans, advances and financing to customers (continued)

#### (d) Restructured Loans (continued)

#### iv. Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

#### At 30 September 2020

(Amounts in RO '000)

								(Ailloulits i	1110 000)
Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1 Stage 2 Stage 3	6,897 59,804	67 2,419	155 12,805	(88) (10,386)	6,830 57,385	6,742 46,999	- - -	- - -
Subtotal	orage c	66,701	2,486	12,960	(10,474)	64,215	53,741	-	-
Classified as non- performing Sub total	Stage 1 Stage 2 Stage 3	6,085 6,085	3,263 3,263	2,301 2,301	962 962	1,321 1,321	3,784 3,784	- - -	1,501 1,501
Total (30 September 2020)	Stage 1 Stage 2 Stage 3 Total	6,897 59,804 6,085 72,786	67 2,419 3,263 5,749	155 12,805 2,301 15,261	(88) (10,386) 962 (9,512)	6,830 57,385 1,321 65,536	6,742 46,999 3,784 57,525	- - -	- - 1,501 1,501

#### **Restructured Loans**

In accordance with Central Bank of Oman (CBO) circular BM 1149, the mandatory regulatory impairment reserve is created when the provisions and reserve interest required as per CBO norms exceeds the impairment allowance as per IFRS. The impairment reserve is a yearly appropriation from the net profit after tax. The regulatory impairment reserve will not be available for payment of dividend or for inclusion in regulatory capital. Any subsequent utilisation of the impairment reserve would require prior approval of the CBO.

<sup>\*</sup> Net of provision and reserve interest as per CBO norms

V. Impairment charges and provisions held 30th September 2020	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net of recoveries)	-	11,742	(11,742)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	136,379	117,195	19,184
Gross NPL ratio	4.51%	4.51%	-
Net NPL ratio	1.12%	1.91%	-0.79%

Gross NPL (Non-performing Loans) is 4.51% and Net NPL is 1.91% based on funded non-performing exposure over funded exposure (Net NPL exclude interest reserve and ECL Provision).

Note 1: Excluding Interest Reserve RO 24,823 thousands.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 7.Loans, advances and financing to customers (continued)

#### (d) Restructured Loans (continued)

#### iv. Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

#### Restructured loans 30th September 2019

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as	Stage 1	5,921	56	126	(70)	5,865	5,795	-	-
performing	Stage 2	10,612	177	2,818	(2,641)	10,435	7,794	-	-
	Stage 3	-	-		(0.74.1)		-	-	-
Subtotal		16,533	233	2,944	(2,711)	16,300	13,589	-	
Classified as	Stage 1 Stage 2	-	-	-	-	-	-	-	- -
performing	Stage 3	4,561	2,619	1,766	853	929	2,795	-	1,013
Sub total	-	4,561	2,619	1,766	853	929	2,795	-	1,013
Total (31	Stage 1 Stage 2	5,921 10,612	56 177	126 2,818	(70) (2,641)	5,865 10,435	5,795 7,794	-	-
September	Stage 3	4,561	2,619	1,766	853	929	2,795	-	1,013
2019)	Total	21,094	2,852	4,710	(1,858)	17,229	16,384	-	1,013

<sup>\*</sup> Net of provision and reserve interest as per CBO norms

#### **Restructured Loans**

In accordance with Central Bank of Oman (CBO) circular BM 1149, the mandatory regulatory impairment reserve is created when the provisions and reserve interest required as per CBO norms exceeds the impairment allowance as per IFRS. The impairment reserve is a yearly appropriation from the net profit after tax. The regulatory impairment reserve will not be available for payment of dividend or for inclusion in regulatory capital. Any subsequent utilisation of the impairment reserve would require prior approval of the CBO.

#### V. Impairment charge and provisions held as 30th September 2019

	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net of recoveries)	-	16,380	(16,380)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	107,060	103,418	3,642
Gross NPL ratio	4.58%	4.58%	-
Net NPL ratio	1.54%	2.17%	-0.63%

Gross NPL (Non-performing Loans) is 4.58% and Net NPL is 2.17% based on funded non-performing exposure over funded exposure (Net NPL exclude interest reserve and ECL Provision).

Note 1: Excluding Interest Reserve. RO 22,923 thousand.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 7.Loans, advances and financing to customers (continued)

#### (d) Restructured Loans (continued)

#### iv. Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

#### At 31st December 2019

(Amounts in RO '000)

Asset Classification as per CBO Norms	Asset Classificatio n as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing Subtotal	Stage 1 Stage 2 Stage 3	5,941 32,072 - 38,013	56 393 - <b>449</b>	14 2,635 - <b>2,649</b>	(2,242) (2,200)	5,885 31,679 - <b>37,564</b>	5,927 29,437 - <b>35,364</b>	- - -	- - -
Classified as non- performing Sub total	Stage 1 Stage 2 Stage 3	4,760 <b>4,760</b>	2,953 <b>2,953</b>	1,881 1,881	1,072 1,072	704 <b>704</b>	2,879 <b>2,879</b>	- - -	1,103 1,103
Total (31 <sup>st</sup> December 2019)	Stage 1 Stage 2 Stage 3 Total	5,941 32,072 4,760 <b>42,773</b>	56 393 2,953 <b>3,402</b>	14 2,635 1,881 <b>4,530</b>	42 (2,242) 1,072 <b>(1,128)</b>	5,885 31,679 704 38,268	5,927 29,437 2,879 <b>38,243</b>	- - -	1,103 1,103

#### **Restructured Loans**

In accordance with Central Bank of Oman (CBO) circular BM 1149, the mandatory regulatory impairment reserve is created when the provisions and reserve interest required as per CBO norms exceeds the impairment allowance as per IFRS. The impairment reserve is a yearly appropriation from the net profit after tax. The regulatory impairment reserve will not be available for payment of dividend or for inclusion in regulatory capital. Any subsequent utilisation of the impairment reserve would require prior approval of the CBO.

V. Impairment charges and provisions held 31st December 2019	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss account (net of recoveries)	-	22,394	(22,394)
Provisions required as per CBO – BM 977/ held as per IFRS 9 (Note 1)	113,284	108,630	4,654
Gross NPL ratio	4.67%	4.67%	-
Net NPL ratio	1.62%	2.14%	(0.52%)

Gross NPL (Non-performing Loans) is 4.67% and Net NPL is 2.14% based on funded non-performing exposure over funded exposure (Net NPL exclude interest reserve and ECL Provision).

Note 1: Excluding Interest Reserve of RO 24,169 thousand.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 7. Loans, advances and financing to customers (continued)

#### vi. Financial assets and financial liabilities (continued)

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 as at 30 September 2020:

are tested for impairment under if No 9				RO'000
Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	23,982	-	-	23,982
Due from Banks	157,701	-	-	157,701
Sovereign	302,334	-	-	302,334
Investment Securities at amortized cost	20,207	-	-	20,207
Investment Securities at FVOCI	79,122	-	-	79,122
Loans and advances	2,539,611	716,351	153,619	3,409,581
Accrued profit	28,332	8,011	-	36,343
Total funded gross exposure	3,151,289	724,362	153,619	4,029,270
Letters of credit/guarantee	584,794	122,848	1,952	709,594
Acceptances	68,972	4,277	-	73,249
Loan commitment / unutilised limits	469,915	205,194	-	675,109
Total non-funded gross exposure	1,123,681	332,319	1,952	1,457,952
Total gross exposure	4,274,970	1,056,681	155,571	5,487,222
Impairment				
Central Bank balances	-	-	-	-
Due from Banks	722	-	-	722
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	207	-	-	207
Loans and advances	14,236	29,314	63,836	107,386
Accrued profit	90	145	-	235
Total funded impairment	15,255	29,459	63,836	108,550
Letters of credit/guarantee	2,823	3,511	-	6,334
Acceptances	203	7	-	210
Loan commitment/unutilised limits	1,198	903	-	2,101
Total non-funded impairment	4,224	4,421	-	8,645
Total impairment	19,479	33,880	63,836	117,195
Net exposure				
Central Bank balances	23,982	-	-	23,982
Due from Banks	156,979	-	-	156,979
Sovereign	302,334	-	-	302,334
Investment Securities at amortized Cost	20,207	-	-	20,207
Investment Securities at FVOCI	78,915	-	-	78,915
Loans and advances	2,525,375	687,037	89,783	3,302,195
Accrued Profit	28,242	7,866	-	36,108
Total funded net exposure	3,136,034	694,903	89,783	3,920,720
Letter of credit/guarantee	581,971	119,337	1,952	703,260
Acceptances	68,769	4,270	-	73,039
Loan commitment / unutilised limits	468,717	204,291		673,008
Total net non-funded exposure	1,119,457	327,898	1,952	1,449,307
Total net exposure	4,255,491	1,022,801	91,735	5,370,027

Gross exposure of loans and advances of RO 153,619 thousand under stage 3 includes reserved interest of RO 24,823 thousand. Accordingly, the principal outstanding of RO 128,796 thousand was subject to ECL.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 7. Loans, advances and financing to customers (continued)

- vi. Financial assets and financial liabilities (continued)
- (a) Classification of financial assets and financial liabilities

				RO'000
	Stage1	Stage 2	Stage 3	Total
Opening Balance – as at 1 January 2020				
- Due from banks	1,253	-	-	1,253
<ul> <li>Loans and advances to customers</li> </ul>	11,586	26,057	56,435	94,078
<ul> <li>Investment securities at FVOCI (Debt)</li> <li>Loan commitments and financial</li> </ul>	186	-	-	186
guarantees	2,441	7,299	-	9,740
- Acceptances	<sup>′</sup> 78	17	-	95
- Unutilised	1,891	1,192	-	3,083
- Interest accrued	59	136	-	195
Total	17,495	34,700	56,435	108,630
Net transfer between stages				
-Due from banks	_	_	_	_
- Loans and advances to customers	7,674	(13,539)	5,865	_
- Loan commitments and financial	7,07	(10,000)	0,000	
guarantees	2,477	(2,477)	_	_
- Acceptance	8	(8)	_	-
Total	10,159	(16,024)	5,865	
Charge for the Period (net)				
- Due from banks	(531)	-	_	(531)
- Loans and advances to customers	(5,025)	16,797	4,714	16,486
- Investment securities at FVOCI (Debt)	21	-, - -	, -	21
- Loan commitments and financial				
guarantees	(2,095)	(1,311)	-	(3,406)
- Acceptances	117	(2)	-	` 11Ś
- Unutilised	(693)	(289)	-	(982)
- Interest accrued	31	9	-	40
Total	(8,175)	15,204	4,714	11,743
Written-off			(3,178)	(3,178)
Closing Balance – as at 30 September 2020				
- Due from banks	722	_	_	722
- Loans and advances to customers	14,235	29,314	63,836	107,386
- Investment securities at FVOCI (Debt)	207		-	207
- Loan commitments and financial -	_0.			_0.
guarantees	2,823	3,511	_	6,334
- Acceptances	203	7	_	210
- Unutilised	1,198	903	_	2,101
- Interest accrued	90	145	-	235
Total net exposure	19,478	33,880	63,836	117,195

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

## 7. Loans, advances and financing to customers (continued) vi.Financial assets and financial liabilities (continued)

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 as at 30 September 2019:

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	147,051	-	-	147,051
Due from Banks	262,255	-	-	262,255
Sovereign	271,463	-	-	271,463
Investment Securities at amortized cost	917	-	-	917
Investment Securities at FVOCI	49,202	-	-	49,202
Loans and advances	2,197,444	818,860	138,170	3,154,474
Accrued profit	14,463	5,459	-	19,922
Total funded gross exposure	2,942,795	824,319	138,170	3,905,284
Letters of credit/guarantee	564,387	281,597	2,136	848,120
Acceptances	42,437	18,495	-	60,932
Loan commitment / unutilised limits	241,393	140,275	-	381,668
Total non-funded gross exposure	848,217	440,367	2,136	1,290,720
Total gross exposure	3,791,012	1,264,686	140,306	5,196,004
Impairment ===				
Central Bank balances	-	-	-	-
Due from Banks	864	-	-	864
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	189	-	-	189
Loans and advances	11,340	27,129	49,704	88,173
Accrued profit	59	146	-	205
Total funded impairment	12,452	27,275	49,704	89,431
Letters of credit/guarantee	2,101	8,331	-	10,432
Acceptances	132	33	-	165
Loan commitment/unutilised limits	1,933	1,457	-	3,390
Total non-funded impairment	4,166	9,821	-	13,987
Total impairment	16,618	37,096	49,704	103,418
Net exposure	4.47.054			4.47.054
Central Bank balances	147,051	<del>-</del>	<del>-</del>	147,051
Due from Banks	261,391	<del>-</del>	<del>-</del>	261,391
Sovereign	271,463	-	<del>-</del>	271,463
Investment Securities at amortized Cost	917 49,013	-	<del>-</del>	917
Investment Securities at FVOCI	2,186,104	- 791,731	- 88,466	49,013
Loans and advances			00,400	3,066,301
Accrued Profit	14,404	5,313 _	00.400	19,717
Total funded net exposure	2,930,343	797,044	88,466	3,815,853
Letter of credit/guarantee	562,286	273,266	2,136	837,688
Acceptances	42,305	18,462	-	60,767
Loan commitment / unutilised limits	239,460	138,818	-	378,278
Total net non-funded exposure	844,051	430,546	2,136	1,276,733
Total net exposure	3,774,394	1,227,590	90,602	5,092,586

Gross exposure of loans and advances of RO 138,170 thousand under stage 3 includes reserved interest of RO 22,923 thousand. Accordingly, the principal outstanding of RO 115,247 was subject to ECL.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

7. Loans, advances and financing to customers (continued) vi. Financial assets and financial liabilities (continued) (a)Classification of financial assets and financial liabilities

	Stage 1	Stage 2	Stage 3	<i>RO'000</i> Total
Opening Balance – as at 01 January 2019				
- Due from banks	837	_	_	837
- Loans and advances to customers	13,350	29,743	41,400	84,493
Investment securities at FVOCI (Debt)     Loan commitments and financial	266		-	266
guarantees	3,258	6,722	-	9,980
- Acceptances	92	35	-	127
- Unutilised	1,343	1,596	-	2,939
- Interest accrued	61	103	-	164
Total	19,207	38,199	41,400	98,806
Net transfer between stages				
<ul><li>Loans and advances to customers</li><li>Loan commitments and financial</li></ul>	1,410	(4,496)	3,086	-
guarantees	(1,167)	1,167	-	-
Unutilised	(31)	31	-	-
Total	212	(3,298)	3,086	
Charge for the Period (net)				
- Due from banks	27	-	-	27
- Loans and advances to customers	(3,420)	1,881	16,986	15,447
- Investment securities at FVOCI (Debt)	(78)	- 442	-	(78)
- Loan commitments and financial guarantees	10	443	-	453
- Acceptances	39	(2)	-	37
- Unutilised	622	(170)	-	452
- Interest accrued	(1)	43		42
Total	(2,801)	2,195	16,986	16,380
Closing Balance – as at 30 September			(11,768)	(11,768)
2019				
- Due from banks	864	-	-	864
- Loans and advances to customers	11,340	27,129	49,704	88,173
<ul><li>Investment securities at FVOCI (Debt)</li><li>Loan commitments and financial</li></ul>	189	-	· -	189
guarantees	2,101	8,331	-	10,432
- Acceptances	132	33	-	165
- Unutilised	1,933	1,457	-	3,390
- Interest accrued	59	146	-	205
Total net exposure	16,618	37,096	49,704	103,418

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

## 7. Loans, advances and financing to customers (continued) vi.Financial assets and financial liabilities (continued)

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 as at 31 December 2019:

Gross exposure	Stage 1	Stage 2	Stage 3	Total
Central Bank balances	131,583	-	-	131,583
Due from Banks	472,411	-	-	472,411
Sovereign	196,415	-	-	196,415
Investment Securities at amortized cost	20,927	-	-	20,927
Investment Securities at FVOCI	60,545	-	-	60,545
Loans and advances	2,211,386	821,629	148,582	3,181,597
Accrued profit	13,535	4,690	-	18,225
Total funded gross exposure	3,106,802	826,319	148,582	4,081,703
Letters of credit/guarantee	524,725	283,753	2,452	810,930
Acceptances	44,675	10,892	-	55,567
Loan commitment / unutilised limits	257,614	124,175	-	381,789
Total non-funded gross exposure	827,014	418,820	2,452	1,248,286
Total gross exposure	3,933,816	1,245,139	151,034	5,329,989
Impairment ===				
Central Bank balances	-	-	-	-
Due from Banks	1,253	-	-	1,253
Sovereign	-	-	-	-
Investment Securities at amortized cost	-	-	-	-
Investment Securities at FVOCI	186	-	-	186
Loans and advances	11,586	26,057	56,435	94,078
Accrued profit	59	136	-	195
Total funded impairment	13,084	26,193	56,435	95,712
Letters of credit/guarantee	2,442	7,297	-	9,739
Acceptances	78	18	-	96
Loan commitment/unutilised limits	1,891	1,192	-	3,083
Total non-funded impairment	4,411	8,507	-	12,918
Total impairment	17,495	34,700	56,435	108,630
Net exposure				
Central Bank balances	131,583	-	-	131,583
Due from Banks	471,158	-	-	471,158
Sovereign	196,415	-	-	196,415
Investment Securities at amortized Cost	20,927	-	-	20,927
Investment Securities at FVOCI	60,359	-	<del>-</del>	60,359
Loans and advances	2,199,800	795,572	92,147	3,087,519
Accrued Profit	13,476	4,554	-	18,030
Total funded net exposure	3,093,718	800,126	92,147	3,985,991
Letter of credit/guarantee	522,283	276,456	2,452	801,191
Acceptances	44,597	10,874	-	55,471
Loan commitment / unutilised limits	255,723	122,983	-	378,706
Total net non-funded exposure	822,603	410,313	2,452	1,235,368
Total net exposure	3,916,321	1,210,439	94,599	5,221,359

Gross exposure of loans and advances of RO 148,582 thousand under stage 3 includes reserved interest of RO 24,168 thousand. Accordingly, the principal outstanding of RO 124,414 thousand was subject to ECL.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 7. Loans, advances and financing to customers (continued)

vii.Financial assets and financial liabilities (continued) (a)Classification of financial assets and financial liabilities

	Stage 1	Stage 2	Stage 3	RO'000 Total
Opening Balance- as at 1 January 2019				
- Due from banks	837	-	-	837
<ul> <li>Loans and advances to customers</li> </ul>	13,350	29,743	41,400	84,493
<ul> <li>Investment securities at FVOCI (Debt)</li> </ul>	266	-	-	266
- Loan commitments and financial	0.050	0.700		0.000
guarantees	3,258	6,722	-	9,980
- Acceptances	92	35 4 506	-	127
- Unutilised - Interest Accrued	1,343 61	1,596 103	-	2,939 164
Total	19,207	38,199	41,400	98,806
Total	13,207	30,133		30,000
Net transfer between stages				
- Loans and advances to customers	1,297	(4,726)	3,429	-
- Loan commitments and financial	(18)	18	· -	
guarantees				
- Acceptances	5	(5)	-	-
- Unutilised	(11)	11	-	-
- Interest accrued				
Total	1,273	(4,702)	3,429	-
Charge for the Period (net) - Due from banks	446			446
- Loans and advances to customers	416 (3,061)	1,040	- 24,176	416 22,155
- Investment securities at FVOCI (Debt)	(80)	1,040	24,170	(80)
- Loan commitments and financial	(00)	-	<u>-</u>	(80)
guarantees	(798)	557	_	(241)
- Acceptances	(19)	(12)	-	(31)
- Unutilised	559	(415)	-	144
- Interest accrued	(2)	` 33	-	31
Total	(2,985)	1,203	24,176	22,394
Written-off during the year	-	-	(12,570)	-
Closing Balance – as at 31 December 2019				
- Due from banks	1,253	-	-	1,253
- Loans and advances to customers	11,586	26,057	56,435	94,078
<ul><li>Investment securities at FVOCI (Debt)</li><li>Loan commitments and financial</li></ul>	186	-	-	186
guarantees	2,442	7,297	-	9,739
- Acceptances	78	18	-	96
- Unutilised	1,891	1,192	-	3,083
- Interest accrued	59	136		195
Total net exposure	17,495	34,700	56,435	108,630

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

- 7. Loans, advances and financing to customers (continued)
  - vi. Financial assets and financial liabilities (continued)
  - (b) Classification of financial assets and financial liabilities

30 <sup>th</sup> September 2020	Notes	FVTPL instruments RO'000	FVOCI – debt instruments RO'000	FVOCI – equity RO'000	Amortised cost RO'000	Total amount RO'000
Cash and balances with CBO	5	-	-	-	105,167	105,167
Loans and advances to banks	6	-	-	-	161,138	161,138
Loans and advances to customers	7	-	-	-	3,277,372	3,277,372
Investment securities	8	4,038	88,199	3,499	315,730	411,466
Other assets		2,447	-	-	143,314	145,761
	<del>-</del>	6,485	88,199	3,499	4,002,721	4,100,904
Due to banks	11	-	-	-	569,436	569,436
Deposits from customers	12	-	-	-	2,644,144	2,644,144
Subordinated liabilities	13	-	-	-	35,000	35,000
Other liabilities		-	-	-	157,145	157,145
	_	-	-	-	3,405,725	3,405,725

Other Assets includes RO **2,447** thousand of derivatives financial instruments mandatorily measured at FVPTL.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

- 7. Loans, advances and financing to customers (continued)
  - vi. Financial assets and financial liabilities (continued)
  - (b) Classification of financial assets and financial liabilities

30 <sup>th</sup> September 2019	Note s	FVTPL Instrument RO'000	FVOCI – debt Instruments RO'000	FVOCI – equity instrument RO'000	Amortised cost RO'000	Total RO'000
Cash and balances with CBO	5	-	-	-	261,049	261,049
Loans and advances to banks	6	-	-	-	261,391	261,391
Loans and advances to customers	7	-	-	-	3,043,378	3,043,378
Investment securities	8	4,203	61,192	3,671	262,251	331,317
Other assets		387	-	-	89,905	90,292
	_	4,590	61,192	3,671	3,917,974	3,987,427
Due to banks	11	-	-	-	390,147	390,147
Deposits from customers	12	-	-	-	2,726,341	2,726,341
Subordinated liabilities	13	-	-	-	63,875	63,875
Other liabilities		-	-	-	117,572	117,572
		-	-	-	3,297,935	3,297,935

Other Liabilities includes RO 387 thousand of derivatives financial instruments mandatorily measured at FVPTL.

31 December 2019	Notes	FVTPL	FVOCI – debt instruments	FVOCI – equity instrument	Amortised cost	Total carrying amount
Cash and balances with CBO	5	-	-	-	300,405	300,405
Loans and advances to banks	6	-	-	-	471,158	471,158
Loans and advances to customers	7	-	-	-	3,063,350	3,063,350
Investment securities	8	4,263	3,643	70,370	300,275	378,551
Other assets	11	1,435	-	-	88,834	90,269
		5,698	3,643	70,370	4,224,022	4,303,733
Due to banks	12	-	-	-	490,179	490,179
Deposits from customers	13	-	-	-	2,943,188	2,943,188
Subordinated liabilities	15	-	-	-	63,875	63,875
Other liabilities	14	-	-	-	116,649	116,649
		-	-	-	3,613,891	3,613,891

Other Assets includes RO 1,435 thousand of derivatives financial instruments mandatorily measured at FVPTL.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 8. Investments securities

	Unaudited 30 September 2020	Unaudited 30 September 2019	Audited 31 December 2019
Equity investments:	RO'000	RO'000	RO'000
Measured at FVTPL	1,699	1,864	1,884
Measured at FVOCI	3,499	3,671	3,643
Gross equity investments	5,198	5,535	5,527
Less: Impairment losses on investments			
Net equity investments	5,198	5,535	5,527
Debt investments:			
Designated at FVTPL	2,339	2,339	2,379
Measured at FVOCI	88,406	61,381	70,556
Measured at amortized cost	315,730	262,251	300,275
Gross debt investments	411,673	331,506	378,737
Total investment securities	411,673	331,506	378,737
Less: Impairment loss allowance	(207)	(189)	(186)
Total investment securities	411,466	331,317	378,551
	Unaudited	Unaudited	Audito d
	30	30	Audited 31
	September	September	December
	2020	2019	2019
	RO'000	RO'000	RO'000
Investment securities measured as at FVTPL	4,038	4,203	4,263
Investment securities measured at FVOCI Debt investments measured at amortised cost	91,698 315,730	64,863 262,251	74,013 300,275
2001 III OOLII OIII OIII OOLI OOLI	411,466	331,317	378,551

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 8. Investment securities (continued)

#### 8. 1 Categories of investments by measurement

As at 30 <sup>th</sup> September 2020 (Unaudited)	FVTPL RO'000	FVOCI RO'000	Amortized cost RO'000	Total RO'000
Quoted Equities:				
Other services sector	-	948	-	948
Unit funds	-	-	-	-
Financial services sector	-	123	-	123
Industrial sector	-	1,668	-	1,668
	-	2,739	-	2,739
Unquoted Equities:				
Local securities	-	760	-	760
-Unit funds	1,699	-	-	1,699
	1,699	760	-	2,459
Gross Equity investments	1,699	3,499		5,198
Quoted Debt:				
Government Bonds and Sukuk	-	59,694	315,730	375,424
Foreign Bonds	2,339	403	-	2,742
Local Bonds and Sukuks	-	28,309	-	28,309
Treasury Bills	<u> </u>	<u>-</u>	<u>-</u>	
Gross debt investments	2,339	88,406	315,730	406,475
Total Investment Securities	4,038	91,905	315,730	411,673
Less: Impairment losses on investments	-	(207)	-	(207)
•	4,038	91,698	315,730	411,466

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments	FVOCI Equity investment	Amortised cost	FVTPL	Total
	RO 000's	RO 000's	RO 000's	RO 000's	RO 000's
At 1 January 2020	70,555	3,644	300,275	4,263	378,737
Additions	21,165	-	19,455	- (4 <i>EE</i> )	40,620 (5,637)
Disposals and redemption Gain/(Loss) from change	(1,482)	<u>-</u>	(4,000)	(155)	(5,637)
in fair value	(1,780)	(145)	-	(70)	(1,995)
Amortization of discount /					
premium	(52)	-	-	-	(52)
<b>Total Investment Securities</b>	88,406	3,499	315,730	4,038	411,673
Less: Impairment losses on					
investments	(207)				(207)
At 30 September 2020	88,199	3,499	315,730	4,038	411,466

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 8. Investment securities (continued)

#### 8. 1 Categories of investments by measurement

FVTPI	FVOCI	Amortized	Total
			RO'000
-	1,140	-	1,140
146	-	-	146
-	155	-	155
-	1,655	-	1,655
146	2,950	-	3,096
	_		_
-	721	-	721
1,718		<u>-</u>	1,718
1,718	721	-	2,439
1,864	3,671		5,535
-	17.633	262.251	279,884
2,339	,	-	17,052
-	29,035	-	29,035
-	-	-	-
2,339	61,381	262,251	325,971
4,203	65,052	262,251	331,506
-	(189)	-	(189)
4,203	64,863	262,251	331,317
	146  1,718  1,718  1,864  2,339  - 2,339  4,203	RO'000       RO'000         -       1,140         146       -         -       1,655         -       1,655         146       2,950         -       721         1,718       -         1,718       721         1,864       3,671         -       17,633         2,339       14,713         -       29,035         -       -         2,339       61,381         4,203       65,052         -       (189)	FVTPL RO'000         FVOCI RO'000         cost RO'000           -         1,140         -           146         -         -           -         1,655         -           -         1,655         -           146         2,950         -           -         721         -           1,718         -         -           1,718         721         -           1,864         3,671         -           -         17,633         262,251           2,339         14,713         -           -         29,035         -           -         -         -           2,339         61,381         262,251           4,203         65,052         262,251           -         (189)         -

The movements in investment securities are summarised as follows:

	FVOCI Debt instruments	FVOCI Equity investment	Amortised cost	FVTPL RO	Total
	RO 000's	RO 000's	RO 000's	000's	RO 000's
At 1 January 2019	45,412	4,118	250,917	4,140	304,587
Additions	15,736	7	11,334	88	27,165
Disposals and redemption Gain/(Loss) from change	(1,007)	-	-	(77)	(1,084)
in fair value Amortization of discount /	1,240	(454)	-	52	838
premium		<u> </u>			
Total Investment					
Securities	61,381	3,671	262,251	4,203	331,506
Less: Impairment losses					
on investments	(189)	-	-	-	(189)
At 30 September 2019	61,192	3,671	262,251	4,203	331,317

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 8. Investment securities (continued)

#### 8. 1 Categories of investments by measurement

As at 31 December 2019	FVTPL	FVOCI	Amortized cost	Total
	RO'000	RO'000	RO'000	RO'000
Quoted Equities:				
Other services sector	-	1,082	-	1,082
Unit funds	153	-	-	153
Financial services sector	-	155	-	155
Industrial sector -		1,685		1,685
	153	2,922		3,075
Unquoted Equities:				
Local securities	-	721	-	721
Unit funds	1,731			1,731
	1,731	721		2,452
Gross Equity investments	1,884	3,643		5,527
Quoted Debt:				
Government Bonds and sukuk	-	41,127	269,358	310,485
Foreign Bonds	2,379	393	-	2,772
Local bonds and sukuks		29,036	917	29,953
Treasury Bills			30,000	30,000
Gross debt investments	2,379	70,556	300,275	373,210
Total Investment Securities	4,263	74,199	300,275	378,737
Less: Impairment losses on investments		(186)		(186)
	4,263	74,013	300,275	378,551

The movements in investment securities are summarised as follows:

	FVOCI Debt instrument s	FVOCI Equity investment	Amortised cost	FVTPL RO	Total
	RO 000's	RO 000's	RO 000's	000's	RO 000's
At 1 January 2019	45,413	4,118	250,927	4,140	304,598
Additions	50,418	7	179,371	88	229,884
Disposals and redemption	(26,948)	-	(130,023)	(77)	(157,048)
Gain /(loss) from change					
in fair value	1,681	(482)	-	112	1,311
Realised gains on sale	(8)				(8)
At 31 December 2019	70,556	3,643	300,275	4,263	378,737
Less: Impairment losses					
on investments	(186)	-	-	-	(186)
31 December 2019	70,370	3,643	300,275	4,263	378,551

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 9. Intangible asset

9. Illiangible asset			
-	Unaudited	Unaudited	Audited
	30	30	31
	September	September	December
	2020	2019	2019
	RO'000	RO'000	RO'000
Goodwill net of impairment	99	496	397
	99	496	397

Intangible asset represents goodwill which resulted from the acquisition of branches of the Commercial Bank of Oman in the year 2001 and merger with Majan International Bank in the year 2003. Goodwill is tested for impairment each year. An assessment has been made to establish projected future cash flows associated with the cash generating unit (CGU) by using discount rate equivalent to cost of funds of the Bank.

### 10. Property and equipment

Unaudited	Unaudited	Audited
30	30	31
September	September	December
2020	2019	2019
RO'000	RO'000	RO'000
19,565	18,307	18,025
906	1,153	1,147
20,471	19,460	19,172
	30 September 2020 RO'000 19,565 906	30 30 September September 2020 2019 RO'000 RO'000  19,565 18,307 906 1,153

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 11. Due to banks

11. Due to balles			
	Unaudited	Unaudited	Audited
	30	30	31
	September	September	December
	2020	2019	2019
	RO'000	RO'000	RO'000
Syndicated Inter bank borrowings	335,250	335,250	192,500
Interbank borrowings	234,016	54,639	297,368
Payable on demand	170	258	311
	569,436	390,147	490,179

At 30 September 2020, Two borrowing with one banks represented 20% or more of the Bank's total interbank borrowings (30 September 2019 two borrowings and 31 December 2019: One bank). The Bank has not had any defaults of principal, interest or other breaches during the year on its borrowed funds.

12. Deposits from customers - Conventional Banking

	Unaudited	Unaudited	Audited
	30	30	31
	September	September	December
	2020	2019	2019
	RO'000	RO'000	RO'000
Current accounts Savings accounts Time and certificate deposits Margin accounts	486,512	585,346	621,320
	494,059	454,907	457,380
	1,309,041	1,318,244	1,449,677
	10,313	8,770	9,590
	2,299,925	2,367,267	2,537,967
Deposits from customers - Islamic Banking			·
	Unaudited	Unaudited	Audited
	30	30	31
	September	September	December
	2020	2019	2019
	RO'000	RO'000	RO'000
Current accounts Savings accounts Time deposits Margin accounts	119,553 47,611 173,883 3,172	86,513 37,404 231,619 3,538	112,498 39,319 253,404
	344,219	359,074	405,221

Consolidated Current accounts and time deposits include deposits from the Government of the Sultanate of Oman and its entities amounting to RO 910.3 million (30 September 2019 - RO 1,052.2 million, 31 December 2019 - RO 1,160.6 million)

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 13. Subordinated loan

"Subordinated loan-US Dollars, RO 28,875 thousand was repaid during the period ended 30 March 2020, upon maturity of the loan, corresponding subordinated loan reserve has been transferred to retained earnings"

	Unaudited	Unaudited	Audited
	30	30	31
	September	September	December
	2020	2019	2019
	RO'000	RO'000	RO'000
Subordinated loan - US Dollar	-	28,875	28,875
Subordinated loan - RO	35,000	35,000	35,000
	35,000	63,875	63,875

### 14. Share capital

The authorised share capital consists of 5,000,000,000 ordinary shares of RO 0.100 each (2019: 5,000,000,000 shares of RO 0.100 each).

The Board of Directors in their meeting held on 28th January 2020 proposed a total cash dividend of 7% (RO 20.98 million) for the year 2019 (2018: 10%, RO 28 million), made up of a) 3% (amounting to RO 8.99 million) from the Retained Earnings and b) 4% (amounting to RO 11.99 million) from the Special Reserve Account and nil bonus shares issue for year 2019 (2018: 7%), (2018: 196,022,991 shares) of RO 0.100 each, subject to the approval of Central Bank of Oman (CBO) and shareholders. CBO approved only the 3% cash dividend component of the total proposed 7% cash dividend. The shareholders of the Bank in the Annual General Meeting (AGM) held on 2 June 2020 ratified the 3% cash dividends that were paid in March 2020.

#### **Shareholders**

The following shareholders of the Bank own 10% or more of the Bank's share capital: -

	Unaudited 30 September 2020		ember 2020 30 September 2019			
	No of shares	%	No of shares	%	shares	%
Dhofar International Development and Investment Company SAOG Eng. Abdul Hafidh Salim	730,570,498	24.4%	730,570,498	24.4%	730,570,498	24.4%
Rajab Al Ojaili and his related Companies	702,668,215	23.4%	702,668,215	23.4%	702,668,215	23.4%
Civil Service Employees Pension Fund	313,167,653	10.5%	314,070,420	10.5%	314,256,261	10.5%
Total Others	1,746,406,366 1,249,945,070	58.3% 41.7%	1,747,309,133 1,249,042,303	58.3% 41.7%	1,747,494,974 1,248,856,462	58.3% 41.7%
	2,996,351,436	100%	2,996,351,436	100%	2,996,351,436	100%

The Bank's Islamic Banking Window, "Maisarah" Islamic Banking Services has an allocated capital of RO 70 million in respect of Islamic Banking Window from the core paid up capital of the Bank as of 30<sup>th</sup> September 2020.

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 14. Share capital (Continued)

#### **Tier 1 USD Securities**

On 27 May 2015, the Bank issued Perpetual Tier 1 USD Capital Securities (the "Tier 1 USD Securities"), amounting to USD 300,000 thousand. The Tier 1 USD Securities are listed on Irish Stock Exchange.

The Tier 1 USD Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 USD Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion on 27 May 2020 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority. However, due to prevailing Covid-19 global pandemic and market conditions at that time, the Bank was not able to exercise the option at the First Call Date.

The Tier 1 USD Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 6.85%. Thereafter the interest rate will be reset at five-year intervals. As specified in the terms and conditions of the Tier 1 USD Securities, the interest for the five-year reset period is at fixed annual rate of 5.519% from the First Call Date. Interest will be payable semi-annually in arrears and treated as deduction from equity.

#### **Tier 1 RO Securities**

On 27 December 2018, the Bank issued additional Perpetual Tier 1 Capital Securities (the "Tier 1 RO Securities"), amounting to RO 40,000 thousand. The Tier 1 RO Securities are listed on Muscat Securities Market.

The Tier 1 RO Securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 RO Securities do not have a fixed or final maturity date. They are redeemable by the Bank at its discretion on 27 December 2023 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

The Tier 1 RO Securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 7.50%. Thereafter the interest rate will be reset at five year intervals. Interest is payable semi-annually in arrears and treated as deduction from equity

The Bank at its sole discretion may elect not to distribute interest on both perpetual Tier 1 capital securities and this is not considered an event of default. If the Bank does not pay interest on the Tier 1 USD Securities and/or Tier 1 RO Securities, on a scheduled interest payment date (for whatever reason), then the Bank must not 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 Tier 1 USD Securities and Tier 1 RO Securities unless and until it has paid one interest payment in full on the Tier 1 USD Securities and Tier 1 RO Securities. The Tier 1 USD Securities and Tier 1 RO Securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders of the Securities in certain circumstances.

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

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 15. Net assets per share

Net assets per share are calculated by dividing the net assets attributable to equity holders of the bank at the period end by the number of shares outstanding at period end as follows:

	Unaudited 30 September 2020	Unaudited 30 September 2019	Audited 31 December 2019
Net assets (RO)	540,812,000	531,352,000	530,655,000
Number of shares outstanding at the end of the period / year	2,996,351,436	2,996,351,436	2,996,351,436
Net assets per share (RO)	0.180	0.177	0. 177

#### 16. Interest income

Conventional Banking	Unaudited 30 September 2020 RO'000	Unaudited 30 September 2019 RO'000
Loans and advances Due from banks Investments	111,978 6,914 12,353	116,018 12,802 9,280
Total	131,245	138,100
Islamic Banking	Unaudited 30 September 2020 RO'000	Unaudited 30 September 2019 RO'000
-		
Islamic financing receivables Islamic due from banks Investment	20,179 17 2,302	17,394 123 1,631
Total	22,498	19,148

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 17. Interest expense / distribution to depositors

Conventional Banking Customers' deposits	Unaudited 30 September 2020 RO'000 (54,582)	Unaudited 30 September 2019 RO'000 (52,866)
Interest deposits to Banks	(8,533)	(10,809)
Total	(63,115)	(63,675)
	Unaudited 30	Unaudited 30
Islamic Banking	September 2020 RO'000	September 2019 RO'000
Customers' deposits		
Islamic financing receivables	(9,753)	(9,073)
Islamic Bank borrowing	(1,477)	(865)
Total	<u>(11,230)</u>	(9,938)

### 18. Earnings per share (basic and diluted)

The calculation of basic and diluted earnings per share is based on profit for the Nine-month period ended 30th September 2020 attributable to ordinary shareholders as follows:

Profit for the period (RO'000) Less: Additional Tier 1 Coupon (RO'000) Profit for the period attributable to equity holders of the Bank (RO'000) Weighted average number of shares outstanding during the period Earnings per share basic and diluted (RO)  Less: Unaudited 30 30 30 30 30 30 30 30 30 30 30 30 30	September 2020 attributable to ordinary shareholders as folio	ows.	
Profit for the period (RO'000) Less: Additional Tier 1 Coupon (RO'000) Profit for the period attributable to equity holders of the Bank (RO'000) Weighted average number of shares outstanding during the period  September 2020 2019  26,635 (5,460) (5,460) 21,175 20,469  2,996,351,436		Unaudited	Unaudited
Profit for the period (RO'000) Less: Additional Tier 1 Coupon (RO'000) Profit for the period attributable to equity holders of the Bank (RO'000) Weighted average number of shares outstanding during the period  26,635 25,921 (5,460) (5,452)  21,175 20,469  2,996,351,436		30	30
Profit for the period (RO'000) Less: Additional Tier 1 Coupon (RO'000) Profit for the period attributable to equity holders of the Bank (RO'000) Weighted average number of shares outstanding during the period  26,635 25,921 (5,460) (5,452)  21,175 20,469  2,996,351,436		September	September
Less: Additional Tier 1 Coupon (RO'000) (5,460) (5,452)  Profit for the period attributable to equity holders of the Bank (RO'000) 21,175 20,469  Weighted average number of shares outstanding during the period 2,996,351,436		2020	•
Profit for the period attributable to equity holders of the Bank (RO'000)  Weighted average number of shares outstanding during the period  21,175  20,469  2,996,351,436  2,996,351,436	Profit for the period (RO'000)	26,635	25,921
Profit for the period attributable to equity holders of the Bank (RO'000)  Weighted average number of shares outstanding during the period  21,175  20,469  2,996,351,436  2,996,351,436	Less: Additional Tier 1 Coupon (RO'000)	(5,460)	(5,452)
Weighted average number of shares outstanding during the period 2,996,351,436 2,996,351,436	Profit for the period attributable to equity holders of the		
during the period	Bank (RO'000)	21,175	20,469
during the period			
g ,		2,996,351,436	2,996,351,436
Earnings per share basic and diluted (RO) 0.007 0.007	during the period	<del></del>	
	Earnings per share basic and diluted (RO)	0.007	0.007

Earnings per share (basic and diluted) have been derived by dividing the profit for the period attributable to equity holders of the bank after coupon on Tier I capital securities by the number of shares outstanding. As there are no dilutive potential shares issued by Bank, the diluted earnings per share is identical to the basic earnings per share.

For the purpose of earning per share calculation, the Bank has restated the previous year weighted average number of shares outstanding to include the 7% bonus shares of 196,022,991 shares issued in the first quarter of 2019.

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 19. Related parties' transactions

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

amounts of balances with such related parties are as follows.	Unaudited 30 September	Unaudited 30 September	Audited 31 December
	2020	2019	2019
Leans, advances and financing	RO'000	RO'000	RO'000
Loans, advances and financing Directors and shareholders holding 10% or more interest			
in the Bank	52,239	32,857	42,445
Other related parties	24,708	24,808	25,755
	76,947	57,665	68,200
Subordinated loans			
Directors and shareholders holding 10% or more interest in the Bank	15 000	23,663	23,663
Other related parties	15,000 14,000	19,775	19,775
Other related parties	29,000	43,438	43,438
		= 40,400	
Deposits and other accounts			
Directors and shareholders holding 10% or more interest in the Bank	169,191	127,781	125,597
Other related parties	160,303	196,050	213,739
	329,494	323,831	339,336
Contingent liabilities and commitments		<del></del>	<del></del>
Directors and shareholders holding 10% or more interest			
in the Bank	3,443	571	3,305
Other related parties	6,244	5,945	5,201
	9,687	6,516	8,506
Remuneration paid to Directors Chairman			
<ul><li>remuneration paid</li></ul>	15	16	15
- sitting fees paid	6	9	10
Other Directors  – remuneration paid	100	108	100
- sitting fees paid	61	63	75
5g	182	196	200
Other transactions			
Rental payment to related parties	419	547	564
Other transactions	2,071	2,434	2,894
Remuneration and fees paid to Sharia' Board of Islamic Banking Window	47	40	48

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 19. Related parties' transactions (continued)

The details of single borrower and senior member borrowings as per the guidance available in regulatory requirements of Central Bank of Oman are set out as follows:

### (a)Senior members

	Unaudited 30	Unaudited 30	Audited 31
	September 2020 RO'000	September 2019 RO'000	December 2019 RO'000
Total exposure: Direct Indirect	85,068 9,687	63,078 6,612	74,534 8,507
	94,755	69,690	83,041
Number of members	<u>40</u>	42	47

### 20. Contingent liabilities

Letters of credit, guarantees and other commitments provided by the Bank to the customers are as follows:

	Unaudited	Unaudited	Audited
	30	30	31
	September	September	December
	2020	2019	2019
	RO'000	RO'000	RO'000
Letters of credit Guarantees and performance bonds	66,344 643,250 709,594	104,047 744,073 848,120	88,954 721,976 810,930

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 21. Disaggregation of net fees and commission income

As of 30 <sup>th</sup> September 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	2,730	418	175	3,323
Trade services	4	4,594	77	4,675
Syndication and other financing related services	391	1,861	158	2,410
Advisory and asset management services	-	63	196	259
Net fee and commission income	3,125	6,936	606	10,667

### Disaggregation of net fees and commission income

As of 30 <sup>th</sup> September 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	2,719	2,649	61	5,429
Trade services	13	3,469	303	3,785
Syndication and other financing related services	687	1,152	59	1,898
Advisory and asset management services	-	216	150	366
Net fee and commission income	3,419	7,486	573	11,478

### Disaggregation of net fees and commission income

As of 31 <sup>st</sup> December 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investment banking RO'000	Total RO'000
Transactional services	3,400	-	62	3,462
Trade services Syndication and other financing related	13	8,130	279	8,422
services	862	2,608	202	3,672
Advisory and asset management services	-	263	209	472
Net fee and commission income	4,275	11,001	752	16,028

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 22. Risk Management

The interim disclosures prepared as per guidance available in regulatory requirements of the Central Bank of Oman are set out as follows:

#### (a) Credit Risk

#### vii.Impact of Covid-19 on the Bank's operations and financials

The currently known impacts of COVID-19 on the Bank are:

- i) Major component of the, RO 3.13 million, 3.17% year-on-year decline in the total operating income for the nine-month period ended 30 September 2020 (RO 95.47 million) compared with the same period in 2019 (RO 98.60 million). Bank is complying with the policy measures taken by the Regulators to support the economy, including waiving interest income, charges, deferring Instalments for customers who are affected by the current market conditions.
- ii) Net provisions (Expected Credit Loss 'ECL') of RO 11.74 million for year-to-date 30 September 2020 includes a significant management overlay of expected credit losses. Net provisions of RO 16.38 million for year-to-date 2019 (previous year) includes classification of certain large accounts.
- iii) The customer deposits decreased 3.30% from RO 2.73 billion as at 30 September 2019 to RO 2.64 billion as at 30 September 2020. Bank has taken measures to maintain the required level of liquidity at higher cost of funding compared to same period last year.
- iv) In line with local health authorities' guidelines, putting safety of customers and employees, certain branch locations were closed for certain period during the first half of 2020 and all required measures are put in place at all branches and head office locations.
- v) Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the bank might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2020. The exact impact on our activities in the remainder of 2020 and thereafter cannot be predicted.

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 22. Risk Management (continued)

**Credit Risk (continued)** 

### **Customer concentrations**

		Assets			Liabilities	
	Gross	Gross	_	Deposits	Due to	Contingent
	loans and	Loans,	Investment	from	banks	liabilities
	financing	advances and	Securities	customers		
	to banks	financing to				
	D01000	customers	D01000	D01000	501000	D.01000
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
30 September 2020		4 004 007		600 070		400
Personal	164 960	1,261,687	- 36,248	699,378	200 4 4 7	120
Corporate Government	161,860	1,819,327 328,567	36,246 375,425	1,034,483 910,283	390,147	709,091 383
Government		320,307	373,423	910,203		
	161,860	3,409,581	411,673	2,644,144	390,147	709,594
30 September 2019						
Personal	-	1,304,843	-	658,461	-	4,316
Corporate	262,255	1,602,212	51,622	1,015,663	390,147	824,954
Government		247,419	279,884	1,052,217		18,850
	262,255	3,154,474	331,506	2,726,341	390,147	848,120
31 December 2019	<del></del>		<del></del>	<del></del> _		<u> </u>
Personal	_	1,286,585	_	641,452	_	3,875
_	470 444		27 225	· ·	400 470	·
Corporate	472,411	1,646,270	37,335	1,141,100	490,179	788,609
Government		248,742	341,402	1,160,636		18,446
	472,411	3,181,597	378,737	2,943,188	490,179	810,930

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 22. Risk Management (continued)

#### **Credit Risk (continued)**

#### **Credit Quality Analysis**

The financial assets have been segregated into various portfolios like exposure to Banks, Sovereign, Wholesale Banking and Retail customers. Exposure to Retail customer includes personal loans, housing loans and credit cards. Exposure to Wholesale Banking customer includes exposure other than retail and bank exposure.

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The following table provides the exposure to non-trading financial assets measured at amortized cost & FVOCI. Exposure to financial asset includes outstanding as at 30 September 2020:

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 22. Risk Management (continued)

Credit Risk (continued)

Inputs, assumptions and techniques used for estimating impairment

#### a. Significant increase in credit risk (SICR)

The assessment of SICR since origination of a financial asset considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking information. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap.

For retail exposures, a significant increase in credit risk cannot be assessed using forward looking information at an individual account level. Therefore, the assessment is done at the segment level. Segment migration thresholds exist for each PD model by product which considers the proportionate change in PD as well as the absolute change in PD. The thresholds used for PD migration are reviewed and assessed at least annually, unless there is a significant change in credit risk management practices in which case the review is brought forward.

For non-retail exposures the Bank uses an internal risk rating scale (IG codes) for its non-retail exposures. All non-retail exposures have an IG code assigned that reflects the probability of default of the borrower. Both borrower specific and non-borrower specific (i.e. macroeconomic) forward looking information is considered and reflected in the IG rating. Significant increase in credit risk is evaluated based on the migration of the exposures among IG codes.

#### Incorporation of forward looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 25% probability of occurring. External information considered includes economic data and forecasts published by monetary authorities and selected private-sector forecasters. A comprehensive review is performed at least annually on the design of the scenarios by the Bank's senior management.

### 23. Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders within acceptable risk return framework. The Bank's overall strategy remains unchanged from prior year.

The capital base of the Bank consists of debt, which includes borrowings and equity attributable to shareholders of the Bank.

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

# 23. Capital risk management (continued) Capital adequacy

The ratio of equity to risk weighted assets, as formulated by the Basel II and Basel III, for nine-month period ended 30<sup>th</sup> September 2020 is 17.48% (30 September 2019 – 18.11%, 31 December 2019 – 17.86%).

Capital structure	Unaudited 30 September 2020	Unaudited 30 September 2019	Audited 31 December 2019
Common Equity Tion (CET) I/ TIER I CARITAL	RO'000	RO'000	RO'000
Common Equity Tier (CET) I/ TIER I CAPITAL Paid up capital Legal reserve Share premium Special reserve	299,635 58,966 95,656 17,488	299,635 55,878 95,656 18,488	299,635 58,966 95,656 18,488
Subordinated bonds and loan reserve Retained earnings	14,000 11,332	30,100 2,463	42,875 1,447
CET I/Tier I Capital Additional Tier I regulatory adjustments:	497,077	502,220	517,067
Deferred tax Assets Goodwill Special revaluation reserve investment IFRS9 Negative investment revaluation reserve	(1,028) (99) (709) (2,882)	(1,028) (496) (709) (1,510)	(1,028) (397) - (2,245)
-		· · · · ·	
Total CET 1 capital	492,359	498,477	513,397
Additional Tier I capital (AT1)	155,500	155,500	155,500
Total Tier 1 Capital (T1=CET1+AT1)	<u>647,859</u>	<u>653,977</u>	668,897
TIER II CAPITAL			
Investment revaluation reserve General provision Subordinated loan	163 33,031 21,000	210 38,876 33,775	370 38,315 21,000
Total Tier II capital	54,194	72,861	59,685
Total eligible capital	702,053	726,838	728,582
Risk weighted assets Banking book Trading book Operational risk	3,690,961 62,359 263,487	3,566,273 189,509 258,086	3,671,420 143,412 263,487
Total	4,016,807	4,013,868	4,078,319
Total Tier 1 Capital (T1=CET1+AT1) Tier II capital	647,859 54,194	653,977 72,861	668,897 59,685
Total regulatory capital	702,053	726,838	728,582
Common Equity Tier 1 ratio	12.26%	12.42%	12.59%
Tier I capital ratio	16.13%	16.29%	16.40%
Total capital ratio	17.48%	18.11%	17.86%

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 24. Fair value information

#### Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 September 2020	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000	Cost RO'000
Financial asset					
Investments at FVOCI	91,856	-	760	92,616	95,403
Investments at FVTPL	2,338	-	1,699	4,037	4,404
Forward foreign exchange contracts	-	2,447	-	2,447	2,447
Total assets	94,194	2,447	2,459	99,100	102,254
At 30 September 2019	Level 1	Level 2	Level 3	Total	Cost
At 30 September 2019	RO'000	RO'000	RO'000	RO'000	RO'000
Financial assets	100000	10000	10000	10000	100 000
Investments at FVOCI	64,331	721	_	65,052	66,650
Investments at FVTPL	2,339	1,864	_	4,203	4,546
Forward foreign exchange contracts	-	387	_	387	387
Total assets	66,670	2,972		69,642	71,583
Total assets	00,070	2,372		09,042	71,303
At 31 December 2019	Level 1	Level 2	Level 3	Total	Cost
	RO '000	RO '000	RO '000	RO '000	RO '000
Financial assets					
Investments at FVOCI	73,478	-	721	74,199	74,825
Investments at FVTPL	2,532	-	1,731	4,263	4,485
Derivative financial instruments				,	•
Forward foreign exchange contracts	-	1,435	-	1,435	-
Total	-	1,435	-	1,435	-
<del>-</del>	76,010	1,435	2,452	79,897	79,310

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index process and expected price volatilities and correlations.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 24. Fair value information

Currency options bought Currency options sold

At 30 September 2020	Contract / notional	Fair value increas	se / decrease
	amount RO'000	Assets RO'000	Liabilities RO'000
Derivatives: Currency forward - purchase contracts Currency forward - sales contracts Interest rate swaps – purchase	1,130,743 1,124,091 171,386.5	- 3,290	843 - -
contracts Interest rate swaps – sales contracts	171,386.5	11,029 -	11,029
At 30 September 2019		Fair value increas	e / decrease
At 30 September 2019	Contract / notional		
	amount	Assets	Liabilities
	RO'000	RO'000	RO'000
Derivatives:			0.040
Currency forward - purchase contracts Currency forward - sales contracts	1,493,247 1,486,982	- 4,204	3,818
Interest rate swaps – purchase contracts	84,724	4,204	-
Interest rate swaps – sales contracts	84,724	5,062	5,062
Currency options sold	307 307		
At 31 December 2019	_	Fair value increas	e / decrease
	Contract / notional		
	amount	Assets RO'000	Liabilities RO'000
Derivatives:	RO'000	KO 000	KO 000
Currency forward - purchase contracts	1,299,659	3,150	-
Currency forward - sales contracts Interest rate swaps – purchase	1,292,127	-	1,715
contracts	83,244	3,419	-
Interest rate swaps – sales contracts	83,244	-	3,419

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# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

#### 25. Segmental information

The Bank is organised into three main business segments:

- a) Retail banking incorporating private customer current accounts, savings, deposits, investment savings products, custo dy, credit and debit cards, consumer loans and mortgages;
- b) Corporate banking incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products; and
- c) Treasury and investments

Other operations comprise investment management and institutional finance neither of which constitutes a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Bank's cost of capital. There are no other material items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation and borrowings.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 25. Segmental information (continued)

Included in the segment information the consolidated results of the Bank as below:

At 30 September 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues Other revenues (net of commission expense)	53,511 3,125	78,626 7,040	21,606 5,902	153,743 16,067
Total	56,636	85,666	27,508	169,810
Interest, Islamic Window Deposit expenses	(23,778)	(40,557)	(10,010)	(74,345)
Net operating income	32,858	45,109	17,498	95,465
Segment cost Operating expenses including depreciation	(25,012)	(23,142)	(4,270)	(52,424)
Impairment for loans and investment net recoveries from allowance for loans impairment	(1,964)	(10,185)	406	(11,743)
Profit from operations after provision	5,882	11,782	13,634	31,298
Tax expenses	(876)	(1,756)	(2,031)	(4,663)
Profit for the period	5,006	10,026	11,603	26,635
Segment assets	1,314,089	2,255,583	688,285	4,257,957
Less: Impairment allowance	(55,308)	(77,130)	(934)	(133,372)
Total segment assets	1,258,781	2,178,453	687,351	4,124,585
Segment liabilities	738,685	2,067,869	621,719	3,428,273

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 25. Segmental information (continued)

Included in the segment information the results of Islamic Banking Window as below:

At 30 September 2020	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues Other revenues (net of commission expense)	6,934 160	13,245 868	2,319 288	22,498 1,316
Segment operating revenues	7,094	14,113	2,607	23,814
Unrestricted investment account holders' share of profit and profit expense	(2,090)	(7,663)	(1,477)	(11,230)
Net operating income	5,004	6,450	1,130	12,584
Segment cost Operating expenses including depreciation Impairment allowance	(1,800) (274)	(3,180) (758)	(1,020) 1	(6,000) (1,031)
Profit for the period	2,930	2,512	111	5,553
Segment assets Less: Impairment allowance	179,940 (743)	315,977 (6,265)	96,404 (126)	592,321 (7,134)
Total segment assets	179,197	309,712	96,278	585,187
Segment liabilities	84,810	265,603	56,387	406,800

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 25. Segmental information (continued)

Included in the segment information the consolidated results of the Bank as below:

At 30 September 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues Other revenues (net of commission expense)	57,351 3,419	75,952 7,646	23,945 3,900	157,248 14,965
Segment operating revenues	60,770	83,598	27,845	172,213
Interest, Islamic Window Deposit expenses				
	(24,191)	(37,748)	(11,674)	(73,613)
Net operating income	26 F70	4E 9E0	16,171	00 600
Segment cost	36,579	45,850	10,171	98,600
Operating expenses including	(26,016)	(22,507)	(3,252)	(51,775)
depreciation Impairment for loans and investment net recoveries from allowance for loans impairment	(314)	(16,442)	372	(16,384)
Profit from operations after provision	10,249	6,901	13,291	30,441
Tax expenses	(1,522)	(1,025)	(1,973)	(4,520)
Profit for the period	8,727	5,876	11,318	25,921
Segment assets	1,428,121	2,060,961	633,725	4,122,807
Less: Impairment allowance	(56,539)	(54,758)	(1,056)	(112,353)
Total segment assets	1,371,582	2,006,203	632,669	4,010,454
Segment liabilities	719,087	2,197,979	406,536	3,323,602

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 25. Segmental information (continued)

Included in the segment information the results of Islamic Banking Window as below:

At 30 <sup>th</sup> September 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues Other revenues (net of commission expense)	6,736 162	10,658 1,306	1,754 287	19,148 1,755
Segment operating revenues	6,898	11,964	2,041	20,903
Unrestricted investment account holders' share of profit and profit expense	(1,569)	(7,504)	(865)	(9,938)
Net operating income	5,329	4,460	1,176	10,965
Segment cost Operating expenses including depreciation	(2,786)	(2,530)	-	(5,316)
Impairment allowance	(91)	(942)	32	(1,001)
Bad Debts Written	(3)	-	-	(3)
Profit for the period	2,449	988	1,208	4,645
Segment assets Less: Impairment allowance	<b>174,072</b> (489)	<b>285,470</b> (5,525)	<b>101,641</b> (156)	<b>561,183</b> (6,170)
Total segment assets	173,583	279,945	101,485	555,013
Segment liabilities	92,968	274,648	61,081	428,697

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 25. Segmental information (continued)

Included in the segment information the consolidated results of the Bank is as below:

At 31 December 2019 banking banking RO'000 RO'000	investments RO'000	Total RO'000
Segment operating revenues 75,988 100,989 Other revenues (net of commission 4,279 11,160 expense)	31,388 5,467	208,365 20,906
Total 80,267 112,149	36,855	229,271
Interest, Islamic Window Deposit (30,205) (51,089) expenses	(18,013)	(99,307)
Net operating income 50,062 61,060	18,842	129,964
Segment cost Operating expenses including (35,867) (30,130) depreciation Impairment for loans and	(5,477)	(71,474)
investment net recoveries from (719) (21,424)	(251)	(22,394)
allowance for loans impairment Bad Debts Written (4) -	-	(4)
Profit from operations after 13,472 9,506	13,114	36,092
provision Income tax expenses (2,183) (1,540)	(2,125)	(5,848)
Net profit for the year 11,289 7,966	10,989	30,244
Segment assets 1,376,470 2,071,420	997,836	4,445,726
Less: Impairment allowance (56,332) (62,110)	(1,439)	(119,881)
Total segment assets <u>1,320,138</u> <u>2,009,310</u>	996,397	4,325,845
<b>Segment liabilities</b> 675,099 2,385,730	565,943	3,626,772
Add: Impairment allowance12411,898_	896	12,918
Segment liabilities <u>675,223</u> <u>2,397,628</u>	566,839	3,639,690

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE -MONTH PERIOD ENDED 30 SEPTEMBER 2020

### 25. Segmental information (continued)

Included in the segment information the results of Islamic Banking Window as below:

At 31 December 2019	Retail banking RO'000	Corporate banking RO'000	Treasury and investments RO'000	Total RO'000
Segment operating revenues Other revenues (net of commission	9,073	14,778	2,389	26,240
expense	223	1,465	693	2,381
Total	9,296	16,243	3,082	28,621
Unrestricted investment account holders' share of profit and profit expense	(1,777)	(10,566)	(1,479)	(13,822)
Net operating income Segment cost	7,519	5,677	1603	14,799
Operating expenses including depreciation	(3,676)	(2,446)	(970)	(7,092)
Impairment allowance Bad Debts Written	(58) (3)	(737)	61 -	(734) (3)
Profit before tax	3,782	2,494	694	6,970
Segment assets Less: Impairment allowance	175,792 (456)	282,850 (5,413)	132,286 (127)	590,928 (5,996)
Total segment assets	175,336	277,437	132,159	584,932
Segment liabilities Add: Impairment allowance	63,995 1	350,385 268	36,327	450,707 269
Segment liabilities	63,996	350,653	36,327	450,976

### 26 Comparative figures

Certain comparative figures have been reclassified in order to conform the presentation for the current year. These have no impact on the profit for the year or total equity. The details are as follows:

### a) Income reclassified;

	September	September	December
	2020	2019	2019
		Revised	Revised
	RO 000	RO 000	RO 000
Interest Income	153,743	157,248	208,365
Interest Income Reported in 2019	-	146,696	194,138
Other Income.	-	4,894	6,679
Other Income Reported in 2019	-	15,446	20,906